

Confidential Impunity

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Confidential impunity

The purpose of this document is to show what I said in my answers to the authorities when they investigated the “London whale” scandal. There will be in particular many extracts from my FCA “compelled interview” that already displayed in early July 2013 what my story would be. In plain dismissal of what the WSJ (part of the DOW Jones company group) would confusingly state in August 3rd 2017, this story of mine would never change in the future. As the following extracts will exhibit, this “story” of July 2013 is the only one that would start being publicly disclosed in my 4 page summary letter of February 2016. It had been then broadly distributed to major press agencies and some media outlets. All the authorities had the leisure to cross examine me on the contents of these 4 pages... or drop the case already....

It turns out that the 4 pages summarized the same story that will emerge through my SEC deposition of September 2016 after weeks of cross-examination indeed. This very same “story” is the one that another media outlet of the Dow Jones Group Company commented partially in March 2017 following here its own agenda and specific objectives. To be clear already, this agenda and objectives were not mine at all.

It is again the one story that is disclosed in even more details on this blog since June 2017. My story is corroborated by “millions of documents” indeed, tens of interviews of other people, further confirming what I have been describing since 2012 to every investigator consistently and truthfully. All my account has been reviewed by traders and by “specialized market experts” in a context that this document will describe further through the extracts. The document here will show that indeed my story has been checked in every corner. This document shall also show at the same time, paradoxically enough, that in some specific areas no investigation looked properly at what I was describing. And still that testimony of mine was judged truthful unanimously.

Looking at the last public statement of the DOJ and the SEC in July-August 2017, one is led to conclude -reading this document here- that no investigation seriously tried to unearth the truth. 5 years have passed and the “ongoing investigations” have NOT done their job....One should say: “what the hell have they been doing then?” I am either fantasizing or there is a lot to learn here. There is

one simple explanation for that paradox: the truth that I testified on was the genuine backbone of the “London whale” scandal. Actually it was well known even before I was first contacted by the authorities through my lawyers in July 2012. Thus 3 dates pave the real chronology of the “London whale” scandal:

- 1- July 2012 when I suddenly become a “central guy” officially so for the regulators and the bank altogether, although they had not needed my story so far
- 2- July 2013 when my answers and my story are fully known by all the authorities versus what they have already long planned to state in their “settlement” with Jp Morgan
- 3- September 2016 when, after many attempts to find a flaw in my answers, all the parties involved decide to “settle” and bury this scandal in oblivion putting my testimony under confidential seal forever

We can go now a little deeper in this calendar above. Within that chronology of events, the July 2013 FCA “compelled interview” replicated what I had explained already just one week before, ie towards the end of June 2013, in New-York before the DOJ, the FBI, the SEC and the CFTC. And to be sure, in June 2013 I only further described what I had already expressed in April 2013 for the first time on the record while I had no cooperation agreement in place with the US authorities. It matters to say that this cooperation agreement promised me jail and humongous fines if I ever was “deemed untruthful” by the US authorities. The same risk was notified to me by the FCA. There was no cooperation agreement ever discussed with the FCA. In that assessment of theirs about my truthfulness, neither the US nor the UK authorities would have to “justify” their assessment to me and I would have no recourse but to go to a trial next where I would be judged based upon the assessment of the same authorities. For them to “document” their assessment, they just had to spot one answer, just one, that seemed to contradict in THEIR view, another one answer of mine.... Let’s be clear here: They were in a position of strength. If I tried to appeal against their assessment that I had been “untruthful”, I would be judged by the very same authorities that would have been judging on their own preliminary assessment. In practice I would have had little chance to reverse this assessment once it would have been set. I could appeal surely so to the very same authorities ultimately. But to what use really? I would face again and again the very same authorities.... That seemed to be an easy “win” for the authorities given the gargantuan proportions that this “London whale” scandal had taken. They “millions of documents” They had a “budget” that allowed them to recourse to the best “market experts”....It was so unanimously a “rogue trading” case in the media, in the bank statements, in every regulator “perception”. I could not escape their scrutiny, could I? As it would turn out though on page 13, the US Senate Homeland commission would state that this was NOT a “rogue trading case” in March 2013. It did take long to say that. One year. Did it take that long really? Not quite: it actually took one month or two between September and October 2012.

And after 5 years of focus on my role, just none of the authorities that had this option would ever start suggesting that just one of my answers had been untruthful. Thus be that before the FCA or the US authorities, irrespective of the existence of any cooperation agreement, there is one sure thing: I would be truthful and consistent all along. Unlike what the Dow Jones Company Group and other media outlets suggested all along, the stakes for me were sky high. This cooperation agreement did not spare me much, ie I could not afford to make it up or fantasize or avoid charges if I had been guilty of anything no matter how benign it would be. There was no room for forgiving anything to me, the “key witness”, the “guy at the center of all this”, the “guy who made these bets”.... The

“millions of document”, the bias planted by my employer in the media from the start, the many experts and the public opinion in general left no room indeed for complacency in favor of my answers whatever they would be. I had to be truthful AND corroborated by hard evidence to weigh against the stereotypes that had been placated so thoughtfully against my name.... And it would be so for my own sake actually, that I was truthful, given the hard evidence that abounded to prove me right... despite the initial very strong resistance of Jp Morgan to make it accessible in August 2012....

The evidence and facts would ALSO be corroborated by former colleagues of mine and by my former market counterparties working in other banks or even within the IB of Jp Morgan. What they would say went straight against the tale of the bank’s top executives and the tale that every authority would convey later to public stage anyway. But what did they know on the whole picture? Not enough, very much like me. Still what they said was enough to support just my story, the only one that the authorities would really scrutinize between 2012 and 2017. And the same authorities would hear only one story all along. There was just no flaw in my story, unlike theirs. The stakes behind their process where they scrutinized my story and amended theirs many times next were big for my own life. Had it been the case that I was “deemed untruthful”, with or without any cooperation agreement, I could have faced years of jail, this lack of consistency or truthfulness being “determined” subjectively by those authorities alone.

Actually I will be “found truthful” after 5 years of investigations based upon “millions of documents” where I was the target anyway. I was the target all along if only because I had been deemed “central” against the facts and against the hard evidence. One objective evidence of this constant targeting is that in 2018 my name is still associated with the “London whale” moniker despite the facts, despite the documents, despite the conclusion of the investigations that is: the bank made wrongdoings, the bank paid an “historic” fine, executives were acting like “children” and just NOT a single “trader” would be charged or fined ultimately. All of this conclusion is based on my answers that never changed... On top of this I state that Jp Morgan actually made a historic fortune through this quite cathartic scandal named the “London Whale” (see “JPM Gains in 2012” on this website). More that gain had been long planned, long monitored by the regulators, and forcefully realized through the scandal itself...(see here “2013 the morphing tales” on this website too)

And that conclusion was not at all taken for granted back in 2012, given the misleading emphasis that Jp Morgan had purposefully put on my name in the scandal of the “London whale”. In those 5 years of scrutiny on my person I would discover that it was the bank that mainly contributed to the myth with the long planned goal to set me up once for good. I would understand progressively that it had been the case within Jp Morgan in fact since 2009. This plan had thus started way before 2012. And sometime in late 2010 it took a new dimension involving regulators straight like the FCA the OCC and the Federal Reserve of New York. They, ie all the future “investigation teams” and my employer of the time, clearly had a well engineered mechanic, like the media, later in 2012, that consisted in manufacturing a tale around my name where I would be the “central” character of this scandal in the making. They had to put make –up on really stubborn facts for the scheme to succeed. Among those “problematic” facts, I was not a decision maker, not even showing in the email chains among the “CC” or the “BCC” recipients. The other fact is that I would raise significant alerts that would be very well understood, inducing major reactions at the very top of the firm, way before the first articles of the “London whale”. The last fact would be that, as a result of my alerts in particular, my managers

would all “freak really” around March 20th 2012 onwards. And subsequently the senior management of the firm would sideline me, ie weeks before the first articles would come to press (April 6th 2012).

The investigation teams allegedly were provided with prepared “millions of documents” that my employer, Jp Morgan, conveniently had made available on my role. As said above, in these “millions of documents” the bank had initially removed the slides and emails that proved my complete innocence. And the bank would ALSO fiercely oppose disclosing these additional documents once I had signaled their existence to the authorities. It is only by chance somewhat in late August 2012 that Jp Morgan would be forced to disclose my alerts that it had initially intended to keep away after first requests. The US Senate homeland commission apparently found some compelling arguments here. And the US Senatorial commission found the documents in question quite telling and easy to understand for any outsider. The US Senate investigation read my slides, did not have to question me, and made its own conclusion towards my role overall. Hence the concise and clear conclusion of the US Senate report on page 13 that this had NEVER been a “rogue trading” case ever. The investigations run by regulators would “notice” all these documents as well. But in a striking difference with the US Senate Commission, they knew their content actually well ahead of time through their routine job as supervisors. Their task after 2012 was NOT to “re-discover the facts” again, but HOW to circumvent them in order to build a “credible” alternative myth. This is what transpires in the watermarks all along this document here.

I will deliberately not put the US Senate investigation among the “regulators” or the “investigations” that I will comment on in this document. As well, I will not necessarily be talking here of the persons that would question me face to face. I will be talking about the higher ups at the bank, or at the FCA or the SEC or the DOJ or the Federal Reserve or the OCC or the CFTC who would AVOID talking to me all along and still would “confess off/on the record” misrepresentations to the public stage about my role and my actions via the media. And as to the persons who questioned me face to face I would only openly complain about the FCA staff. The SEC-DOJ-CFTC staff that I met in person instead displayed a great integrity, the highest one that one can imagine actually. All was decided above their heads anyway, way before they would ask me their very first question. It will appear quite clearly in this document. They had a story to build...They were surprised more and more by the “bricks” that they discovered with my answers.

The bank had been working on this project to set me up for the fall since 2008 actually if the case of “Lehman vs Jp morgan” is any guide. There was indeed a solid “database” in principle that the bank had prepared for my demise. Thus all the authorities involved had been given all the leisure to eventually try to find the slightest inconsistency in my “statements and writings” at any point in time between 2009 and 2017. 8 years... Their investigation staff ALSO would reconstruct the real thread of this scandal, but a bit by “mistake”, precisely because all had happened above their own heads. I could see that they faced moments of “deep puzzle” when they would truthfully cross-examine me. They would not challenge me through these many weeks of scrutiny. They would do their job and therefore come back endlessly to the some key answers. They showed them that not a single official story was anywhere close to the truth. And as the conclusion of all this setup would show in the summer of 2017, despite their lasting efforts, the “investigators” would find strictly nothing to blame me for as a witness “cooperating” or “not cooperating”. I was truthful and consistent. They, at the top, were not that consistent, and not that truthful. But they benefited from a complete impunity. They had an ace: whatever was a problem for them would go buried under a confidential seal. That

was it: they were NOT accountable to anyone other than themselves. And they would never be made accountable.

This is why the title of this document is “confidential impunity”. None of them the “higher ups” was either truthful or consistent indeed in their public statements regarding this scandal. They definitely were embarrassed in June 2017 by what I had stated on my website and in my testimony. They knew that once again “millions of documents” corroborated what I described already then. They had put my SEC deposition under confidential seal even before it was finished. My website was public no doubt. That would not remain confidential....That was a problem for them. They would all have to drop their charges against my close colleagues, based on my testimony...for fear it may go public if the defendants or myself appealed their decision. They knew then that, should their case be brought on the public stage, they would be asked why they had not charged Mrs Drew and Mr Dimon along with my close colleagues. So indeed they could not any longer “rely on” my testimony to have my colleagues be the sole scapegoats. That summary conclusion requires a bit more description since their structural impunity did allow them still to try forever discrediting me. Could they simply hope for that in mid 2017? Not completely any longer because of my website...But they tried again by making statements and withholding my testimony under confidential seal in the summer of 2017....

My testimony will always be deemed truthful, witness the conclusion of the SEC in late August 2017. Then the SEC itself had had all the time to review my deposition, my draft book, my recent “statements and writings” made on my blog. The US watchdog would have me under its cross examination teams through about 40 days between late 2013 and 2016, digging upon what it had heard in 2013 already in fine details. And in August 2017, after 11 months on careful additional review, they would simply end my cooperation agreement with them while ALSO giving up in full on the charges they had disclosed against my colleagues in August 2013.

They had nothing to blame me about. My story had not changed and stood miles away from any of the tales conveyed by the bank or any public report, including the one of the US Senate Commission. They had no doubt about my truthfulness after 5 years of focus on my story. They had given up with regards to my close colleagues too even though they had changed their own story over time.... More the investigators had had from me evidence that my colleagues had lied to me and had manipulated me. They saw that my colleagues, while changing their answers on crucial points, were actually just following orders from New York still. That outcome was shocking but they would not care at all at the top levels of the regulators, would they? No they would not care. Back in 2013 I believed naively that the SEC would not stop at these close colleagues since the US and UK regulators had obtained corroborated evidence from them and myself that here they simply had followed instructions that had come from the most senior management sitting in New York. I did not know then that the chief lawyer of Wilmer Hale that had defended the bank in the “London whale” case would come to be the next co-head of the enforcement teams of the SEC in June 2014....

The authorities next would stick to a very myopic view of the scandal and would finally not prosecute neither the executives nor my close colleagues despite the evidence that they had on the matter. Therefore my understanding of the role played by the authorities themselves will change a lot as I will also witness between 2013 and 2017 how they- at the top- deliberately misrepresented the facts and withheld information towards the public. The way they would do that will uncover crucial aspects of the scandal. One may suspect that I try to push the blame back to the regulators

themselves. This is not the aim of it. This genuine scandal uncovers a much more crucial mechanism that is worth looking at as it directly relates to “virtual currencies” and economic growth in general....

As I explained on this blog before, what will change between 2012 and 2017 is my ability to document the background of the “London whale” case for what the regulators’ role has been. It changed therefore my own understanding of the events that had been concealed from my eyes at the time. The orders that the senior management of Jp Morgan had issued since 2009 had a common origin. Unlike me, the authorities were fully aware of most events including this origin. They would keep concealing them on the public stage through their many subsequent morphing stories and thus have deliberately misled the public all along. To show that, it will be good to base this text on extracts coming from the FCA interview first –July 2013- and complement it with bits of the SEC interview next- September 2016. Thus the reader shall observe that my story was known since July 2013 already, 3 months before the misleading “officially settled version with Jp Morgan admission of wrongdoing” would be disclosed publicly. That “admission” was just another decoy like a tree hiding the forest....

It matters to establish what the “forest” was and what the “tree” was. The “tree” was the “London whale scandal”. It was cathartic. It was huge. Some say “the bigger, the better”... It was not a “loss” for Jp Morgan but a huge historic gain. This gain was badly needed as regulators had known since 2003. The “forest” was a broad awareness that the regulators role has to be completely reshaped in line of the view that we already trade today on virtual currencies only. The distinction between “hard currencies” like the US\$ the euro the British £ or the Yen or else and say “bitcoin” is artificial these days. I will show that the regulators are the first to be aware that their role is a fiction nowadays, and therefore a dangerous one for all of us actually since 2008. The view is that this “tail hedging book at CIO” was just a virtual currency that the regulators had wanted Jp Morgan to have in order to back the \$42 billion of intangible capital that had no “provision” set against it. The financial crisis of 2008, including the Bernard Madoff scandal, should be re-visited in light of what I am going to describe here. This document will show the entrails of the “London whale” scandal that will hide what had really happened. It was to be done in a diverting fashion for all to see in April 2012. The argument will go as follows.....

One, the media were knowingly misled by the bank and the authorities altogether at the time in 2012 on selected items. Here both the bank and its watchdogs implemented their plan as per a long prepared communication strategy that dated back from 2010. They had already prepared a “trader” to fall for them since 2010 indeed. It had been delayed because of the guy himself and of his communications inside the bank.... The guy was me and yes that was a ‘mistake’ to pick me for that role: that required too much make-up. At last their project came to fruition in 2012 with the advent of the “London whale” marionette that was waved like a red carpet in the media arena. Granted there would be elements of “surprise” but the latter were NOT the ones that would be alleged subsequently either by the bank or the authorities on the public stage.

So in the early days of 2012, the watchdogs and the bank were thus sort of “late” in their own agenda. Their long-time “target” had left too many footprints in the meantime. These “prints” would make Ina Drew “freak really” as of March 22nd 2012. She as a result would make a damning gesture the day after, a melodrama among the top bankers of Jp Morgan that would induce them to create this “London whale” tale. Hence this well organized deception through the media stage had a

longstanding genesis. I describe it on this blog. This document will revisit the main misleading themes conveyed to the media by the bank itself. I will show from my extracts the widespread knowledge that, these were NOT “my trades”, this was not “my valuation”, the bank was fully informed thanks to my communications actually, there was no such unknown “price difference”, there was no “loss” for the bank but a predictable huge gain that Mr Dimon in person was organizing all along in close partnership with the regulators actually.

Two, as will be seen indeed, the critical issues that will knowingly be left in the shadow were ALSO well known ahead of the articles themselves by the regulators. Needless to say that compliance and the bank senior management were also very involved beyond “close awareness” ahead of my own ordered “elevation” in March 2012. The issues that will be described were a matter of genuine focus during my interviews actually. It was NOT for the investigation teams to “learn” but just a need to check what I knew actually and above all what I could publicly testify on later if I ever could speak up.

Three, my testimony has NOT changed between 2013 and 2017 through about 40 days of cross-examination made by parties that solely looked for an inconsistency on my part. Yet on their one-way biased handling of the scandal they actually brought up their own tracks and own footprints. Their investigations clearly uncovered the 3 cornerstones of the real scandal, ie.

1. CIO was just a hub
2. that was under direct supervision of Treasury and CFO
3. acting as per Mr Dimon strategic plans made towards addressing regulators “optics”.

Four, in my testimony the investigation teams show that they are fully aware of that situation all along those years covering the period from 2006 till 2012. They say “okay” when I come to talk about the no less crucial 5 facts, 5 realities and 3 dates that largely predated the “London whale tale”. The later indeed crystallize both the known misrepresentations and the genuine genesis of the scandal. These aspects are largely documented through the exhibits disclosed with the US Senate report. Thus the close involvement of regulators and top management is extensively publicly documented already. Yet, very few people are aware of this outside of the parties involved. The document will show the “awareness”, the “importance” and the subsequent misrepresentation that will pervade through all the official morphing stories.

Five, through my testimonies the authorities would have a pretty complete picture of the genuine audit trails that they should have followed presumably so, ie. Granted I was NOT that close to the “trails”, but my answers provided enough clues that they were worth a close look at.... Provided the authorities had anything to learn here....and anything to condemn...

- 1- \$50 billion of liquidity reserves had been missing since the “merger of equals” in January 2004
- 2- A decoy mismarking would be finalized in the course of March 2012 as the missing reserves became soon uncovered by the latest regulations supervised by the OCC and the Fed
- 3- I would be the target of my employer more than ever post the “elevation all the way up” of Ina Drew on March 23rd 2012.

The investigations teams shall not follow these otherwise salient audit trails. Instead they will knowingly deploy alternative stories in a fashion that turns out to be pretty consistent over time in fact: they had a problem with the fact that my story did not change and was consistent.

There had been a “plan”, long designed before the “London whale” media-driven catharsis would operate as a genuine relief for the bank and its watchdogs alike. The situation can be uncovered through the way the regulators and the bank would accommodate the facts through their “settlement” of 2013. This is already available on this blog in the document titled “2013 the morphing tales final. PDF”. It will not be commented further on this document here.

Let’s start with the media topics and what the FCA would state publicly... parts of my interview will show what the FCA actually knew.

This part will cherry pick some extracts. It is not an exhaustive listing of what was said. The comments will appear now in *Italic fonts* while the extracts will show in straight fonts.

The main topics reported in the media are in right order:

It should be specified that the FCA shall NOT allow me to preview or comment what it will state publicly in 2013 for its “settlement” with JP Morgan....And Yet, 2 months before in July 2013, the FCA had had to concur with all my answers under its “compelled interview” regime. Thus the UK regulator in September 2013 knew very well that its statements on the London whale would be both wrong and misleading. That was neither the result of negligence, lack of competence, lack of information, lack of means or else.

Misleading statements... who was the “trader”? :

Let’s start with the accounting fraud since there was one mismarking really. And let’s see who the “trader” was for these original “London whale trades”.

Who was the “trader” who wanted those trades to be put on the book at CIO? Answer: Ina Drew on behalf of “Jamie”. When was it started? Answer : June 2011. Who designed the ultimate details like, instruments, size, ratios of risks, timing? Answer: Risk controller like Evan Kalimtgis, Keith Stephan, Peter Weiland.... They followed in that the RWA reduction plan. Mr Dimon was the commander of this RWA reduction plan since late 2010 (yes 2010- not 2011 as reported by the US Senate report). Was he the “trader” or had he delegated some duties? Of course he had delegated some duties....

One way to find out the answer to the first question was to follow one thread: “who controls the mark to market of this book?”. In all their “investigations” the regulators showed that this was the very track that they themselves followed in their question plan to attribute the responsibilities about the “London Whale” trades.

This part is not going to provide my answers on the “mark to market” matter in order to keep the focus on “who the trader was?” as per my direct responses to the authorities’ question. Let’s just say at this early stage the basics. For example the UK regulator knew quite well “who” was in control of the mark to market for this book. That management of the “mark to market” (or fair value determination as per accounting standards) did NOT occur in London as the UK regulator had

carefully checked in November 2010 onwards. That was done in New-York through the IB (Investment Bank) of Jp Morgan: CIO was a "client" of the IB and delegated its margin calls and collateral management to the IB. The regulators did not have to "guess" that at all: the bank had put it in the NBIA in 2006, the internal auditors had controlled that in 2007, in 2010 and in 2011 at least. Every quarter and every year, PWC certified that the controls were appropriate on the matter. The bank sailed quite comfortably through the financial crisis of 2008 and 2009. Each time all the regulators used these reports among other regular routine data. So this indicates that CIO delegated the processing of its mark to market as a "client".

The IB may have been misled.... The responsibilities remained with CIO anyway in its "oversight role" still. And the question now is : "who was setting the performance on a day to day basis and for what purpose?"

Among the "other details" that they had obtained since 2010, ICE was involved in 90% of the index trades of CIO as a clearing agent. ICE -as a clearing agent- was one third party that became the counterparty of CIO in lieu of the original counterparty and imposed its price to CIO. And for every trade going through ICE, it therefore was ICE that set the famous "mid price" for CIO for "mark to market" purpose. Jp Morgan had accepted the rule when signing the contract with ICE on behalf of CIO...Thus for about 90% of the CDS indices the prices involved in the valuation in the "London whale" book there could be NO price difference with the market (embodied by ICE). This is an issue because the IG9 10 yr price was determined by ICE, NOT CIO...Thus not a single price difference on CDS indices could have escaped the scrutiny of the controls at Jp Morgan since ICE prevailed. Thus the performance was set away from CIO by the IB, itself being cross-checked by ICE for clearing purposes on about 90% of the index risks. Therefore just 20% at best of the risks in the book may have escaped the controls (10% index and 10% tranches). This means that there could never have been a \$600 million issue due to remaining price differences existing inside Jp Morgan about this "London whale" book. Therefore the restatement of July 2012 was misleading at best...

All this suggests already strongly "who" in July 2012 was powerful enough to invent this \$600 million price difference in "mark to market" that had caused the restatement. Mr Dimon certainly paid a keen attention to this restatement then. At the least he would back up this misleading statement of July 2012.

So he was the originator of the RWA reduction that caused 100% of the "London whale" trades and he was the approver of ultimate "mark to market" of July 2012 that published a fictional price difference....He may not have been "the trader" since he must have delegated the execution surely so...and he did delegate the execution... what did he know in the process? He may have been misinformed before July 2012 anyway, right? At this stage, since CIO delegated in full, since the IB could not be fooled, since Mr Dimon was the inceptor of all the trades, whose primary economic interest was embedded in the performance of this "London whale" book? Some "CIO London traders" were involved for sure. But what was their say day to day upon the ultimate reported figures? (Remember: it has been said that no difference escaped the controls. It was known by all)

The FCA also had checked that the "London Front Office staff" was indeed communicating prices to New York for subsequent "mark to market" purpose. That was called the "estimate P&L" in London. In the misleading restatement, it was the source of the price difference. It could NOT be the case in fact. Hard evidences do exist showing that fact amid the "millions of documents". The "estimate P&L" itself

was known to be a “subjective judgment” from the start, ie in clear mismatch with the accounting standards. Instructions had been received from New York since November 2006 in that regard.

It was a very peculiar process. But it had to be done properly still. It had a purpose that was quite sensible for a known “hedge” (see FAS 157 for reference). All this was done with a view to “optimize the VaR consumption at the firm-wide level” since November 2006. A reconciliation process with the Investment Bank’s risks of Jp Morgan was mandatory for that “optimization” to be monitored day to day. It happened in New York every single day in connection with ICE of course after 2010. VaR and optimization were the main economic purposes driving the fate of this book. This could not be done without a stringent price reconciliation so that one single price was attributed to each instrument entering the composition of this hedging book of CIO. Here one starts seeing “who” was in control day to day of the mark to market that presided over the subsequent measures on VaR and “diversification” benefits....This person was in New York, taking risks in the markets while supervising the firm-wide Var optimization process day to day....one also starts seeing that a negative performance for the hedge was not always a loss for the bank, far from it...

Still the FCA questioned me about what my personal input was on the daily “estimate P&L” process that was run from CIO-London office at the first stage of this “firm-wide mark to market” process. I explained that Julien Grout reported to Javier Martin-Artajo and Mr Grout was the one in charge of selecting the prices in the “estimate P&L”. I could help him but mostly my input was in the comment that came along with this “estimate P&L” result that Mr Grout was paid by Mr Artajo to produce for this book. Mr Grout did NOT report to me; Mr Grout reported to Mr Artajo as my employer and all the regulators always knew as well. The bank should have made the clarity on this well known fact a long time ago. It never did. That fueled the legend and the decision to fuel this legend was made by New York executives here at Jp Morgan all along. One will see clearly who controlled the “mark to market” at every stage in 2007 and onwards:

“FCA: “And when you're talking about substantiating it, are you talking about some sort of commentary that you would provide to them?”IKSIL: “Yes, because every day with the estimate, right, **we had to explain what was really happening on these billions of capital that the bank was putting on those positions.** And to me, I understood that Javier and Achilles thought **that because these were not our positions**, you know, we may be careless about the message we were sending or unaware of the people who would read it. Because **truly I think Jamie Dimon was reading that every day.** ' So just to go further with the context, because the instructions were not this clear, they became much clearer in **July 07** on the back of a big high yield trade that would be one of the backbone of the book still in 2012, as you will see later. And **Jamie Dimon wanted to set a protection for the firm on the high yield market** because the firm was number one in leveraged loan underwriting, number one in high yield bond trading, number one everywhere, and whatever was leveraged on high yield in the US. And so there was some back and forth, Javier proposed the first idea that was rejected. And there was -- Achilles came back to me saying, “Okay, you have to think”. I came back with another solution based on tranches and high yield indices. That was a, you know, four leg trade. So **it was a bit sophisticated and it involved some trading costs.**”FCA: “Yes.” IKSIL: “And the idea pleased Jamie Dimon like, very much, and **he wanted to do like a very, very big size.** Much, much, much bigger than what the market could do. And what happened in July, so we got the “go ahead”, and like Jamie Dimon, he said, you know, “1st July I want this”. 2nd July-- he assumed it was there. But it wasn't, because **the market was not liquid.** So we had to trade. And we traded a lot.

And we traded with most — almost all dealers in two weeks and after two weeks we -- Luis and I reported a loss on the position, because we were still at ‘mids. ”FCA: “Yes.“....

All is said in bold fonts above.... I mentioned the name of Mr Dimon for 2007. What about the following years then? The FCA would omit to ask me to describe further the very direct influence of Mr Dimon since 2007 on this book and what this book contained and why. In particular, the FCA would not want to put on its record that the instructions came “from New York” for strategic purposes that remained mostly unknown to me by design. Yes, the objectives were quite strategic and I was not expected to know them while executing the orders. Still the orders came, year after year, from the very top of the firm...The FCA would NOT ask me to testify on this. No...Since the aim of the FCA was to show that the trades of 2012 were mine, right?

The FCA tried to paint a very misleading picture of how the trading strategy had been defined for 2012 towards the end of 2011...For that purpose the FCA had a plan. The FCA would devote a shortened time to “trading” while they had me on a compelled interview plus “millions of documents” and “market experts” on avail. Strange... Rather than let me talk, (I was allegedly “THE trader”), and describe with open questions what I could testify on, the FCA will just try to force the record with its flawed version. The FCA will stop fast however...

FCA Thank you. So, we want to talk to you about trading in general, first of all, and the trading strategy for the book. **But given the time constraints on us**, because I think we could probably spend a whole day just talking about that, we've obviously reviewed a lot of information on this topic already and have sort of a high level understanding of the reasons behind adding positions to the book in January to March 2012. **So, I was proposing just to explain to you our understanding**, and to the extent that you disagree or you don't feel comfortable agreeing, just let me know."

In the context of the interview at this stage, the FCA had just said ‘fine’ after the many clarifications made by me on the “estimate P&L” process which already deeply contradicted the future Bank final Notice of 2013 and the PIR of 2015. The FCA moved on...

"IKSIL: Okay. FCA: But our understanding is that, initially there was a proposal to address the need to reduce RWA by reducing the notional size of the SCP by unwinding positions, originally. **IKSIL: I stop you. I stop you there.** The first two instructions came out of December **(2011)** and they were “remove the bearish bias on the book,” “reduce the RWA.” My proposition was to unwind the book proportionally. **That was my proposition. Javier did not want that and it felt to me that Ina didn't want to pay the cost for it. FCA: Yes,** so that was my next point, is that we understand that once CIO management realized the resulting cost of a reduction, sorry, of unwinding positions and the reduction in revenue that would also result -- that an alternative strategy was then devised. Would you say that's fair?"

That was not fair at all. That wording uncovered the bias of the FCA. The “cost” to pay for it was not a “revenue” issue. That was a “provision” issue. Indeed I had made sure that the CIO had the choice to reduce as small parts as it wanted to, avoiding to send a big headline figure but providing a ball park number still. But doing so I led CIO to either consider taking a reserve for “drawdown”, or ignore fully the lack of liquidity.... Whatever the revenue would be.... Indeed as soon as CIO would have acknowledged my figures and followed my advice, it had to provision for the whole book whatever actual unwinds it planned to try doing in the markets on the follow. The FCA thus makes a very subtle but interesting change. It starts by saying that this is a liquidity issue and morphs it alone, like the

bank, into 'a forward looking revenue reduction' issue ... Everyone would think of "trader's P&L" then, not provisions... That switch of the FCA moves the suspicions from CFO and CEO towards "traders", right? ...The "revenue" was not the issue behind the decisions. In fact 'a forward looking revenue reduction' issue is also called as "provision for drawdown" in accounting terms... Taking a provision then was not an issue at CIO. CIO was recording \$billions in gains in other books. The bank knew it would make a unique fortune through the "internal wind down on exotics credits" that was to be done via an "off-shoring" process (FCA words here). The issue was that this planned reduction based on unwinds called for a reserve and a projection for further "drawdown" that also called for reserves. This book was officially to be dismantled (see the US Senate report) since December 2011. Here this was not a \$500 million "revenue issue" limited to CIO. It was a \$5 billion to \$50 billion "revenue issue" that would spread throughout the whole bank pretty soon anyway. Who was to take the reserves on its name? CIO? IB? Jp Morgan? The job would not be done. And regulators saw it in late 2011 at least (search for "CCAR" in the exhibits of the US Senate report and email of Ina Drew to Mr Artajo on the matter)....

Thus the FCA distorted the context where I was the only one ready to unwind in the market and lose money. I was not in control at all. I started doing unwinds in early 2012 by the way, to reduce RWA faster....My initiatives heralded the "drawdown", hence the "provision", hence the commensurate reserves... that would spread across the firm to the tune of \$50 billion in total.... Neither Mrs Drew, nor Mr Artajo nor Mr Macris were ready for that, whatever the amount spent on reducing the positions...The hard evidence does exist of my account. Back then, after the first week of 2012, Mr Artajo responded to an email of Mrs Drew by saying that I had just wound down positions. In response Ina Drew ordered Javier Martin-Artajo to instruct me to stop unwinding and she wrote "maximize P&L". That was on January 10th 2012. She was in control. She then instructed Mr Artajo, not me. I was not a recipient. I saw the email in the exhibits of the US Senate report (March 2013).

The mismarking was there already in December 2011, at least from a "drawdown" perspective. That had been the focus of Ina Drew when she refused to consider any small wind down here and instead ordered Mr Artajo to "maximize P&L" (sic). Thus in July 2013 the FCA blurred the miss on reserves that was clearly the issue for Mrs Drew. I will clarify to the FCA that, despite the order of Ina Drew, I will take the initiative to suggest still further market wind-downs on the follow, at a cost. My proposition to unwind anyway would be communicated to Ina Drew on the 18th January 2012 by Javier Martin-Artajo..She would be furious. And she would repeat her orders.... The FCA, in its own wording, knowingly so, blurs the line of responsibility that is, I kept advising for unwinds and Mrs Drew kept ordering to "maximize P&L"...avoiding the "reserve" question...

IKSIL: I would make some clarification here. FCA: Sure. IKSIL First, I asked Julien to provide the CIO management, not one headline big scary number. So not totally agreeing with what you said where Julien -- I asked Julien to provide the cost, bucket by bucket, 5% by 5%, so that did not involve 700 million, you know, in a quarter. That could involve a reduction of only 50 million, say, for Europe. **I wanted to offer them the full menu precisely so that they can then unwind whatever they wanted, whatever their budget.** So, now, what I don't know, but I have my suspicion, is that, yes, **they had a revenue issue that I was never explicited.** FCA: That you were never what, sorry? IKSIL: Sorry, it's my French. My French thinking in English, so, my bad. When we provided this menu, this table that you can see in one of the presentation, you know, you will see what I say is true that we didn't want to scare people — ah — like, "Oh it's going to be \$500 bucks and you have no choice". NO, no, no, no, no, **they had the full choice, bucket by bucket.** Now, they didn't -- when

they had this discussion, these menus, right, in early January that these different options that Javier designed. **And Ina Drew had to consider the set. They wanted to put a positive budget on this protection book, which was crazy on its own,** and at the end of the day, there was a discussion and a decision that I didn't participate in, with regards to the target P&L for the end of the year. **What I'm saying is I was never told clearly by Javier or anyone else what drove the decision between P&L expectation and RWA.** FCA: Okay, thank you. So that's a hindsight observation that there was a connection."

No, that was NOT an observation made "in hindsight". I observed that they had no budget for winding down the book and no will to set any budget for that, however small. They did not explain me their reasoning. They did not want to start talking of a "drawdown". The "thing" that was driving the decisions of Mrs Drew was that she knew a reserve had been missing on this book in particular. I did not know that then. At the time she either invoked in front of me "RWA", ie "priority No1 for Jamie", or "regulators' expectations"....But the connection was visible: all the executives at CIO knew her real concern. That concern of Mrs Drew, I would learn it in 2015 only...

In my interview of July 2013, sliding then a fictitious "connection in hindsight", the FCA keeps distorting what I just said. It is not because it was not clearly told to me that I could not see the connection. And this connection, that the UK regulator knows of, is the RWA 'exercise' of Mrs Drew that she ran in Late December 2011 for the CCAR program of the Federal reserve. It was about projected unwind costs on this book in particular. It was directly related to the "priority No1 of Jamie", ie the share buybacks. So I have to dot the "I's here ": there was one connection that I observed and another one that no-one at CIO provided to me then since I was just an execution guy for them:

IKSIL: "No, there was an obvious connection. Not hindsight, it was in the presentation, you have a slide with the different options, with the different paths for the RWA reduction. ."

The slide in question made projections that were just slightly negative.... They would have called for reserves if a material loss had been projected.

In 2013, the FCA would thus allege a story on the "trading strategy" of CIO that was a complete misrepresentation of what the FCA knew from me and accepted. That was not a question of "revenue". I would make several alerts in January 2012 already that would finally shake the resolve of Ina Drew and Achilles Macris. After being aware once more of the trading costs table of January 18th 2012, Ina Drew on the 20th January 2012 shall convene a conference call where I will attend and where SHE will order again to trade to increase the notional amounts, not reduce them. All this instruction of hers was apparently driven by the recent bankruptcy of KODAK and the "regulators expectations" as she would phrase it...Here she would mention these "regulators expectations" (not elaborating) and make another connection between American Airlines, December 2011 AND January 2012 with KODAK.

IKSIL: That raised eyebrows and I remember a conference call with Ina where she said, "That's okay, given all the money made on American Airlines. That's okay, we have one loss this time but it cannot happen again". And then **the instruction of Achilles in February confirmed that's What CIO wanted.** So we had to cover just this handful of companies that amounted to say 200 million loss, total for all of them. **FCA: Okay. IKSIL: And that drove the whole notional increase.FCA: Okay,** on the high yield. **IKSIL: And IG. FCA: And on the IG. IKSIL: because if I covered the high yield**

I had to buy a lot of protection on high yield but, if I did that, I'd put the book in bearish bias, and they wanted me to be long risk And I had to have zero cost for the protection I put so I had to invest in somewhere else. **FCA So that's our third reason**, that as we understand it, for adding positions to the book in order to fund the cost of... IKSIL: Yes. FCA: ...the purchase on the high yield. IKSIL: Yes, it had always been the, the, the way this book worked and it was perceived by management you buy some protection on a relative value basis so that you had the protection but almost no cost at the risk of mark to market, and **you had to manage it all the time**.

All the "reasons" driving the trades that the FCA had found were coming from Mrs Drew in the form of straight instructions: "maximize P&L", "get long risk", "cover High Yield"... She was in full control. Was she here doing anything unknown to Mr Dimon? No. Mrs Drew wanted me to trade or at least show in the markets. What happened when the markets were illiquid? Well the book was simply not manageable and this mandated reserves. Mrs Drew knew what she was instructing Mr Artajo to do here. I had alerted since June 2010 that markets were illiquid.

The FCA here shows its knowledge that 100% of the trades were ordered by Ina Drew despite my loud alerts and repeated advices. That was it for the trading strategy investigation of the FCA done with the "central trader".... On the follow the FCA would move on swiftly to other topics As the FCA repeats "yes" and leads the show, it is so clear what happened actually. Mr Drew was compounding "basis risks" in trying to avoid unwind costs. One "basis risk" at CIO balanced another "basis risk" elsewhere in the bank. The book was to be collapsed with the IB anyway and soon... Once Mr Hogan, the firm-wide CRO, would inform her of the impact on the firm, they would decide what to do at the Operating Committee next session...As the OCC would put it in May 2012: Jp Morgan had a huge "basis problem" (see this blog or US Senate report exhibits). That was endemic... This problem was not new at all (see EXXON CDS in 1995, BISTRO in 1999...).

That FCA quite summary "investigation" on the "London whale trades" had happened in early July 2013. Here is now what was said in September 2016 before the SEC and before the lawyers of my close colleagues.... A Lawyer representing Jp Morgan also was there in the room, although the bank was NOT a party here in theory. Had the bank "settled" in 2013 or had it not? Why was he here in the room taking notes and reviewing some documents? Here are pieces put together on the period ranging from December 2011 to January 20th 2012 that would shape 100% of the trades that would be done as per Ina Drew's explicit instructions and against my own advice at the time ("Q" stands for questioner as it could either be the SEC or the defendants lawyers). Let's start with mid December 2011 order to "go long risk":

Q: what does that phrase mean?...IKSIL : That means that this book, that usually was short risk, i.e. positioned to make money when the markets were going down, this time had to be positioned so that it would make money when the markets would go up. And therefore lose money if the markets were going down...Q: And **you also mentioned executing Ms Drew's instructions from a December 9 meeting?...IKSIL : Yes...**Q: What were you referring to here?...IKSIL: I'm referring to a meeting that had been organized in London with Ina Drew being in the London Office of CIO. And this meeting was focused on the Core Book...Q: And what was the--well, strike. Okay. And during that meeting, did Ms Drew give any instructions concerning the core book?...IKSIL: Yes. She wanted to understand how the book had made so much money on the bankruptcy of American Airlines, by which means she repeated the direction to keep reducing the RWA on this book. And she said, but still this kind of cheap option on defaults like the one that work with American Airlines **"this is what CIO wants,**

cheap options on default. So renew these options"...Q: And can you explain what a cheap option on default is?...IKSIL: A cheap option on default is a trade or a group of trades, a strategy, whereby you position for making profits when some companies default. But rather than pay the typical premium that you would have to pay on a regular basis, you make a combination of trades that is going to reduce a lot the cost of carrying this protection every day....Q: Now in your answer, you used the phrase "when some companies default". Can you explain to non-traders what you mean by that phrase?...IKSIL: There is a market that is called the CDS market that allows traders or investors or dealers of hedge fund to buy protection. And what that means is that if you buy protection, you agree to pay a premium on a yearly basis that is relatively small. And against this premium that you pay, you receive the right to be compensated between 50 times and 100 times the premium you agreed to pay on a yearly basis if a certain company files for bankruptcy...Q: Now, are you familiar with phrase or the term "bearish bias"?...IKSIL : Yes...Q: What is "bearish bias"?...IKSIL: "Bearish" means that it was applied to the core book up until December 2011. Because this book was a hedge for the firm, which meant that it was expected to make money in events of crisis, defaults, stress in credit markets. And this book had to be a cheap option, ie the cost -the ultimate cost- that CIO would pay or the firm would pay to carry this protection day after day had to be minimized. And one of the first things that you would do is to ensure that the book was market neutral, ie had an ultimate premium that was close to zero, as small as possible. And therefore, this book looked like a neutral book with no cost of carrying those options, but whenever a crisis would surge, then suddenly the book would show a big gain. And on the other side, if the markets rallied or were just behaving normally, this book was expected to lose, but very little. And so, there was an asymmetrical profile whereby if markets rallied or were normal, the expected P&L for the book was zero to slightly negative. And if there was a crisis, then the expected P&L for the book was very high, counting in billions....Q: Okay. In December 2012, did you have any conversations with your boss--...IKSIL: you said 2012...Q: Sorry. Thank you. **In December of 2011**, did you have any conversations with your boss, Mr Martin-Artajo, about the bearish bias on the Core Book?...IKSIL: Yes. Q: What did you discuss?...IKSIL : What we discussed was that this bearish bias was structural in this book and that, as **he said, Jamie Dimon had turned very, very bullish, very optimistic** on the outcome for the markets once the European Central Bank would launch a special operation called LTRO. Javier told me that Jamie Dimon expected this LTRO operation to spark a very strong rally in the markets and that Javier had heard that "this book must not lose money" in this rally that is going to come. And therefore, Javier said "this book has a bearish bias structurally. I want you to set the book long risk to balance the bearish bias."...Q: Okay. In December 2011, did Mr Martin-Artajo discuss with you the topic of reducing the core Book's RWA? ...IKSIL: Yes...Q: What did you discuss with him on the topic of reducing the core Book's RWA?...We discussed in 2 occasions as I remember....

So much for the orders that I had received in the context of the time: Ina Drew on behalf of "Jamie" was making the orders. Here is now the origin of the Drew's orders of December 2011 and also the reason why I made so many elevations to Ina Drew anyways in early 2012, despite her instructions:

It had all started in March 2011 with the "forward spread investments" trades that Ina Drew would want officially to have by June 2011.... Back in March 2011, Mrs Drew came to the CIO-London office to tell us what we had to do about this book. I describe below that, in order to comply with "Priority No 1 of Jamie" on reducing RWA for this "tranche book", there was only one sensible solution given the absence of liquidity of the positions. The solution was to operate a "split" whereby 90% of the book would simply be taken out, not wound down in the markets since that was just impossible. This big chunk would be put in "run off" mode in the form of an "investment" placed in a brand new book that had to be created still. The "residual" would be left to be opportunistically wound down in the

markets and would remain a small protection for CIO. I explain the genesis of this “forward spread investment” that was to be extracted from the book in that specific context. It was to be in “run off” ie not grown in size anyway and planned to die:

Q:....supposed to be a hedge?...**IKSIL: No, it was an investment...**Q: Okay. And what's the difference between an investment and a hedge?...**IKSIL: At CIO you had investments for which you had projected returns. You had some kind of budgets. You had some limits. And they were selected with regards to some liabilities in the bank. And so their return was expected to match with the cost of those liabilities. These were the investments. And against those investments or in contrast to those investments you had this big book that had planned size, no budget, no limit and no specific liability or asset to cover officially. It was more a strategy to hedge the firm against unexpected scenarios...**Q: Okay. Do you recall when was the first time the idea of these forward spread investments was discussed at CIO...**IKSIL: The first time it was in March 2011...**Q: Okay and how did it--that--how did the idea come to your attention?...**IKSIL: The idea came to my attention as...**

This idea had come up after Mrs Drew, on behalf of “Jamie” again, wanted the RWA of this book to be smashed for an undefined amount. As described above, my suggestion was to strip a big chunk of the hedging book, move it to a new investment book that was to be created still, and keep a residual part that would have to be rebalanced next. That induced that the hedging book would be split in 2 parts, most of which would then become a sleepy “run off” investment. The “split” would be approved in June 2011 by Mrs Drew. The ratios and instruments had been finalized by risk managers and top managers of CIO away from me. That was close to my original suggestion but different in the details. Then I would ask Mr Artajo to create the “strategy 27” in preparation of the transfer to a brand new investment book. The “strategy 27” would be created after Mr Artajo “approved” my request here. But the brand new book would never be created. Yet Mrs Drew would repeatedly order me to grow some parts of the “forward spread investment” before the expected “approved” transfer from “strategy 27” to the new book had happened. Mr Artajo justified the order saying they thought in New York that it would reduce the RWA of the firm.... In September 2011, at my initiative again, I would fly to New York to warn the CIO executives that growing the positions of “strategy 27” was not a wise thing to do. 2 months later, ie in December 2011, allegedly Jamie Dimon and Ina Drew wanted their “core book” to be “long risk”. Why was that? They were bullish after the announcement of the ECB’s LTRO operation...That was puzzling...They were making short term bets on the book that was to be in run-off mode soon...

Q: Yeah, the core credit book primarily had positions in it that were exposed to credit risk?...**IKSIL: The-- this book was a hedge.** So, in principle it was expected to make money when credit risk was rising. So I felt a bit uncomfortable with the wording “credit risk” because it was asymmetrical with this book. So usually people understand “credit risk” as “the risk in credit markets is rising”, and in that case the book was making money. So the exposition or the exposure of this book was that it could make a lot of money in stress scenarios and it could also lose money, not so much because of the credit risk as it is usually understood, but more because of framing, of liquidity problems, of things that were not really what people understand as credit risk...Q: So in your view, other than dealer manipulation--well withdrawn...

All this (ie “get long risk”, “renew the cheap options”, “grow the forward investment”) required more trades, more execution costs looking forward for a book that Jamie Dimon and Ina Drew had planned

to collapse with some IB positions held with "Credit Hybrids" since early 2011 anyway. Their orders were puzzling...And they became conflicting in early 2012....

Q: okay. And so those are real credit events that cause real credit losses in the book when they happened?...”other Q”: objection to the term "real"...Q: Well you didn't object to xxx using the term "real"...Those were real credit events right?...IKSIL: That's---Q: ...that's based on his testimony...IKSIL: I didn't use "real credit risk" xxx...You would say there were what we called, myself, Julien, Javier, "real events" in the markets...Q: And then I interrupted you. So you were describing that kind of real event in the market did cause some losses in the book?...IKSIL: Yes. There was a second aspect which was what I used to call the execution costs where, due to the instructions, we had to trade. Julien had to trade on tranches. I had to trade on indices. I simplify. Right? Julien had to pay a very high execution cost to roll the forward spread investment trade on IG9 and S9 on tranches. That was a cost. That was a loss as soon as we traded. I had the same problem in executing Ina's order on the high yield and index positions. So these were creating outright losses, non-reversible. We were paying money to the dealers to be able to trade. And the third reason for losses in the book that I had identified where at the start of the year (2012), the book still was bearish. The market rallied. It took me a week or so to cover the short. And in the meantime, if I remember, it caused a loss of 10 million, maybe 20 as worst. But I think it was 10 only...Q: Okay. And so the 3 groups of losses you just referred ton we’ve got the real events like Rescap correct?

Who was the trader? Answer: Mrs Drew on behalf of "Jamie"..... The watchdogs of the bank had known as much since 2007 and could hear as much through my answers to their selected well prepared questions; Ina Drew ordered on behalf of "Jamie" and this process occurred quite regularly be that for "trades" or for "valuations". The key point now becomes to know who "owned" the capital and who was in charge of deploying it in the markets. That person was the one giving the orders. At this stage it matters to specify what the authorities had known in more details of who had set the trading instructions specifically that would induce thus the "London whale" manipulative tale of 2012....

Who gave the orders?

The former part just gave the "big picture", leaving only few details as to how this already peculiar valuation process had been ordered to change in early March 2012. No doubt Mrs Drew, on behalf explicitly of "Jamie", gave them ie "the trading orders" to "us the CIO London traders". She repeated the orders despite my alerts while she "got it" as she stated. What I said then, between December 2011 and March 2012 to her, was not new at all. I just updated her: that was getting much worse than it was already in late 2010... For her defense in 2013 she would pretend that she had been "let down". She alleged that her "London traders" had misinformed her. I still wonder when and how. My testimony proves otherwise even if I was not the one she turned to usually. This string of orders of hers was centered around "RWA" and "Basel III" standards that were still "un-finalized". Could the orders of Mrs Drew, for "Jamie", have been more "speculative" than they were? Looking back, the orders addressing all the "Priority No1 of Jamie" were based upon a model of Jp Morgan that was not "approved" by the regulators. They themselves had not even "finalized" the standards upon which this model was supposed to be constructed. More, the RWA computation itself, here based upon an "unapproved model" relying on "un-finalized standards", was applying "tail scenarios" ie "quite

unlikely outcomes” and was making a conditional average....Whatever “speculative spirit” the “traders” may have had, they were largely outmatched here by their own managers in their own RWA endeavor. As they were all waiting for the “approval” of regulators and as they were constantly monitoring the evolution of these “un-finalized” standards in the making, these managers “all the way up” knew that they were speculating a lot in “real economic” terms.

And in 2017, after 5 years of investigation, it turns out that none of them “the CIO London traders” would be sentenced or fined. One must wonder whether it is because the authorities did not have enough power to “win”... that was their self-proclaimed excuse: they had “investigated” in full using “millions of documents and market experts”...They left my testimony under confidential seal.....or whether their case was ill-conceived from the start as I explain on this website...Am I here just reconstructing based on bitter memories, and therefore pushing all the blame back to Mrs Drew in my turn? This part will give a rather objective argument through the lens of the question “who gave the orders?” in particular about the valuation process changes that were to be investigated next....

Thus one must wonder still “who” gave the orders of March 6th 2012 in the line of other instructions that actually lined up consistently so to produce the “London whale” scandal. As explained, it is always quite sensible to see in the granular “who” is in charge of the valuation and has its personal economic interest vested in that. It is usually the same person who is “the trader” actually, ie the “owner” of the delegated capital. It is most of the time the person who sends the orders all along across the smoking mirrors. This is what this part will look at in details. And that was the very focus of the FCA with its very first question to me in early July 2013, naming Javier Martin-Artajo as if he was the one giving the orders. The former part showed that Mr Artajo conveyed “orders from New York” anyway. Was it Mr Dimon at the end of the day? Was it Mrs Drew? Was it the Chief Financial Officer? Did it stop at Jp Morgan itself? This is not so clear in 2018.

The “investigations” of the US and of the UK authorities will all try to avoid looking above the head of Mr Artajo. They will all try to lend these “orders” to my sole judgment as if I had always known better... They knew much, much better than me all along.... At the start of this July 2013 FCA “compelled interview”, answering the very first question of the UK regulator actually, I would explain that the estimate P&L produced by CIO-London was NOT a “mark to market” performance measure at all. It was instead known to be a sort of subjective “best-guess” of how the performance was evolving day to day versus what had been initially projected by the senior management of the bank. If the “London Whale” legend had any truth in it, I should have been deemed “untruthful” since I stated here that actually the bank had produced a false restatement in July 2012. The FCA should have done that, calling my untruthfulness, all the more so as the UK regulator itself had “validated” this false restatement of July 2012. But about 3 months before my compelled interview would happen, the US Senate report had corroborated my account with the very words of Mrs Drew actually. She spoke of the “estimate P&L” as a “sounding board” that she shared with her “partners”. She did not hint at the “CIO London traders” then. They all were her “subordinates”, her “employees” as she confirmed in her defense. She thus had other people in mind as I can testify when she said “partners”. It does not mean as such that my colleagues and myself had NO embedded personal interest in reporting gains in this book. In our jargon we referred to it as “our mark to market” or “our valuation”- for us CIO London guys.

And we were all well aware of our possible bias when a loss appeared: “traders” and “managers” and “controllers” alike. Precisely because it was notorious that “traders” tended to inflate their performance to get higher rewards, the practice was since 1994 (see the case of Barings a UK bank and Nick Leson a Tokyo based independent trader) for traders to make just “fair estimates” of their performance... That awareness in the US had induced that –since 1993- these “traders’ prices” would be adjusted independently next...Jp Morgan was a US bank and CIO was a US unit even though the book was operated in London AND in New York ultimately by status. The prices were therefore checked quite stringently day to day in the US bank Jp Morgan at the US unit CIO as we all knew, therefore away from us the London guys. That was done every single day as we saw over the years. Most of the time indeed our London-based estimate P&L figure came back from New York staff the day after in our mailbox, first hour in the London morning with many adjustments. They were material at times: we would not necessarily be told “why” and, after 6 years of practice, we did not even know the complete list of the adjustments that could alter our gross initial result. So every single price transmitted by CIO London was reconciled with the rest of the firm in New York overnight. A familiar expression could apply here to sum it up: we did not know what the cake was made of...

That setup was in place in July 2006 already. At the start there had been a trader that was recruited in the US, in New York, to do exactly the same job as mine. It was David Olson. We were supposed to work as a pair. Every day London was to produce its estimate P&L and New York would “take over” on the follow... and while New York was sleeping, London was taking over on the day after, and so on.... Given the predicted huge size of the hedge the bank wanted to monitor the estimate P&L almost “live” in a consistent manner. And the bank had deployed “test strategies” precisely to secure that all was functioning well before deploying the big book. It was quite a sensible approach to have, wasn’t it? That caused unexpected operational issues, especially for Mrs Drew to follow the performance 24/24 from London to New York, back to London and to New York again etc.

The main problem was that this book already had positions that depended both on “New York hours” and “London hours”. But the prices were NOT updated in the same way during London hours by London based IB traders and during New York hours by New York based IB traders. (IB: Investment Bank of Jp Morgan). The London IB staff had a different perception of the market than the New York IB staff. That was the case inside the very same bank. The Investment Bank (IB) of Jp Morgan was concerned and that mattered a lot to senior management. That mattered a lot to CIO too since CIO depended by design upon the price of the IB of Jp Morgan for its mark to market every day. But other big banks were in the same case. The issue was structural for the CDS markets in fact across the whole spectrum of instruments being traded. It turned out quickly that an Itraxx Index market maker at JP Morgan IB-London would NOT talk usually to his US counterpart quoting on the CDX index. Likewise, a London-Based tranche market maker would NOT “see” the same Itraxx index closing price than its colleagues, sitting also in London at the very time of the day....That sounded innocuous until this huge strategic hedge on CDS went into testing process within Jp morgan from the CIO stage. Then the issue became critical for Jp Morgan, not the IB of Jp Morgan as such.

And here at some point in time in late 2006, the bank would ask actually us to be “subjective if needed” in order to solve this inconsistency in the prices. Thus the bank asked us to structurally differ from our own past practices and sent us the message that it was “absolutely fine”. And it would be that, ie “just fine”, indeed between 2007 and 2012. They wanted to know, not what a sort of “neutral valuation” was that we could best-guess as per the standard practices of the industry. We at CIO

were NOT to override the IB. The IB kept control of the mark to market of this big hedge sitting at CIO. Instead they wanted to know how much we would differ from the consensus in a reasonable and documented way for this “strategic hedge” of Jp Morgan.

Yes, we were differing from the standards. AND we were providing all the data to make the reconciliation on our known difference by any external pair of eyes. In practical terms we were 100% transparent as to where our price sat within a reference actual “bid-offer” quote for which we always could print a reference document at request: we would provide the quotes in question at any time and other competitive quotes including “bid”, “offer”, “size”, “timestamp”, “counterparty”. We could even provide the written track of our trades. We avoided trading on the phone preferring Bloomberg chats that left all the tracks immediately available. All was traced and traceable. We were 100% auditable any day, any time almost. That of course implied that, inside the bank, some other staff would measure our subjectivity using other prices from other sources accordingly. The staff existed no doubt. The regulators had mandated the bank to do that since 1994: double check, cross-check the prices of the traders. In our case the bank had even more, ie the very reference “bid-mid-offer-issuer-timestamp” that we used ourselves plus other prices and our own “business specific” choice....Thus even our “subjectivity” could be assessed in full....That was the aim of it. It was not done at the IB obviously so since the “objective consensus mark” was imposed at the start of the valuation process...

Still in late 2006, we the CIO “London traders” were usually expected to anyway provide some kind of “mids”. Our mission was clearly ring-fenced. It had been observed by the risk controllers that the “mids” of the Investment Bank, that was the reference for any “mark to market” for us, were not well synchronized in time. The IB traders did not talk to each other when, around 17h00 London time or 17h00 New York time, they had to post their “mids” in the bank. This triggered quite inconsistent P&L results for the “strategic hedge” of Jp Morgan in CIO office, and in the bank itself when New York computed the centralized no less strategic VaR figures. It mattered for the bank ALONE. The evidences that document why it mattered so much are in the public domain. As the annual reports of Jp Morgan regularly state: the Var is based on “revenue”, ie observed price changes that are applied consistently across the whole firm, at CIO and at the IB alike. This revenue-based VaR had a clear impact on the Capital that was mobilized for trading activities across the bank. That lack of synchronicity impacted VaR and other measures of the same nature like RWA. The early testing stage of the “strategic hedge sitting at CIO” uncovered the issue even before it would become big.

Thus in late 2006, for this “strategic hedge” of Jp Morgan sitting at CIO, we were told first by risk controllers to stop doing that “blind mid” capture using IB prices. And rather we were told to provide some “opinion” on what we thought the market should be. It was to give way to a strategic fine-tuning of all the revenues that was run by risk controllers and determined the ultimate mark-to-market of all the businesses concerned by VaR ACROSS THE WHOLE FIRM. Our “opinion” had thus to be documented of course with the “Bid-Offer-Issuer-Timestamp” as explained above. The aim was to fine tune the synchronization inside the bank as a whole. But that implied that we would distance ourselves from the “mids” of the IB, from the “mids” of the consensus. We were then to pick one “bid-offer” that suited us in our duty and take the “mid” of this subjectively selected “bid –offer”. It was thus not any longer what “others said” but what “we said” instead that would matter in the “estimate P&L” of CIO. It was known that we already differed from the “firm-wide mark to market policy” that used IB prices anyway. And the bank had asked for it on purpose for quite strategic reasons.

But what should we do if all the “bid-offer” quotes that we received turned out to be poorly synchronized anyway? That is a typical sign that the instruments being quoted are very illiquid. The CIO managers would soon notice the problem in early 2007. They would convey then new instructions meant to address this issue that was already a daily concern in mid 2007 for this book. This peculiar change that I described for late 2006 would indeed be complemented with another one. I would describe it to the FCA. Starting in March 2007 some additional changes would be ordered and confirmed each by Javier Martin-Artajo. In that Mr Macris fully backed Mr Artajo. They ordered us to differ from the “mid” that we had from our subjectively selected “bid offer” quote when markets appeared to be illiquid. Here the aim was to better align the estimate P&L from one day to the next, removing unjustified “noise”. And it made total sense for the bank to ask us to do that for this “strategic but NOW illiquid hedge”: the bank wanted to secure its own “mark to market” or “fair value” by also measuring the “subjectivity” that was hidden behind the consensus for illiquid products. After this late 2006 change, the “strategic firm-wide hedge” started being deployed based upon quite specific views of the very top management of Jp Morgan. It was Mr Dimon and Mrs DREW who had decided with Mr Artajo and Mr Macris advice to deploy the book on illiquid subprime derivatives, illiquid tranche positions, illiquid index positions, illiquid High Yield index and tranche positions....And here is what the FCA asked me: “

FCA: “Understood. And then you talked about a process change when Javier Martin-Artajo joined. Could you just talk us through the discussions you had with him on that subject?” IKSIL:” Yes. You need to know the context of the discussion. CIO wanted to build a protection on the sub-prime market, using sub-prime futures, ABX, TABX. And these were very illiquid and very expensive to trade. So in February Javier Martin—Artajo was...” FCA: **“February 2007?”** IKSIL: **“Sorry, yes. 2007.** So ABX, TABX are the index credit derivatives that were referring to a basket of sub-prime securitizations...” FCA: “Yes.” IKSIL: “And they were very, very expensive to trade. **The market was very, very illiquid. I was very, very reluctant...**” FCA: Sorry, did you say the market was very...” IKSIL: “...to be in this position “ FCA: “liquid or illiquid?” IKSIL: **“Illiquid. Illiquid « FCA: “Illiquid, yes.”** IKSIL: **“from the start.”** FCA: **“Yes.”** IKSIL: “So I was very reluctant to -- to ramp up a position like this. Simply because **that was very expensive to trade and difficult to value.** And in February 07 Javier Martin-Artajo was already discussing, but unofficially with Achilles Macris, to join CIO. And he said that this was a good position to have for CIO, to be short the sub-prime market. And so **Achilles pushed me to go and short this market.** And the problem was that the first day, you know, the market sold off, and there was a gain I think of 7 - 10 million and the day after the market settled and the bid offer spread on the position was worth 5 million. So what I did is that the day after when the mid actually came back, I was marking the prices at mid. So we had the day of say 10 million gain and the day after 5 million [loss]. And I remember I sat down in the meeting with **Achilles Macris** and I was pretty happy you know to make 5 million on this very illiquid market that was — **he slammed the desk, he said, “I’m very unhappy”. You know, “I thought we should’ve made like 500 million like this Paulson guy. I have a problem with this Paulson guy”.** So that was the first warning. And then Javier Martin-Artajo joined and the idea was to ramp further up the position. So as an excuse to Achilles I said, “Well, you know this market is volatile it’s illiquid, that’s it, that’s noise”. And Achilles didn’t tell me, you know, “I don’t want this noise”. He didn’t tell me that. He was just very frustrated because we had not ramped up the trade in due time. Javier Martin-Artajo arrives in March 07 and **he says, “Okay. You ramp this up. You build a position. I — I am in charge of it”.** And we start -- having some gains, but it’s always in the range of plus 10, minus 5, plus 10, so a lot of noise. And at the **end of March (2007) Javier Martin-Artajo tells me, “What do you think you are doing? You think you’re -- you’re pressing F9 like a monkey and you’re sending us**

a result like this? I'm going to shut down this business if you keep going -- doing this like that". I said, "Well, you know, these are the mids". And -- and so he says "Yeah, but you don't understand" and then he starts explaining me the thing. And that's the first discussion we have..." FCA: "Okay." IKSIL: "where I know that **on illiquid markets we should apply some judgment, i.e. we'd better be sure if we have ups and downs that they are really justified**, that I might have this kind of back and forth with my manager."

*The managers had at least some "supervisory" control day to day on the "estimate P&L" itself, albeit subjective as it was. They clearly had an "oversight" role as prescribed by the Sarbanes-Oxley laws of 2003. In that case, given what I describe here, that matters a lot as we were ordered to differ from "mids" and "consensus". Did we "traders at CIO London" have at least some control on our daily "subjective estimate P&L" final figure, just doing what they wanted us to do? The answer is: "almost none". We had some discretion as long as the result was close to zero. The FCA tried to say otherwise for its future story. And a bit later on I would corroborate what Julien Grout himself shall say, ie that Javier Martin-Artajo had the last say **before** the estimate P&L final report was communicated almost daily inside the bank anyway (we talk in \$million here for the daily result). There would be days (not many) when we were told NOT to send any estimate P&L report. That was "fine":*

"IKSIL: "In the process, we will tell Javier. So if there is nothing material, like, a number between minus or plus 5." (in \$million while the daily VaR was \$40 to \$80 million or more) FCA: "Sorry, could you repeat that?" IKSIL: "If we end up with a number between **plus or minus 5**, you know, in this range, there's -- I mean, we will tell Javier the number and he -- he would likely, you know, say, "Okay, go ahead". And **if it's above he's going to say**, "Okay, go ahead" or "show me, I want to see what's happening" and so on and so on." FCA: "**So he might challenge you?**" IKSIL: "**Yes.**" FCA: "And how frequently were those conversations with Javier, was that something that happened on a daily basis, or a weekly basis?" IKSIL: "He was -- he was told on a **daily basis before we sent.**" FCA: "Before you sent the...?" IKSIL: "Yes, the P&L estimate was sent." FCA: "Okay." IKSIL: "But **if something is benign, you know, if it's a benign number he would not mind**, you know, that -- if he's not there we don't tell him, you see, it's not. But if it's a consequent number, out of the range, he wants us to tell him, at least in advance. **Because he's going to answer the questions coming from New York.**" FCA: "Okay. So after you discussed..." (The FCA shall NOT ask what the questions from NY are. Yes the FCA will hear that I would NOT necessarily be participating in the final figure that would be sent to New-York anyway. In what follows the FCA slips a "you" that is meant to be ambiguous. But the trick will not work...) IKSIL: "So..." FCA: "...the number with Javier" IKSIL: "So much for the estimate, yes. FCA: "Yes. And then what's the next stage in the process? **Do you** then potentially **refine your estimate after your conversations with Javier?**" IKSIL: "Well, **he would have the -- the last say**. So there would be a -- **I would not be part of this, that would be between, say, Javier and Julien typically. I'm not in this final exchange.** That would be between Luis and Javier, that would be between Javier and Benjamin. I'm not involved in the last stage." FCA: "And if you weren't involved how did you know that that's -- that was the last stage in the process? Is that something that you discussed with Julien or Luis?" IKSIL: "Yes, afterwards, you know, because we would -- typically we would -- I would agree with Julien or Luis or whoever that this is this, the day after I see -- that it's a different number. And **I know that Javier had the final say** on this." FCA: "Okay."

The FCA says "OKAY". It cannot challenge what it knows already: the "estimate P&L" was "business specific", "subjective" and "traders did not have the last say".... The FCA perceived here that not only I was NOT in charge of this estimate P&L figure BUT ALSO that this figure anyway was NOT a "mark to

market" figure. And the FCA shall conclude by "I understand" here in early July 2013. Yes they got it because they really confronted here their future theory with my answers and the facts. Here I explain the quite sensible framework in which we operated to produce this so subjective "estimate P&L" :

"FCA: "Okay. Another concept you mentioned in your initial explanation was that of **economic value**. Do you see that as distinct from fair value, in relation to pricing the book?" IKSIL: "I assume you mention fair value with an accounting purpose?" FCA: "That's the -- that's my understanding... Yes...that it -- that it is an accounting term." IKSIL: "That's not what he meant." FCA: "So can you explain what you understood Javier to mean when he referred to economic value?" IKSIL: "Yes. The purpose of the bank was to identify in the marketplace opportunities, for hedging itself. And the idea was not to buy protection, incur a high cost carrying this protection. Because, you know, if on one hand the firm is investing a lot on, say, an asset A and is actually buying protection on the very same asset A, to hedge itself, it had rather not invest in A in the first place. So the aim was to have a protection that would be -- not without cost, but with a very, very limited cost. So the angle that the -- the CIO took on the market, and that's why they asked me to show or to find, was to find a relative value trades, i.e. opportunities to buy protection on the one hand and find a way to finance this protection out of all the other investments. And so, you had then to realize what was the expected range bound of your P&L. And the best way to describe, you know, because you can produce numbers like, you want, "Oh, I'm going to lose 1 and make 100" sure, but, you know, someone's going to say, "Oh, and no one picked that up before?" You know, it's — it's not credible. So the way to — to show the attractiveness beyond the numbers of such a relative value trade is to show what we call the "economic value". If you find an opportunity there must be a reason. If there is a reason it's what he refers to, as far as I understood with the economic value, that no matter what, this relative value trade is going to — to perform relatively well, even if the crisis doesn't occur. Because the market has offered this opportunity." FCA: "**And where would you show the economic value? Is that something you were showing in the pricing?**" IKSIL: "**No, no, it would not show, it would not show.** It's just that you need to see the selection process of the managers. They look for these relative value trades. They need to be explained what's the economic value of the trade intrinsically. And then once they say, "Go ahead put the trade in", they want to have reports that talk about this economic value. "Is it realizing?", "is it increasing?", i.e. if you have a loss is it because something adverse happens to the trade that was not mentioned in the first hand or is it simply market noise?" FCA: "So you're showing the economic value in terms of your description, accompanies — the P&L estimate that you would circulate." IKSIL: "The -- in the commentary that we would circulate with the estimate, we might show a loss saying — it doesn't put into question the economic value of the trade, and management would understand that the — the economic value has actually increased looking forward." FCA: "So the actual pricing that would be shown from the P&L estimate might not reflect the economic value of the trade, and that would be dealt within the commentary?" IKSIL: "I'm not sure I understand your question." FCA: "Previously, when you discussed what -- how Javier had asked you to begin to mark the book, you said that he thought that you should apply what you thought the economic value of the positions were. And I think that that's maybe what Yyy's question is getting at. So when you got to the stage where you were going through the price selection for the purposes of creating the P&L estimate, those prices that you were selecting were intended to reflect what?" IKSIL: "They were intended to reflect what we thought the market moves were. The commentary was meant — so, be it a loss or a gain,... imagine you have just one position and it's a loss. So it's not reflecting the economic value that it's realizing because it's a loss. But what – what the management, from what Javier explained me, at CIO expected to say about this result is whether this loss was due to a fault in the strategy, you know, a thing that was missed, or an adverse scenario that was not anticipated, or if it's simply that this is a loss coming from this position, this position is still good, it's

just that if it's at a loss one should expect more gains to come in the future. **So the economic value is the background of the comment, because there's a whole history behind the strategy.** So again, F9 monkey style, it's not enough for us to say, "Oh, we have a loss because this index has gone against us one point" and that's it, full stop. **They would not be satisfied by a pure factual -- they need -- so it doesn't have to be every day, right, but they expect us after a couple of days of losses typically to say whether we think the position has a flaw, has a problem or there is something adverse we did not anticipate.**" FCA: "Mm hmm." IKSIL: "Because that would put into question the economic value as it was perceived initially when the go ahead was given. "**FCA: "I understand."**

Thus this "economic value", as management called it, determined in full what the "estimate P&L" was meant to be inside the bank: reporting on how the "economic value" projected in the strategies was to be realized or not day to day. This "economic value" that management targeted was NOT at all the "fair value" that accountants and regulators all wanted for the "books and records". That was a projective measure, ie a tool for the very top management of Jp Morgan for its own duty. That was NOT an accounting term computed "in hindsight" as the typical "fair value" was. The FCA said "I understand". And to be 100% sure, the FCA itself will "clarify" its own understanding on the follow:

"FCA: Fine. So could I ask you to repeat what Javier Martin-Artajo's instructions were to you in relation to estimates in 2007?" IKSIL: "In 2007 he told us to use the prices where we traded to produce the estimate, and if these were not prices where we traded, we had to consider each price we selected as to its impact on the final estimate number, so — with the purpose of producing the commentary." FCA: "Okay. And why could you agree to use the process that Javier had suggested?" *(Back in 2007, the FCA asks : "why could you agree...?". In that the FCA questioner recognizes that this was NOT mark to market already... in 2007... This was told to regulators obviously. Otherwise I would have been challenged on that and maybe deemed untruthful rightly so. But I will not even be challenged on that. Not a single regulator could try pretending that I was not telling the truth here. This is the issue for the future FCA theory to hold water. More the FCA betrays its own duplicity: did I have to "agree"? Could the FCA find a reason in hindsight as to why I could have disagreed? And why would I disagree given the context of CIO?)*

IKSIL: "He was giving his instruction -- **his instructions.**" FCA: "Did you consider it to be appropriate?" *(Once again the FCA has an issue with its future theory. Why should I be suspicious? The FCA only hunts for a chance below to discredit me while not challenging me on my descriptions)* IKSIL: "That was not what I was supposed to do in the past. That was not inappropriate. That was new. I couldn't tell." FCA: "Did you receive any guidance from -- any formal guidance from JPMorgan in relation to how to price the book?" IKSIL: "No." FCA: "Did you receive any training whilst you were at JP Morgan in relation to how to price the book?" IKSIL: "No." FCA: "Were you aware of any policies being in place in relation to how to price the book?" IKSIL: "I knew there were some policy, yes." FCA: "What policies were in place?" IKSIL: "I don't know." FCA: "How did you know that there were some policies?" IKSIL: "Sorry?" FCA : "How did you know that there were some policies?" IKSIL: "I assumed that there were some policies like there were in any bank." FCA: "Did you ever see any?" IKSIL: "No. I..." *(I am cut off it seems...The FCA knows where I am going and likely does not want to leave that on the record of its interview of me. I was about to say then that, even though Jp Morgan had not trained me to its policies, I knew that the firm had a policy to run the "mark to market" on CDS of CIO independently of CIO itself at least for 2 reasons. The first one was that CIO was a newcomer in CDS markets as an "activity". As such it had to delegate for a while the Mark to Market either to a "recognized third party" or an "experienced practitioner". The only possible candidate here was the IB of Jp Morgan. The second reason was even more structural: the*

firm had to run a concurrent valuation independently from the unit that was taking the risks, ie from the CIO here. I knew those 2 reasons from my former position in a French bank where I had attended the meetings that allowed this bank to start trading on CDS. These 2 reasons were discussed by me with Mr Macris when I joined CIO in March 2006. The NBIA of 2006 was then being finalized by Mr Macris so that CIO would get the official approval of regulators to start trading on CDS. We secured that CIO would match the requirements of regulators for CDS and mark to market. This is that certainty that CIO had to delegate its mark to market to a third party, as required by all regulators, that the FCA did not want me to “clarify” on the record....The FCA took another route...)

FCA: “Did you challenge Javier at all in relation to his instructions in 2007?” IKSIL:” I challenged a view of Javier not using systematically the mid prices and he gave me answers that made sense to me.” FCA: ”So what did you say to him?” IKSIL: “I said that the mid prices were the best price for choice, and that's when he says, “Yes, but you have to apply judgment and this is a special place. This is not a prop trading book. The bank is investing money here” so his reasons made sense to me.” FCA: “And when was that discussion?” IKSIL: “In '07.” FCA: “In July 2007, did you say?” IKSIL: “No. The first discussion started in March '07, when he started, you know, criticizing the fact that we were applying the mids by default. I... ” **FCA: “Okay.” (I’m cut off again it seems..)**

Those who controlled the “mark to market” of this book of CIO sat at the very top of the bank in New York. That is what I could say under oath truthfully. The FCA cut me. The UK regulator knew very, very well “who” actually had mandated Jp Morgan and CIO to estimate the performance of this “tail hedge for the firm as a whole” in the fashion that had been applied then in 2007 ALREADY. It was the regulators themselves!

The SOX laws, the NBIA of 2006, the FAS 157 prove that the bank informed all the regulators that this book followed a quite special valuation process whereby CIO was NOT in control at the bank. This matters as this proves that even Mrs Drew was not THE “trader” in that regard. More, for anyone involved in the regulatory research papers it made total sense for this strategic huge firm-wide hedge that Mrs Drew had been mandated to deploy. The regulators in 2005 had openly expressed their disbelief that consensus data on CDS markets were reliable enough. At this occasion, in 2005, the regulators via the Basel Committee, raised the fact that even the “experienced practitioners” faced a “model risk” and could not know what the real depth of the market was. The argument of the regulator was simple: since people could accumulate CDS trades over CDS trades without netting them out, they accumulated a counterparty risk that they had no control of. Therefore no one would predict safely what would happen if one bank in the chain of CDS counterparties came to fail. The regulators highlighted the potentially monstrous cost that would simply result from “replacing” the old trades in such a case. Thus the extensive growth of traded volumes on CDS was barely indicative of the real market strength. The regulators were the ones who wanted Jp Morgan to challenge the “fair value prices” of the IB of Jp Morgan when it regarded this strategic “tail hedge on CDS”. They did not want the bank to pile up new counterparty risks at CIO over other counterparty risks that already existed at the IB. As they knew (see an OCC email of May 2012 about Jp Morgan to be found among the US Senate report exhibits), Jp Morgan had a “huge basis problem” structurally. The bank would issue an NBIA in 2006 that certainly was NOT needed by the bank itself: it knew “who” was in charge of “what”. This NBIA of 2006 was done for the regulators to match the “spirit of the rules” set by the Sarbanes Oxley laws (2003). The regulators would all review this NBIA, this book and CIO, by 2008 and would be “aware” to say the least. My testimony is an issue for all of them in that regard.

Later on in this compelled interview with me the FCA shall hear the motivations that lied behind the crucial "March 6th 2012" order that would alter one more time the estimate P&L process itself. It came from New-York as the FCA would repeatedly hear. I was truthful. And considering that none of the "investigator" would pretend otherwise than what I said, that proved that New-York was 100% aware and was actually giving new instructions as a result on March 5th 2012 actually. The NBIA of 2006 should have been officially amended as the regulators knew... It would NOT be amended and no regulator ever blamed the bank for that...:

FCA: "[23 seconds of silence] Okay. Is there something that you wanted to clarify?" IKSIL: "Yes, I think I need to clarify what New York said in the words of Javier...FCA: "Okay." IKSIL: "...and **my recollection about not reporting the drift. New York was not satisfied anyway to have this explanation day — day after day**, you know, that — that's what we put in the commentary, that we record a loss because of this drift, we record a loss because of the lag. And they were not satisfied to receive that day after day, so they wanted to — to have a sort of clear-cut explanation, so that they'd rather have nothing and then boom, a big dip — with a clear reason for that."

New York asked every day for an explanation. New York ("CIO New York?" would ask the FCA at one stage) got the same answer and had got tired of it. As a result New York ordered to change the reporting....This is what I meant by 'They do not care. What they do not want is for us not to be down..' ...or they wanted an explanation that made sense to them as to why we were down...But the FCA had another aim than finding the truth here...It just wanted to know what I could remember for sure and what I could not remember.

FCA: "Okay." FCA: "When you gave that answer then, you used the word "drift" and "lag" as though they meant the same thing. Do you mean — did they mean the same thing in that answer that you just gave there? Because you've just previously explained to us "drift means one thing and lag means another", and the answer that you just gave then gave me the impression that they meant the same thing, so I wanted to give you the opportunity to make that clear." IKSIL: "Yes, I should clarify. Again, you know, I may use "drift" and "lag" in other circumstances, right, it's not carved in stone, but the vocabulary we had at that time was that the forward spreads, so just spreads, quotes, they were drifting away from where they should have been, historically speaking. Because CIO had a big investment trade on that, this meant a lag in the performance and this lag in the performance triggered the loss in the book." FCA: "And that -- in that context, that can be used to mean the same thing potentially as drift, but there is a separate definition of lag, which you've already given us, which is lagging, meaning delaying acknowledgement of a loss that New York thought you had made in 2011." IKSIL: "That's not what I usually refer to. It's just in the context of the discussion with Javier. Probably I use here - or Javier's own words - but I cannot..." FCA: "Okay." IKSIL: "...you know, remember for sure on that." FCA: "All right, thank you."

For the FCA record I "could not remember" mixing my words and the one of Mr Artajo. But in the evidence that the FCA used the UK regulator could see that New-York senior management was asking questions to Javier Martin-Artajo in straight connection to the context that I describe above. It was New York staff who used "lag" in a different context. I spoke of a "lag" in performance day to day. New York suspected a "lag" in calendar terms to acknowledge a loss that was there already in December 2011. What made New York suspect that? When Mr Artajo told me that, I was surprised but he was not so surprised himself.... As the FCA could see, many slides and emails were exchanged between New York and London but without me in the loop actually:

FCA: “So what did he say about the boundaries?” **IKSIL: “He wanted to provide the boundaries of the trade, how much the trade could lose more, could lose further,** and how much it was expected to make.” FCA: “And what was he asking you to do?” IKSIL: “He wanted me to work and provide some numbers on this and I gave him some numbers.” FCA: “Did he ask you to produce worst-case scenarios?” IKSIL: “That was not the aim of it. The aim was to refer back to these studies that I processed for him in 2011 to show exactly that, and the idea was to just scale up according to the current size of the trade that was already in the book.” FCA: “Okay. So did -- did this part of his instruction affect in any way the prices you were showing in the estimates?” IKSIL: “This query here? Not directly.” FCA: “Did it affect it indirectly?” IKSIL: “Well, indirectly yes, because it meant to me that **New York was really considering keeping the trade, unwinding the trade, doing something about it,** and they were -- all the time Javier coming back to — he wanted to provide options to the CIO, so indirectly **it was part of the same process, that this book was on the path to be unwound or be increased** and that -- that shows a bit later when we produced the spreadsheet with Julien to monitor the distance.”

So, “who gave the orders” all the way being in close control of the “valuation” estimate produced by CIO London, even though it was surely not a “mark to market” done as per accounting standards? It was “New York”. “CIO New York”? That was clear to me. That was less clear for the FCA it seems. Who suspected since December 2011 that a loss may not have been reported about this book? It was “New York” again. Who repeated however to keep trading all along the first quarter of 2012? It was “New York” still...

Was it “CIO New York” or “Jp Morgan New York” actually? There was no reason why all these instructions came from “CIO New York”. There was every reason to think that “JP Morgan New York” was the making the orders all along. As a summary, the FCA did hear and checked that the CIO-London estimate P&L was NOT a mark-to-market since late 2006 by a design that was quite sensible actually. It had been ordered to be so by the senior management of the bank in new-York then as per Jamie Dimon’s instructions. The CEO had a goal to achieve through HIS CIO. This strategic hedge had always been il-liquid since 2007 as the FCA secured. It had to be monitored quite carefully for that reason at least. Still in March 2012, the same situation prevailed and, as this book was to be wound down internally by Ashley Bacon (JPM New York) and Ina Drew (CIO New York), new instructions came on March 6th 2012 in preparation for that. That was known in July 2013 by all the watchdogs and the bank of course. This is in plain contradiction with the “settlement” that the bank and the authorities shall publicly disclose in September-October 2013. They could not say here that they had forgotten already my “recent statements and writings”; I had testified before them less than 3 months before that “settlement”. And by the way in September 2016 the SEC and the defendants’ lawyers shall build a very similar picture with their own questions.....They would Not challenge me.

As a “starter”, for the anecdote, a questioner in new-York in September 2016 would make an interesting “Freudian slip” betraying what the whole attendance knew, including the “Jp Morgan” lawyer who listened to everything then in the room. My deposition had started and the defendants’ lawyers tried to establish that I was the “boss” of Julien Grout. But quite quickly the reality prevailed. The questioner wanted to sort of invent a “close to reality” situation and rather than make Julien Grout report to me, he mistakenly made Julien Grout report to Javier Martin-Artajo anyway. I will make notice of the “Freudian slip” here just saying “interesting”.... Here is the sequence:

"..Q: If you walked in the office one day and, **Julien said to you "you know Javier"--I'm sorry "Bruno", don't mean to confuse you....****IKSIL: Interesting**...Q: "You know Bruno, I don't like that flattener that you've had for 2 months now and I just sold it off. Is that okay with you?" I mean, he would not make big independent decisions about strategy for the core book, would he?....IKSIL: I'm confused by your question. Why do you have a flat in there?...Q: A flattener...IKSIL: I missed the word sorry. I understood flat....Q: Let's go back. I'll make it simple...IKSIL: It's translated. What was the question?...Q: Yeah. If you came in the office one day and Julien just blew out a whole strategy and just sold it off, he had no authority to do that?...IKSIL: No, neither me nor Julien would do that anyway....Q: Right Okay..."

The questioner shall move on as it was clear that only Javier Martin-Artajo would be able to move a trade off or "in" the book. Mr Grout reported to Mr Artajo, only to Mr Artajo....

The SEC would hear that Ina Drew was in charge of the book since 2006. Only the pure execution had been delegated to Achilles Macris, who was himself quite a senior executive in the bank Jp Morgan Inc....Javier Martin-Artajo was Mr Macris' right-hand man in the markets. I described the hierarchy when I was questioned on my own recruitment at CIO in February 2006:

"Q: What was it that you disagreed about?...IKSIL: She--she said that--so, we were in February of 06 when I met with her and she said that the credit markets were mad, that they would explode. And I started saying--so **she explained that JpMorgan would--wanted to put a big liquid hedge**, and she asked me about the credit indices. I said "yes, that's the best thing you can find in CDS markets". And then she went on saying "well, we think at CIO that the credit markets are going to explode like very soon". I said "well you better be patient." She said "yes?" I said "yes, because with the pile of capital that the banks have created out of nothing, the market is not going to explode soon." And we discussed. She said "okay 3 months..." I said "no, no, take one year". And that was the first disagreement. She did not insist. Then we discussed about General Motors. She was very involved in General Motors. I said "well, they will never file or so they shouldn't for their own sake". And she said "well, I disagree with you". And she showed me a pile this big (indicating). And she said "yes you know, I have many jobs at JpMorgan and I can tell you we are very involved. They are going to file soon". I said "no chance if you are involved JpMorgan" She said "why?" "well because the banks have too much interest in lending on these terms to this kind of company. They are big, they need financing. So it's too good to be true. So it's never going to file- to file as long as you have this pile of data about General Motors". And that moved on like that..."

The SEC would also get confirmation that "no" the estimate P&L was NOT a "mark to market thing". And there was a sensible rationale for that:

IKSIL: (I quoted Mr Artajo) "They don't need a mark to market thing. You're not an F9 monkeys. There's an army of F9 monkeys here. They don't expect you to be another group of F9 monkeys."....Q: What's an F9 monkey?...IKSIL: That's Javier expression, very precisely so. And he explained me what he meant. But I could see what he was saying, that indeed usually when you do the P&L at the end of the day, you just at one moment in time you kept your prices and that's it and so be it, that's life. But he explained me that that was absolutely not the plan behind this estimate P&L. **That was a strategic set of information that had to run all day**, so that's why there was me execute and another guy running the process all day, that I couldn't do both at the same time and likewise, this guy looking at prices all day could not trade. **So he wanted two guys**. That was his decision, and in that regard, what **he wanted for the estimate P&L to be reported was the evolution almost live** all along the day of what the value of those positions were and that implied judgment. And so he

explained me that that was the mission and therefore it implied ignoring some runs if we thought they were wrong...”

“Q: And you mentioned that he wanted two people doing this. Was that so that people could input their judgment into the process?...IKSIL: Yes...Q: So you are one of those people...IKSIL: Yes...Q: and--He wanted 2 people inputting into the judgment about what the marks should be all that they knew from their work in the office that day?...IKSIL: Not quite. Not--that's not exactly what he wanted. **He wanted someone to input his judgment all day on the marks and he wanted someone else to execute his trading instructions on behalf of CIO and the firm.** Now of course what he wanted is that me executing the trades, filling in the person in charge of applying judgment on the marks so that this person have the benefit of my experience.”

And the SEC would hear my truthful description that the risk control department of Jp Morgan in New York had instructed the change even before Javier Martin-Artajo had joined CIO actually (late 2006)! This meant that Mr Artajo was NOT acting freely here: he was himself under a close watch. I start below with describing what the position of Javier Martin-Artajo was before he would join CIO, right when the bank ordered the estimate P&L of CIO-London to be explicitly so “NOT a mark to market thing”:

“IKSIL: He was employed at the Investment Bank and he was heading a group called “illiquid products” as far as I knew...Q: And do you know how long he worked there?...IKSIL: No...Q: Okay. After you first joined CIO, did you ever have the responsibility of marking the positions in the core book?...IKSIL: Yes...Q: When was that?...IKSIL: It was soon after I joined. I would say between March 06 and September 06. Maybe October 06...Q: After October 06, did another person in the front office take over that responsibility... IKSIL: It's difficult to answer your question because in October 06 actually, it's the risk department that told me and Luis to change the way the P&L report was produced. **So in my view that was the risk department that was in charge of this.** But in practice that was more Luis doing the job. And I was still providing....Q: and just--I don't mean to interrupt, but we had some “liquid” in that answer. I couldn't tell if they were liquid or illiquid...IKSIL: Back in the end of 2006, the positions were the most liquid you could find in credit index markets...Q: And what positions were those that you're referring to there?...IKSIL: **They were the first test trades, as Achilles called them. There were test hedging strategies that had been approved in June 2006 by Ina Drew and Achilles Macris.** These were much smaller positions than what would be implemented by Javier, and they were based on on-the-run indices of the time. And so tranches positions that also were the most liquid ones”

Thus the very special valuation process that the bank had asked us to provide for this book from CIO London was not even justified by the fact that the position was il-liquid. Back in late 2006, the risk control department had already taken over on our divergence from the typical “mark to market fair value” process. They motivated their instructions to us by the fact that they wanted to optimize the “Var Consumption” of this book inside the whole firm. And for that purpose we at CIO London had to become “subjective versus the IB closing mids”. The future instruction of Mr Artajo in March and July 2007 would just complete the set of orders that we had to comply with by directing us on the il-liquid positions in the very same context of “sensible subjectivity”.

As to the very origin of the crucial “March 6th 2012” order to alter the estimate P&L process, here is what the SEC heard. In short New York doubted openly our “subjective” interpretation of the

performance and New York wanted to check by itself. In this extract Mr Artajo was in the loop and I was not. So he sent me an email that I had to read first:

IKSIL: He said. **He told me about this order "I'm sending you an email. Have to look at it".** And he was explaining me during the call that the problem-- **he had been trying to explain was what was going on in the book with this drift and this loss-- was that New York was in disbelief** that actually this drift was happening. He explained me that New York suspected London to have overinflated its result at the end of the year using this book and the P&L, the estimate P&L at the end of the year for this book to sort of, you know, boost the net result for CIO London and New York since they suspected that actually London was invoking this drift-- the mysterious thing that could not be called, that could not be fought, that could not be prevented-- to actually acknowledge a loss that London knew was always there. So he said that what he wanted to show was that, absent this drift, the P&L, the estimate P&L was more or less stable over the days, over the weeks, so that this could show that the risks in the books were balanced. That's the explanation he gave me.

Mr Artajo was the "trader" for "New York" people, not me. Mr Artajo next instructed me on the trades to execute. I had a very limited leeway in the execution itself. I was truthful and corroborated. "New York" had obviously heard of this "drift" that had caused this "lag" in performance for a while. That was "New York" people who were linking it to "year end 2011".... And "New York" had enough of this "explanation". Fine... The nasty detail here is that Mrs Drew "got it" as early as February 3rd 2012. And she had said THEN that she was "not worried". This was not a "drawdown" (Dixit Mrs Drew then- I saw her saying that). That was in early February 2012... Thus "New York" in early March 2012, doubting about this drift, was another "New York"....even if Mrs Drew only pretended not being worried in early February 2012, she had then every cause in early March 2012 to say it, ie that she had changed her mind on the "lag issue". But she did not change her stance. Thus one can infer that "New York" was Jp Morgan New York, ie the "partners" of Ina Drew.

This doubt about the "lag" deserves a closer look anyway right? What had happened in the meantime, ie between year end 2011 and March 6th 2012? The SEC shall investigate and refine really "who gave the orders" all along despite my repeated loud and clear warnings that would be sent subsequently to the order of Ina Drew to "maximize P&L" as per January 10th 2012 and "stop unwinding". The evidence was abundant already in January 2012. My repeated alerts had sparked the demotion of Mr Artajo. Then, risk control guys, CFO guys, HR guys, business management guys were aware of that demotion. But none of them mentioned the event to me:

"Q: Okay. SO, how does slide--turning to slide 4, can you explain to me a little bit about how slide 4 helps explain some of the problems that you were dealing with the book at that point in time?...IKSIL: Yeah. That's what Javier wanted. He didn't want "words" like in the first slides of my... Q: Okay. And why don't you tell me for each of those presentations what you remember about that discussion with Mr Artajo?...IKSIL: Okay. First presentation that was planned for the ISMG meeting of the 31st January. **I discussed with Javier on the 25th and the 26th (January 2012) as to how to explain New York, CIO New York, that the loss was what it was, the result of the drift. And Javier told me that he completely understood what I was telling him. But that I had to explain much better than in the past weeks what I meant by that.** And so I said "Okay. I'm going to prepare a presentation that I will send you for your approval so that next I can send it to Keith Enfield by Thursday, the 26th, so that I can present it at the first ISMG meeting for the 31st. And so I went with my slides on the 31st that I could not present. But still Achilles Macris called this conference with Ina Drew. And then Javier asked me to work with Andrew Perryman to contribute to this presentation that

Javier would do for Ina Drew for the February 3rd conference call. (*Mr Macris and Mrs Drew had just demoted Mr Artajo after my communication of the 31st January 2012- but no-one had told me that- HR at JPM NY headquarters was involved*) I indicated to Andrew the slides of the ISMG meeting of the 31st January and I got no feedback. Javier came back to me and said "how is it going?" I said "well we could use my slides" he said " what slides are you talking about?" I showed him my slides and then **he suddenly was very angry and he tore up the first slides** and **he said "you don't know what you're doing! you put all those words! you're scaring them!"** and he tore them apart and he said "no words-just charts!" then we had this discussion where I tried to say "what kind of charts should I do?" He said "you describe the problem and then you will explain in the meeting with words. **You talk! You don't put that in writing!"** And that's the genesis of the second presentation that has mostly charts on it."

Thus Mr Artajo was demoted, anxious, angry at me. "Do not write! Just talk! You scare them!" But he would not tell me what had just happened to him because of my "words". Mr Macris, the one who demoted with Mrs Drew, would not tell me either. Mr Macris was very concerned. Mrs Drew helped Mr Macris here in that demotion involving HR in New York. SHE was not worried so much was she? One may feel that Mr Macris needed a fuse. Mr Drew provided him with a fuse with the help of JP Morgan HR NY. And as a result, SHE was not so worried. She was covered herself in "New York"....

That was in early February 2012. One month later "New York" sent a new order to the freshly demoted Mr Artajo. That was on March 5th 2012. And Mr Artajo would tell Mr Grout what to do then without telling me. But the day after, on the 6th March 2012, the same Mr Artajo would call me so that I would have to repeat his orders to Mr Grout on the phone while I was on holiday actually. That would be on March 6th 2012, ie the day AFTER the freshly demoted Mr Artajo had ALREADY conveyed his orders to Mr Grout already in person. By the way Mr Grout would tell me that he had perfectly understood.

I would make other alerts and communications the week after as soon as I was back from holiday, ie between the 12th and the 15th March 2012. Mr Artajo would have to report back to Mrs Drew. I testified that it was clear to me that Mr Artajo had communicated my warnings to Mrs Drew. And I would be judged truthful by the SEC in 2017 when I described the events of March 16th 2012, ie the ones that would spark the well prepared "elevation all the way up" of Ina Drew inside Jp Morgan as per the 23rd March 2012 Thus Mrs Drew ultimately would not feel so "safe" after March 12th 2012. She would even "freak really" by March 23rd 2012, ie 2 weeks before the bank would actively contribute to the writing word for word of one of the very first seminal "London whale" articles:

Q: Okay. During that conversation with Mr Artajo on the 16th, do you remember him resisting or criticizing in any way the concept of putting the book in run-off mode?...IKSIL: Yes, he resisted the concept **in some way**....Q: And in what way was that?...IKSIL: **He always asked me to trade, to keep trading on the IG9 especially**. And I kept telling him "look, I don't want to trade on that. It's completely toxic. The position is huge". And he said "yes, yes, I understand. But this position is very valuable for CIO". I said " yes, but it's not liquid". And so, you, this concept of run-off mode is precisely to stop trading on those IG9 positions, those forward spread trades, those high yield trades to say "let just the book die and if it costs over time some money to CIO, this long risk trade is going to balance it. We don't have to touch it." So he sort of resisted the theory behind run-off mode which meant stop trading. Why keep a position that is not manageable? Because it's so illiquid like the IG9 one. So he resisted this concept. But then I said "look, Javier, we don't have a choice. It's not liquid. We are targeted. There's no market" And then **he said "yes, you're right. Look I'm going to propose**

that to Ina and we will see what she says."...Q: And was that in this discussion on March 16th that he said "okay, you're right. I'll-I'm going to propose that to Ina"?..IKSIL: That's the conclusion he arrived at in that call. Yes...Q: Okay.."

We were all on the hook for Mrs Drew to decide what the next step was. She was not "against" the idea of stopping trading... But she was NOT clearly "for" in Mr Artajo's own opinion....She was the "trader" somehow, willing to grow the positions still. Or Maybe it was above her head.... Given the context anyway, the only solution left was a "run off" mode complemented by a "long risk" trade that would be done on liquid indices this time. This is what Mr Artajo was to propose to Mrs Drew. And she would say "go ahead" on the 16th March 2012 as Mr Artajo would tell me later that day. And I was again judged truthful when I described the feedback that Javier Martin-Artajo had had from Ina Drew that very day of March 16th 2012, ie 3 weeks before the bank would co-author the "London whale" seminal articles:

Q: Okay. So, in the second conversation you had with Mr Artajo on the Friday, march 16th. Was that after exhibit [redacted] had been sent to him?...IKSIL: Yes...Q: Okay. And can you tell us what was discussed in that second call that you had with Mr Artajo on March--on the evening of March 16th?...IKSIL: **What was discussed was the run-off mode. The go-ahead was given for the long risk trade.** Javier still wanted to make sure with me the week after what was the ultimate size. He said "we have to be very, very precise". The other topic was that he had talked to--...Q: And on size of what?...IKSIL: Of the long risk trade on the on the run indices...Q: So you had to be very precise about the size of the trade...IKSIL: Yes. We had the go ahead to do, I don't remember exactly, 25 billion, 30 billion. And I told him "well, we still have to refine depending on how we want to balance the drift effect, if we want to. So he said "yes. Okay, okay but you can start as early as Monday on that". The other topic was that he told me that he had spoken with--spoken with New York and he needed to **provide Ina with figures to budget the loss that would happen in the book by the end of the month.** I'm trying to remember if there was something else. (pause). I don't remember. maybe there was something else, but I don't remember. And-- and so he wanted-- we checked on where it stood after this email that I had sent him about the divergence, 300,400 million. And he asked me as far as I could tell for the estimate P&L on top of this amount what I expected by the end of the month. And I said "well, you should expect 50 million between the 16th and--and the end of the month, maybe 100". So **I said "all in all, so far the number for Ina should be 300,400 million, maybe a bit more"**. That was the ballpark number. That's what I remember...Q: Okay. When you say "the number", are you talking about the divergence number?...IKSIL: The total Its' not what I thought...Q: Okay...IKSIL: What I thought was that there was something like 300 million, at least, that was due to the drift that was not any longer reported in the estimate P&L since March 6th that would have been reported in the estimate P&L before March 6th. And the only thing I saw was that for the estimate P&L as such, there had been a change and this change was worth about 300 million. And to me that came from the effect of the drift that mostly impacted in P&L the investment, the new investment, as I call it, **so the strategy 27...**"

Mrs Drew was driving all this and got the right figures at the right time: the size of the last trade, the range of risks for the performance while in "run off" mode, the projected drawdown for March month end, the liquidity reserves required based on the "distance" measures, the additional risks that may be required on the follow, the loss to expect in the "estimate P&L" itself on the short run...She was alerted on all the main risks with accurate figures... until She would ALSO hear on March 19th 2012 of the threat of Mr Weinstein to "make public your IG9 10yr position"...Mr Weinstein here was confident that neither Mr Dimon nor any regulator would go after him for that "leak". He knew that he was

attacking the CIO of MR Dimon. He was not stupid, ie he had had re-assurances on the matter. The IB of Jp Morgan could NOT have been a safe enough source of re-assurance here. He too had heard of "New York" and this included some high level regulators....

Against all the official future morphing stories of the bank and the watchdogs, I simply repeated in 2016 what I had described to them already between June and July 2013. I would be cross-examined on the whole story which I described in summarized way below looking back from what had happened in July 2007 about the latest trades that had been wanted allegedly by Jamie Dimon: "

IKSIL: I used to call "entry points" with Javier. And the markets were not really dislocated. They just had relatively large bid-offers, which meant that those instruments were not liquid, not very liquid. And the problem is that we--we traded effectively away from the mids that were relatively consensual among the dealers. And the problem was that we tended to use those mids on the estimate P&L while we traded actually on the bounds of the bid-offers. And that created a loss in the estimate P&L. And then Javier wanted to talk to me and complained. He was very angry at me. He said that we were sending misleading reports about the P&L. And **he explained me that JpMorgan, they knew what they were doing. They knew where the prices were. This estimate P&L had to be a reflection of what we thought the evolution of the positions were. Then I replied "well that's what we do. We follow the mids if there is no dislocation." He said "yes but here you're reporting a loss that is not real". He said. He said "you trade. You happen to be the market when you trade. So you use your traded levels, not the mids that are really an invention of the dealers, in the estimate P&L".**

And then I argued with him saying "okay. But the execution cost is huge. What happens when we will exit those positions? Because currently we will see entry prices in the estimate P&L.." He said "don't worry about that. There is an army of F9 monkeys, again who are taking care of that. We will see when the time is to unwind the positions, because maybe we will unwind internally." So definitely the idea was to use the traded prices in priority for the estimate P&L and report an estimate P&L that shows the evolution of the position irrespective of the trading costs. I mean to say that the trading costs should not change the-- the reported evolution of the positions. He said "in the context of dislocated market or highly volatile markets" we should base our estimate P&L on the actual traded level. It did not mean that we would stick to the actual traded prices. But this traded price would become the most important reference for us. If at a later stage the market had moved and we didn't really know where the market was, we should base all our estimate on the former traded levels. ..Q: Have you ever had any discussions with Mr Martin-Artajo on whether positions in the core book should be marked at their exit prices?...IKSIL: yes we had a discussion. And first and most important discussion happened actually in July 07 where actually the situation was slightly different than in March....Q: Okay. Did you have any discussions with Mr Martin-Artajo about what the purpose of the P&L estimate report was?...IKSIL: Yes... Q: When did you have those discussions?...IKSIL: That was in the course of 2007...Q: And what did you discuss with him in the course of 2007?...IKSIL: The purpose of this report was to go to really the higher ups in the bank. The purpose of this report was to go to the highest ranks in the bank, including Jamie Dimon. **I was told that I should figure out that Jamie Dimon was reading this report every day. It went for sure to Ina Drew; the CFO of the CIO. And Javier explained that this was a sort of a guiding report. I had to imagine that this book was a big tanker and... And that to move this tanker, this big boat, it took a while. And the estimate P&L report we meant to provide the top management of the firm with reliable information in that regard...**Q: Okay. You said the purpose--..."other Q": I'm sorry. Are we referring to these now as reports, or are we going to refer to these as estimates, the P&L estimate?...Q: Sir, did you have any confusion when I asked about the P&L reports?...IKSIL: No.."other Q": There were a series of repeated objections when Mrxxx referred to this as a report, and it was always called

an estimate. So I don't care what we call it as long as we call it the same thing...Q: Sir when you were just referring to the P&L report, what were you discussing?...IKSIL: I have always referred to the estimate P&L report...Q: Okay. **Now I believe you said the purpose of this report was to go up to the higher ups in the bank, go to the highest...**

That was like this since 2007.... Now in 2012, when I elevated the issues – all along January 2012 already, causing the demotion of Mr Artajo- related to the lack of liquidity, the “drift”, the subsequent “lag”, that every single report landed potentially on “tanker’s captain desk”, namely Mr Dimon, it is hard to imagine that the CEO of Jp Morgan was not checking what Mrs Drew was ordering us to do... especially on March 6th 2102 onwards when the loss was clearly diverging from the expectations that had been communicated to the regulators on the matter.....And just to secure “who” ordered the book to be so big in March 2012 and stay so big even after the “London whale” articles, let’s read the following extract. This extract is based upon a call transcript between me and Javier Martin-Artajo that dated 20th March 2012 or earlier, ie 2 weeks before the bank would contribute actively to create the myth and 4 days after Mrs Drew had given her “go ahead” to go “long”:

Q: “On page xxx do you see where--well, starting on page zzz, do you see where **Mr Martin-Artajo says “what happens if she--if she tells me that we cannot keep going long?”**...IKSIL: Yes...Q: What did you understand the phrase “we cannot keep going long” to refer to?...IKSIL: **It was referring to the “go ahead” that Javier received from New York on the evening of the 16th of March** to put this long risk trade on the on-the-run indices in the book. That meant that the book was in run-off mode but still with sufficient carry that meant that CIO could keep this book as long as it wanted. So what Javier is referring here to is that of **Ina says “we can't keep this long risk position” this meant that the run-off mode was not considered. And this meant that most of the book would be unwound with the IB soon....**Q: Okay. I'm going to now direct...”

“What if SHE decided to change HER course of action?” asked Mr Artajo in preamble commenting on my latest alert....In my mind, in Mr Artajo’s mind, Mrs Drew regularly had to first ask her boss here, ie Mr Dimon, since this involved the IB, the RWA firm-wide, the share buybacks, the stress tests, the commitment of the CEO towards regulators about his “priority No 1”. Only then she would return to Mr Artajo saying, among the “options” that she wanted to present HER boss, Mr Dimon, which one the CEO had picked. As to the trades themselves, when I repeated that I was forcefully instructed to execute then, that is true and well understood by the bank and all the investigation teams. Ina Drew called at night Mr Artajo (neither Mr Grout or myself ever) almost every day at times in 2012 because of the estimate loss reported by the same Mr Artajo. She was 100% aware and giving instructions, not to me, but to Javier Martin-Artajo all along until she would leave in mid May 2012. This is a description as of January 30th 2012 too, ie 20 days after Mrs Drew had ordered HIM to “maximize P&L” and stop unwinding in the markets:

“Q: What did you understand him telling you there?...IKSIL: He was telling me to keep trying to show some interest with the dealers, and be patient with the expectation that they would stop this framing just by trying and trying again to interact with them, so some trades and prevent them from moving the prices all the time...Q: Have you heard the phrase “defend the P&L” before?...IKSIL: Yes...Q: In January did you have any discussions with Mr Martin-Artajo concerning defending the P&L?...IKSIL: Yes...Q: What did you discuss?...IKSIL: Javier wanted us to **defend the P&L**. I--since this was framing, this was not real, that they were just pushing their prices to hurt CIO, we should engage with them, **force them to trade and defend the view that we had at CIO on where the prices should be.** And I replied to him that actually the only thing we could do is trade at their prices which incurred just

execution costs that were making the problems even worse because **there was no market in fact**....Q: Okay. I'm going to now ask you to look at an exhibit that was previously identified as [redacted]. I'm not sure if you have a copy so I'm going to ask the court reporter to provide you with a copy. On the first page of this email, it indicates it's from you to Mr Martin-Artajo sent on **January 30 2012**, at 21:02:17 GMT with the subject line, "**there is more loss coming in the core credit book**". Do you see that?...IKSIL: Yes...Q: Why did you send this email to Mr Martin-Artajo?...IKSIL: I sent him this email after that day, P&L estimate report had already shown a loss of 20 million. **I knew Ina would call him at night. I knew she would ask questions.** I knew she would be upset at Achilles because the loss was exploding even further **and I wanted him to know that he should tell her that there would be even more loss that would come anyway.** And I tried to explain him where it comes from. I provide him with some details so that he can answer the questions that I believe he would have from Ina Drew on the night....Q: Do you see where you write "**I think I should take the pain fast over to next month**"? And then later you say "**It is pointless in my view to go for a fight**"?...IKSIL: Yes...Q: Why did you communicate that to Mr Martin-Artajo in this email?...IKSIL: I'm communicating him 2 things, still in my expectation that he will have questions from Ina Drew that night, that in my view, the loss is going to grow fast over the coming months. And then, unlike 09 (*for the year 2009*), it would be pointless to think of deploying capital and growing the positions further...Q: **So when you use the phrase "take the pain" what are you discussing there?...**IKSIL: **I'm discussing the loss that I project is going to show in the book....** I was saying we should just stop defending the P&L, accept this drift, accept the loss, and I'm warning him that I see in the near future a loss between 50 and 100 million coming. And I tried to drag his attention that the day after is month end, that people are going to trade anyway. And that might happen no later than the day after...Q: **And do you see that you use the phrase "we should stop adding".** Adding to what?...IKSIL: To the current positions, growing the notionals...Q: Okay. all the positions in the book or a subset of positions?...IKSIL: It's mostly about the forward spread trades, so the IG9 in particular...Q: And then do you see that in the last sentence of this email you wrote "**so that requires a lot of trades and I think we would just add to the pain here**"?...IKSIL: Yes...Q: What were you telling Mr Martin-Artajo in this part of the email? IKSIL: I'm telling him that I see the dealers, the street moving pieces--I mean moving prices slightly a bit everywhere. I'm afraid is going to cost 50 to 100 million no later than the end of the month. I know Javier would tell me "please trade. Please prevent them from doing that. Defend the P&L. Defend the view we have on the prices." And I say-- I say "this is going to require a lot of trades. And it's just going to add to the pain, because it's going to grow the notionals. It's not going to stop the manipulation, the drift that is under way."...Q: Okay. I'm going to ask you to look at the January 30, 2012, estimate P&L report..."

I was writing emails at the end of January 2012 to the recipient Mr Artajo whom I knew would receive bitter questions from Mrs Drew in the middle of the night. Her instructions were dangerous and would not prevent the loss from blowing up anyway. Her instructions would actually worsen the situation further rather than alleviate the problems. That was well expressed and understood by the stakeholders here. She would be furious at me once more when MR Artajo would talk to her. What else could I do? Towards the end of my deposition, the defendants' lawyers (both for Mr Martin-Artajo and Julien Grout) questioned me again and they wanted to put on the record what my leeway as a "trader" was actually. My answers would be short. The questioners would NOT contradict me: I was not a decision maker ... the lawyer for the bank was there hearing all this. It was crystal clear that for the "core" book of Mr Dimon I had alerted and dissented with what my management had ordered me to execute anyway. The defendants' lawyers had then turned to a smaller portion of the "tranche book" that was called "tactical" where I traded, Julien Grout traded, Luis Buraya traded, Eric de

Sangués traded all under the direct initial approval and daily supervision of Javier Martin-Artajo. In short this was not “our book” but the book of Javier Martin-Artajo. There were 4 “blocks”, one of them being dedicated to my operations. The difference between “core” and “tactical” was that the strategies of ‘Core’ were initiated by the bank’s senior managers including Mrs Drew and Mr Dimon, while “Tactical” held strategies that were original ideas of ours that Javier Martin-Artajo had approved in the very first place for “testing purpose”. Thus “tactical” was perceived as a sort of laboratory by Mr Artajo who saw it as a tool to be better prepared to address the future queries of the senior bank management for “Core”, hence its label “tactical”:

*“IKSIL: this block was holding the tactical positions that I had initiated and I was monitoring every day...Q: So were you in charge of those blocks?...”other Q”: objection to “in charge”...IKSIL: I was accountable to Javier for those positions I would say, ie, I had much more discretion than for core. But still **they could exist only with Javier’s approval**...Q: Would you say that for those 2 blocks you were the head trader?... “other Q”: Can you define what you mean by “head trader”?...Q: Did you devise the trading strategy for these blocks?...IKSIL: **I devised the trading strategies for those blocks under the supervision of Javier. Namely I could not place any kind of trading strategies in those blocks. As I explained, I had to first get the consent of Javier.***

Thus all was well “understood” by the FCA and the US authorities from me in July 2013: Ina Drew had ordered the trades for “Core” that would fuel the myth that the bank would create with the “London whale”. Mr Artajo was the “head trader” for “tactical”. This would be repeated in more details in September 2016, just corroborating the fact that the “settlement” of September-October 2013 had been a known and deliberate misrepresentation of the facts all along. Now one wonders where exactly the regulators were standing in this deceptive myth of the “London whale”? Were the watchdogs saving the face of Jp Morgan here while clamoring an “historical victory” on banks in September 2013? Or else? The media saw the connection with the “Volcker rule”, since that was the plan of the bank to entertain this diversion. That was a wild card for the bank to hang high and tight a “trader” through this well prepared “London whale” communication strategy.

It felt indeed that the bank “surrendered on Volcker” and the authorities “moved on”. Still one should wonder why the hell did the regulators let that happen and why did no-one at CIO – other than me – stand up against this absurd management? The short answer to both questions is “Basel III RWA model”. The bar sat at Mr Dimon’s level or “above”... that was damn high!

RWA setup

The media were misled on my role. They were misled on the genuine “traders”, ie those who had control over the reported performance, who had objectives to achieve with this book, who had the leeway to take the risks, who had some power to decide on the fate of this book. The media were logically also misled on what had driven these trades to grow so methodically in a “tranche book” that was expected to be put in “run off” since late 2010. Now that my role in the hierarchy is clearer: I was neither “central” nor “important”. Now that the genuine “traders” are better known through the former analysis of the valuation process that was at play for this “strategic hedge sitting at CIO for Jp Morgan”... It matters to wonder where the responsibilities lied really.

As it was suggested in the former parts, it is not sure that the “traders” excluded the regulators themselves. Were they “misinformed” really? What had they been missing really? It matters to show better what the regulators knew of the motive that was driving this notional increase in the “tranche book” since June 2011. It was not the RWA figure of this future “London whale” book so much: they at the top of the firm focused on the firm-wide RWA and the RWA of this strategic hedging book rather came in deduction to the overall firm-wide number. Let’s not confuse the symptom and the disease. That RWA figure for the firm had been routinely scrutinized by these regulators over the years 2007 till 2012. The setup around this RWA -computed as per Basel III standards- was relying on criteria that were NOT finalized yet in fact . The RWA model itself was NOT approved yet. Yet it was the driver behind the late expansion of the future “London whale” book.

What was the “setup” exactly? Was this a genuine framework or was it a fraudulent scheme or else like a decoy? The “traders” were well aware of what they each had to achieve when they issued and repeated their instructions all along between March 2011 and April 2012. They would cause the fatal mutation that Mr Dimon mentioned in June 2012 when he testified before the US Congress. That evolution was NOT inappropriate. That was known at CIO London instead as “priority No 1 for Jamie”. Mrs Drew repeated it since March 2011: the target already was this “tranche book”, ie the future “London Whale book”. It was the named target of the CEO. So to say the least, every one of the genuine “traders on this book” were on the same page. The book morphed into something that would turn out to be “inappropriate” as per the explanations “in hindsight” of “Jamie”. To some extent the “traders” did not know the risks that they were taking....indeed...

The FCA will really look very superficially on the “priority No 1 of Jamie” that Ina Drew came in person to announce in London towards the end of March 2011. That targeting and organized mutation of the “hedging book of CIO” was happening one full year before the bank would contribute to the future “London whale” myth. In June 2011, ie 3 months later, Ina Drew herself would order the growth of the “tranche book” of CIO. She would next make her instructions all along 2011 and 2012 repeatedly so despite my alerts on the lack of liquidity. The regulators for their defense in 2013 all claimed that they had been misinformed. That misinformation certainly was Not done by me. They could have talked to me at their convenience any time. They should have since they were “closely monitoring” this “RWA reduction plan” all along 2011. They should have since ALSO they targeted this book themselves since 2010 at least. The FCA, the UK regulator operating in London like me, should have had all the reasons in fact to want to talk to me about this “concentrated correlation book of CIO”. Yes, all this “priority no 1 for Jamie” was targeting this book of CIO specifically in “regulators’ optics”. And this was typically what the FCA itself since November 2010 demanded to be informed of within the context of its “close and continuous supervision” process. Here the FCA had expressed a genuine concern about the “correlation book” of CIO made of credit derivatives. To be sure, the FCA targeted the “tranche book” also, while it was called “Core Credit Book” at CIO...The FCA would never blame CIO on this “Priority No1 for Jamie”. They knew it in sufficient details, ie it had been continuously and closely kept informed. For example it was told of the methodical growth that preceded the scandal...Maybe the FCA had not been told of the latest “long risk trade” that had been made on “on the run” indices in mid March 2012...Maybe that was a genuine problem for the FCA...il-liquidity was the problem...

Yet in the 7 hours of compelled interview where the FCA questioned me at last in July 2013 only, there were only very few occasions where the UK regulator would check whether I had truthfully implemented Ina Drew’s orders....How strange! They knew that all the instructions came from the

“priority No1 for Jamie” throughout 2011 and 2012. They wanted to review the “trades and valuations” with me face to face. They wanted to discredit the way I reported inside CIO. They aimed to document their tale in which I had had some responsibility indeed in relation to the “London whale” scandal.

The spontaneous “plan” was to start with the orders and review what I would have done badly as per their sole judgment “in hindsight”, like “after the facts” with whatever bias of their choice. They had the advantage of looking in hindsight. They could adopt any bias they wanted. They would not be held accountable since they had the full backing of the UK government and of the Bank Of England. They could leave, as they did in fact, anything problematic evidence under confidential seal. They could always hide behind the excuse “we tried our very best”. They could not “fail” could they? The FCA had just to start from what it had always known the plan was for the CEO here with this book. They just had to suggest, “beyond the reasonable doubt”, that I may have participated in a sort of “hidden prop trading scheme” running underneath the “priority No1 for Jamie” and that was it! And then indeed my name, so conveniently placated in the media as it had been, would do the rest for the FCA. They just had to manufacture a blame, that was not proved, but that was just credible enough. People were ready to hear anything. That was easy on paper, almost a sure win.

*But the UK regulator will not do that at all. It will rather avoid any opportunity to make the connections between the “priority No1 for Jamie” and the future “London whale scandal”. Ironically enough I will make the connection myself since I had to answer anyway the FCA questions truthfully...I simply said that the book was il-liquid, so il-liquid that the “priority No1 for Jamie” was to eliminate this book for good in late 2010 already. I testified that all the subsequent orders came from Mrs Drew. These orders would lead to the scandal although they were justified all along in order to prepare the planned death of this book in fact. There will be this quick hint at the context of my loud alert of the liquidity issue that enraged Ina Drew as of January 18th 2012. I elevated this problem one week **after** she had ordered Javier Martin-Artajo to “maximize P&L... we have a tad more room on RWA”. So Mrs Drew had said in an email on January 10th 2012: “maximize P&L” invoking that this RWA reduction “priority No1 for Jamie” came in second position...*

Was she deceived in any way here as she would allege later? How so? As she knew quite well then already, prices were uncertain. Positions were very illiquid. Unwinding them would cost 2 to 3 \$billions at the very least. She ordered to grow them further! Thus the “RWA focus” was just another decoy. What was it leaving in the shadow? Here in July 2013 I reminded the connection to the FCA with the future liquidity reserve that Jamie Dimon will approve on April 9th 2012, the whole bank leaving me out of the discussions. That new reserve that Ina Drew had proposed at \$150 Million on April 2012 did NOT match what I had elevated to her face to face since mid January 2012. The mismarking was thus clearly exposed in front of the FCA eyes as being known by Mrs Drew on January 10th 2012 already when she ordered to “maximize P&L”:

FCA: “What was the \$800 million?”IKSIL: **“For the book and I was thinking of, you know, the first report I made to Javier that went up to Ina in the first half of January** when, you know, to reduce the book in one quarter, to reduce the RWA and unwind the book proportionally that would cost 700 million (*that was for the first 25% of the book only*). So I reminded him of this and said, “Well, you know, it's even more than that but probably you should take 800 million, something” and then he shrank down to the IG9 indices. »”FCA: “And so at the end of that conversation, what was your understanding as regards the potential liquidity reserve?”IKSIL: **“I didn't understand what**

they were doing. You know, it went up to the top after the articles. I didn't know exactly what they wanted to do here.”FCA: “But how did you leave the conversation with Javier, what was your understanding based on that conversation?”IKSIL: **“They were in the process of doing this liquidity reserve for the sole IG9 indices.** That's all I saw. ”

On April 9th 2012 Mr Braunstein, the CFO of JP Morgan, had asked by email MR Dimon to “approve” this new reserve (US Senate report). Officially Mr Dimon was “out of the office” (Task Force Report). They were all involved in this meager \$155 million new liquidity reserve while Mr Artajo and myself had elevated figures that were 20 to 40 times larger since December 2011. I was sidelined. I was told they had made a reserve on IG9 indices when they actually “still deemed the S9 indices liquid”. Actually they had set this reserve for the S9 tranches only, excluding the S9 indices themselves. I was thus also misinformed by Mr Artajo....OR I was wrong... or I was simply lying here... Was I not telling the truth? Was I mistakenly saying “indices” when it was “tranches”? No. I had been misinformed by Mr Artajo myself at the time. The FCA would not cross examine me on this surprisingly enough. The FCA just secured what I could say publicly one day. That was it.

At some other time, the FCA shall hear that this RWA campaign will shape 100% of the trades, this going against my warnings. Here the FCA questions me on the presentation and emails that I had communicated between the 26th January and the 29th February 2012. They had appeared 1 to 2 months before the bank would contribute to the myth of the “London whale” in the media. All is driven officially by the will to reduce RWA-Basel III figures on this book alone at a minimum unwind cost. And this plan just cannot work, which is what I alert on around February 7th or 8th 2012, ie just a few days after Mrs Drew had stated “I get it. I get it. I am no worried. This is not a drawdown”:

“FCA: “The set of slides that you sent to Ina, did you send the set of slides to Ina or did Javier send them?” IKSIL: “No, Javier sent them and there were some of them that were, those were the technical ones, so that's the thing. About one week later, **I come back to the ISMG meeting and I want to discuss about - it's connected to the loss because CIO didn't want to lose any money on high yield default and I explained with just one slide** this time that CIO would gain in a universe of 150 names, between \$100 million and \$250 million per default, except for say nine companies. So you had a universe of 150: on 140 names, companies, CIO would make on average 150, 200 and for nine of these companies, as a total if they all defaulted, CIO would lose like \$200 million at best, at worst say. And I wanted to explain that to cover this risk, we'd have to buy a lot of protection on high yield index and, therefore, sell a lot of protection through the investment spread trades that would cost a good \$200 million, \$300 million and this would increase the VaR and the RWA, so I was focused on the, you know, CIO wanted to spare a loss of \$200 million in something that would make a lot of money in a systemic crisis and would spend in trading costs at least \$200 million. **That made no sense to me, so I highlighted that to Achilles Macris in the ISMG meeting early in February.**” lawyer: “And what was his response?”IKSIL: “He sent Javier over to New York and we had a meeting after the ISMG and Achilles was sitting in front of Javier and myself and he said, “What is this childish explanation that you cannot cover the loss on high yield?” I said, “Well, I'm sorry. You know, it's the liquidity cost and the RWA constraint, the VaR is going to increase” and **he looked at Javier and said, “Look, Javier, I told you to take care about this, so now you go, you take the plane, you go to New York, you knock on everyone's door but it's not possible that Bruno is constrained by the RWA and cannot cover this”.** So then I made another presentation that I circulated for February saying that not only this additional 300 could be lost in the year but by the end of the quarter, again, from the drift as the trend was more and more confirmed. Unfortunately, I could not make the presentation because it was planned to be made for the end of February but there was the “CIO

business review” and Achilles was not there. He was somewhere else in the world doing -- presenting his own slide. Still these slides where I announced that loss by the end of the quarter, end of February. **They were the slides used for Ina's SAA meeting that we referred to and the Ashley-Bacon meeting.** So that's what I communicated. Then there was another communication with Achilles, so it's later in March, around the time, you know, Achilles also received the comment on the \$40 million loss, right, like Ina. I expected them to react to it. And **one of Achilles' reaction at one stage is he said, “Look, guys, I think we stepped in shit with this IG9. What is it?”** and he asked me, “Bruno, why don't you tell me what's really bad?” And then I tried to explain him that we just happened to have the book of a CDS dealer but with a mirror image, so we are flat, balanced, and the dealers were moving the prices and because of the size of the positions, we are just suffering from that just every single day. That's all I understood from that.”

Mr Macris on March 20th 2012 pretended in front of me discovering that CIO had stepped in “sh..t”... as if he had been “unaware so far”... But in early February 2012 he had already demoted Mr Artajo, making sure that Mr Artajo could NOT resign and making sure that I was truly unaware of that. Mr Macris was aware in late January 2012 that he had already stepped in it.... The FCA will not investigate the facts related to the RWA matter even though it shaped in full the trades that would be done and would fuel the future “London whale” myth in the backyard. In its deliberate ignorance of the effects of my warnings, the FCA shall NOT make the connection ever between my comment on March 22nd 2012 and the gesture Ina Drew of March 23rd 2012. Mrs Drew then would “elevate all the way up” what actually the bank senior management had organized with her since March 2011 around this “RWA-Basel III” setup. Like Mr Macris 2 days before, she was just pretending to “discover” issues that had infuriated her already in January 2012. The FCA question bore on the comment Julien Grout added in the daily estimate P&L report where he wrote that “we will stop trading” waiting for RWA figures, therefore reminding that we were just executing the orders of Ina Drew. And these instructions were executed under the close daily supervision of top risk management chiefs including, Ashley Bacon, Ian Green, John Hogan, Irv Goldman, Peter Weiland through Keith Stephan. The FCA sees here the link between this comment of Grout on the 22nd March 2012 and the “stop trading” order of Ina Drew issued the 23rd March 2012 that she will express in the call that day that is discussed below. The FCA sees that it also was a gesture of hers since we had stopped already on the eve, waiting for her next instructions. That is the moment when she “freaked really” as Irv Goldman wrote in an email to Javier Martin-Artajo only :

FCA: “When you say, “I will stop trading at all now” can you explain the context of that comment?” IKSIL: “It's because I was working from home. There was this famous conference call with Ina Drew, who said, “**Stop trading. Stop trading on adding the long risk in core book. By the time we know exactly what's the RWA impact.**” That's -- that was her instruction.” FCA: “Were you on that conference call?” IKSIL: “I was.” FCA: “And who else was on the call?” (*the FCA cares about the participants. But the FCA will NOT want to know the real chain of orders. It solely wants to know what I can tell publicly later once again*) IKSIL: “You know, I was calling from my home, France, so you know, there was duplex. There was a conference room in London, a conference room in New York, so I didn't see the participants. But I assume Javier was there, Achilles was there. Ina was there. Irv Goldman was there.” FCA: “Who did you hear speak?” IKSIL: “I don't remember. I don't remember. I heard Ina. I heard Javier. Achilles must have spoken because that was the normal way.” FCA: “And did the instruction relate to the IG9 solely or trading in general?” (*the FCA tries to blur what I had said few seconds before. Maybe that was cross-examination*) IKSIL: “No, no, no. It was mostly about — **it was solely for the purpose of waiting for the final RWA number**, which

had increased. It was not sure yet. I think Peter Weiland spoke again because he provided a best guess and she said, "Okay. Now you stop trading. You put the phones down. The time for us to know what the RWA number will be" and I was instructed to work in the weekend with Pat Hagan to devise trades that would allow the RWA to come back and this trade — I mean this RWA came from the on the run long risk that had been done." FCA: "But the -- so the instruction was a general instruction not to trade until the RWA issue had been resolved?" IKSIL: "Sorry?" FCA: "So it was an instruction to stop trading generally not just in relation to long—risk positions?"

The FCA keeps pretending it had not understood what I had repeated.... and it shall NOT check what would happen next when Mrs Drew would learn that the RWA had literally exploded... so for the record, Mrs Drew would still keep the long risk trade, leaving CIO in massive breach on almost all its own limits. She definitely expected her boss, namely Mr Dimon, to learn that she had placed her unit in standing massive violations of limits. Could she look more reckless? Thus as to the RWA that should have been vastly reduced since the first weeks of 2011, the one that she said she had a "tad more room" on as of January 10th 2012, the one that then came second in order to "maximize P&L".... that RWA from January 10th 2012 till March 23rd 2012 would grow from \$43 billion to \$85 billion as per the firm-wide RWA model... for this "tranche book"... That figure was computed every week and was broadly communicated every month inside and outside the firm. For the record, the RWA in March 2011 that had to be smashed had been reported at \$65 billion "for this book" from the centralized New York QR staff.... Thus this RWA had gone down from \$65 Billion (March 2011) to \$43 billion (December 2011) and grew back up to \$85 Billion (March 2012). Thus the RWA reduction plan "priority No1 for Jamie" had really been just a decoy all along... All that mattered through this "setup" was that I would be seen as "trading, and trading, and trading".... That Mr Dimon, the FCA, the Federal Reserve, the OCC knew of that setup since this RWA was THEIR focus in that "optic"...

FCA: "So it was an instruction to stop trading generally not just in relation to long—risk positions?"

ie... The FCA does not ask the question. It makes a statement here hoping that I will simply not contradict it. But I clarified on the record: it was just in relation to the long risk position... The FCA did NOT run a cross-examination here. Had I just been a marionette in all this "setup"?

The FCA had the answer and it uncovers in its own biased question above. The "stop trading" of Mrs Drew was solely justified by her then in relation to her need to know first where the RWA of the "tranche book" would be. But she cared much less about the figure than the "reaction" of her boss and her regulators when THEY would see this massive increase.... So I would say "no, no, no", ie this was just a "stop trading" order in relation to the long risk trade...

IKSIL: "No, no, no. That was specifically for the long—risk position that had just been added. And I had -- I'm saying I'm done for the whole book now and I'm referring to this long—risk trade that has been executed on "on the run" indices." FCA: "Okay. I think you're referring to a different document, actually. Are you on xx?"

The FCA should have asked, just for the sake of cross-examining me, "and when Mrs Drew got the resulting RWA figure what happened then?" The FCA knew already the answer: CIO was in massive breach of all its limits, because of this "long risk trade", something that no one at CIO would tell me... And some would wonder: "Then what did Mrs Drew do once she knew that this RWA figure was so high as per the New York central models?" Answer: Mrs Drew would still consider growing the

positions further even after the articles in April 2012, even after the emergence of the fake collateral dispute on April 20th 2012...The other fact was that Mrs Drew would not even try to wind down any positions herself EVER. It is only Mr Bacon on April 30th 2012 who would start reducing the "long risk trade" as per direct orders of Mr Dimon. No the FCA did not want to hear that fact, did it? In another evidence, the FCA saw that I already said I was "done" late on the 22nd March to Keith Stephan actually.

IKSIL: "It's the same. It's the same document." lawyer: "Are you in a different tab?" FCA: "Page xxx." IKSIL: "Time stamp is xxxx. I say, "I sold a little more protection in main for tactical. **I'm done for the whole book now.**" FCA: "Okay."

And the FCA continues to try and pretend that I had any weight in the decisions made by Ina Drew... The FCA distorts again the tape in favor of Jamie Dimon's version of 'rogue traders'. That may have been "cross examination" here.....

FCA: "Can I just ask you about that phone conversation in which Ina and Javier were on the phone and there was the discussion about stopping trading? If I followed correctly your account previously, your understanding from Javier was that he had, by then, discussed the concept of a liquidity reserve with Ina. Is that right?" IKSIL: "That was my understanding, yes." FCA: "And that Javier, by the 23rd of March, is seeking to know the size of that potential liquidity reserve was your understanding?" IKSIL: "Yes, I mean, he has no choice. I tell him every day what this is." FCA: "Did you consider raising on the call with Ina, on the 23rd of March, the issue of the liquidity reserve?" IKSIL: "Sorry, what is your question, please?" FCA: "When you were on the phone with Ina and Javier in respect of trading on the book, did you raise with Ina the issue of the liquidity reserve that Javier had already told you he'd discussed with her?" IKSIL: "I didn't" FCA: "Can I ask why?" IKSIL: "Because I was not running the show, you know. **Ina was running the meeting, getting to the points she wanted to get at and that was the RWA increase. That's all that mattered.** We did not even speak of the losses on the book." FCA: "Okay. Thanks."

And yet, I had made sure Mrs Drew and the whole CIO was warned that more losses were to come very soon... big further losses...A bit later on, the FCA would hear that thing too about my alert of March 20th 2012, ie done 2 days before we would "stop trading waiting for new RWA figures from New York HQ" and 3 days before Ina Drew would pretend discovering the "long risk" trades that she had ordered us to execute and were done by the eve of the 23rd March 2012:

IKSIL: "The second is that in the commentary, **I knew and I hoped that Ina Drew would read the commentary and my expectation at the time was that she would disagree because from Javier's explanation...**" FCA: "This is the commentary, just to make that absolutely clear... On the 20th, yes." IKSIL: "...on 20th March? Yes." FCA: "so" IKSIL: "Because Javier told me that New York did not believe in this lag story — drift story — so I knew that the day after we would have a meeting with Ina Drew and, knowing her, I expected her to react and to start the discussion, because I expected her to disagree with what I would say about the loss and actually **the whole meeting which was very long was only focused on RWA and the CRM IRC split and that was it.**" FCA: "When you're talking about the lag that you hoped Drew would disagree with, can you just specify which figure you're talking about there?" IKSIL: "I am talking about the comment where I said not only the 40 million loss on the day is from the lag of performance of the IG9 but the whole year-to-date loss is not something that we try to catch up for possible things we did in 2011. It's really still the same thing that is really hammering down the book." FCA: "And what figure is that loss that you're talking about?"

IKSIL: “So there was the 40 If you want to turn to the document, it's in tab zzz. I mean this -- you know, you have the year-to—date 275 and this is the sum of a big positive somewhere in the book and a big negative that is between 600 and 800 million due to the lag of performance of the forward investment spreads.” FCA: “So just to be absolutely clear, the figure that **you were hoping Ina Drew would pick on is the 600 to 800 million underperformance?**” IKSIL: “**Plus the 40 because 40‘ would drag her attention anyway.** I think she would discuss the explanation for the figure, both, the 40 and she would read the comments saying “how do you come to this 600, 800 million?”” FCA: “And where you — did you consider conveying to her the distance in addition to that, the 300 million figure that we've talked about previously?”

I was not the one in charge of the book. Mr Artajo was the “trader” for Drew and the FCA knows it quite well from all the other testimonies (Macris, Hugues, Webster, Stephan, Grout himself etc...). Now the FCA picks straight that through the commentary I had created a genuine material opportunity for Mrs Drew to learn all from my account. Mrs Drew did not need to ask anything clearly so... She had nothing to “discover” on the 21st March 2012 that she pretended ignoring the day after, be they the distance, the coming drawdown, the long risk trades, the RWA increase....

IKSIL: “I thought it was already communicated through Javier. FCA: And so why not include that in the commentary? IKSIL: **That was not part of the estimate and to me that was managed by Javier directly to her.**” FCA: “**But the commentary sort of gave you the opportunity to discuss the underperformance.**” IKSIL: “**Yes, absolutely.** I thought we would discuss ‘the lag and would ultimately end up discussing the liquidity reserve, the distance and all the things, yes. That was my expectation. FCA: “But you didn't put that into the commentary?” IKSIL: “About the distance? FCA: “Yes, the distance.” IKSIL: “No, because that was, you know, in ——— this commentary was to explain the estimate, the year-to-date on the estimate.” FCA: “You said that you hoped that it would be part of the discussion that you had with Ina which subsequently it turned out to be a discussion about RWA and CRM. After that discussion, did you ever directly convey to Ina the distance that you believed that Javier had communicated to her? ” IKSIL: “No, I thought ~ **I mean that was not my place to discuss with Ina about these matters. That was Javier's book, Javier's risk, Javier's strategies.** He told me that he would talk to Ina, you see, so it would be ~ unless Javier asked me, I will not talk to Ina straight like this.” FCA: “Okay. I think we might come back to that when we look at events in April.” FCA: “But just one more question on that, did Javier ever tell you that he had conveyed the 300 million distance figure to Ina?” IKSIL: “Since Thursday he told me, “I am going to talk to Ina” and when we discussed daily he said, “**Yes, look, I'm in touch with New York. It takes time because we have to line up finance and everything**” so — so the subject was on the line.” FCA: “Did he ever specifically say that he had conveyed the 300 million dollar figure to Ina Drew?” IKSIL: “He did not specifically say. He asked me every day what the number was.” FCA: So he asked you what the number was? IKSIL: “Yes, every day I updated him.””

I had elevated all accurately and timely. Mrs Drew knew all she needed to know from me. Was Mr Artajo telling Mrs Drew the Truth? The FCA above jus tried to manufacture a doubt for an external pair of eyes. The hard evidence again showed that Mr Artajo had elevated the issue in December 2011 already to Mrs Drew.... Well, to answer the FCA once for all, Mrs Drew was told everything since she would in person elevate the figures on March 23rd 2012 herself “all the way up” and create a commotion inside the firm with her “very, very, very, very serious accusations”. Mr Pinto the JPM UK CEO directly associated to Mr Artajo, not me, would feel targeted then.... The evidence is in a recorded phone call between Mr Macris and Mr Pinto. It is also exhibited in an email of Mr Artajo to Mrs Drew and Mr Macris.

The evidence is dated March 23rd 2012, the very same day when Mrs Drew manufactured her own elevation inside the bank "all the way up" the chain. And despite the "feel" behind the FCA questions that I was NOT fed with sensible explanations from Javier Martin-Artajo, the truth came up anyway. Indeed the FCA shall also hear how this "Priority No1 for Jamie" was directly linking the Investment Bank, the IG9 skew to this "tranche book" since March 2011 (yes one full year before the bank would entertain the "London whale" myth). I describe below what I had been told of the "plan" of Ina Drew and the "options" that she needed to have clarified towards the 23rd March 2012 before she would make her gestures ("stop trading" and "elevation all the way up"). Here I tell my unique story in front of a UK regulator that had been quite closely and continuously involved with this "tranche/correlation" book since November 2010. This happens in July 2013 and keep in mind that I describe events happening 2 weeks before the "London whale" articles. Again the FCA only cared to check what I could say publicly later :

FCA: And just to be absolutely clear, what was the plan you thought that Javier and Achilles had discussed? How were they going to do it? IKSIL: Well, I remember very vaguely the discussion when Javier called me back. And he wanted, if I remember well, to speak about what Achilles wanted to do -- what CIO wanted to do. Achilles was not alone. And yes, CIO was considering all the options in a context when, you know, it's not like they really have a choice choosing whether they will unwind or not unwind the book. You know, they have contacted the firm-wide risk, Ashley Bacon. Ashley Bacon is already looking at offsetting risk with the IB. So it's not like they will have the choice. They would have to unwind part of the books already at the time. **FCA: Yes.** IKSIL: But they still have a say, I guess, on what they want to unwind and what they don't want to unwind. And I think part of the options they want to analyze is what they should do with the big IG9 position. Should they keep it as a standalone investment? Should they keep it as a position versus the on-the-run index? I don't know that. You know. That's what I think they were considering. **FCA: But you — so you don't really have a sense of what the precise plan being referred to is?** IKSIL: **No.** For example, I had many discussions with Javier because Javier came back to me saying, "And we — what if -- what would you do if you had more RWA, say for a quarter?" I say, "Well, I would unwind the book". He said, "And if you had two quarter?" "I would still unwind the book". He said, "For the full year?" I said, "Well, I would just leave the book as it is and let it run off and die over time". **FCA: Did -- were they suggesting at any -- in this context putting on any more trades? .** IKSIL: Well, I had this... strong... feeling that they had in mind adding to the IG9 position, yes. **FCA: And how would that -- excuse my language. How would that fuck the IB?** IKSIL: **Well, because... further investigations to make** — this market has always been huge and the IB has always been three/four times bigger than CIO on tranches and correlation products. Not mentioning the index positions. And the IB was the dealer warehousing bespoke tranches. And to hedge the bespoke tranches, based on single name, they had to hedge, not only the direction of the market, but the correlation risk. And for that, they used the IG9 because that was the only index that both had, index tenors and tranches to hedge this. **So they had a huge skew position between their bespoke trades, that they inherited from their clients.** And the hedge was on the IG9. And they were obviously offsetting positions to CIO, very naturally, because they were hedging themselves on the IG9, while CIO was investing itself on IG9. **FCA: And if you can very quickly, because we just have to move on -- but if you can just explain how addition of positions on the IG9 and CIO would affect --_ would that affect the IB negatively in terms of how they were positioned? Is that what you're saying?** IKSIL: Yes, well, technically I'm not sure of--- my impression was that first they wanted to show that they had — I think they had former discussions, already, with the IB about collapsing their respective positions. And I think they wanted to show their commitment inside the firm, that they wanted to keep this trade, despite the fact that the IB wanted to

collapse with CIO for its own agenda... Now, it seemed crazy to me. **FCA: I think we have to move on.**

The FCA is presented with the genuine manipulation, the genuine manipulators, the genuine source of the scandal, the genuine misrepresentations of the bank. It has to "move on" truly. The FCA points to the fact that this account of mine here matters but that this is NOT the aim of this interview. The FCA actually moved away. What was the aim of the FCA then? The FCA worried about what I actually knew of the "plan". My story has NOT changed by an inch since March 2012. If the FCA solely targeted me, I said enough things here that they could have disproved, if they ever could...I was merely saying that the FCA itself was compromised in this manipulation like all the other regulators whom Mr Bacon had talked to on behalf of this "Off-shoring" that the FCA knew about in 2012 anyway.... Or all this was plain right and the FCA deliberately avoided performing its own duties here since my account disproved the future "settlement" that the FCA will publicize with the bank 3 months later in 2013 and will never correct:

"Other FCA" : I think you have to move on. FCA: Sorry IKSIL: Yes"

The FCA could be "sorry" indeed. Let's "move on" as well by 3 years almost.... My story has NOT changed at all. The SEC is faced with the very same issue with regards to my testimony. As one can guess the SEC deposition, 3 years later in September 2016, would closely corroborate this account of mine. Why would I change my answers? The defendants' lawyer shall not argue with my account. And the SEC shall consider in mid 2017 that I had been truthful, this being based on "millions of documents"...As the FBI stated in August 2013: my story was corroborated...

And among the "millions of documents" that all the watchdogs had had and that I had not seen, it appeared that this "priority No1 of Jamie" to reduce the "RWA-Basel III" on this "tranche book of CIO" had been just a decoy. The purpose was to make me trade, or to make look like I was the guy who wanted to trade and ultimately to set me up for the fall....Indeed, although everyone knew that "Jamie" had this RWA-Basel III reduction plan focused on the "tranche book" of CIO as "priority No 1", the things were NOT managed by any executive in an appropriate way. And they knew why.

For example in early December 2011, while "credit hybrids" at the Investment Bank had had to shut down its synthetic tranche activity and notoriously had offsetting exposures with the "tranche book" of CIO, the IB refused to wind down with me and my CIO managers did not help at all solving this stunning internal deadlock. Was this RWA reduction really "priority No1 for Jamie" since March 2011? Oh, yes it was. But that was done in quite a deceptive format. We were in December 2011 and "Jamie" had approved the closing of "credit hybrids" synthetic tranche trading already...Winding down CIO trades with the IB trades was a golden opportunity to further smash the RWA for the whole bank right before year end.... However the IB traders could delay at their convenience the wind down ...Had "Jamie" lost his grip on his "priority no1" here? Not at all. This rebuttal was also part of the plan. The plan was to corner CIO in a situation that would force it to trade and trade and trade:

"Q: And what were you told by Mr Artajo about that?...IKSIL: It was soon after Javier had told me to turn to the IB guys to try to unwind some positions with them, or collapse, that they had turned me down. I went back to Javier and when I told him that, he--there was a disappointment on his face and he said "well, I know why they are doing that, they are sending bad collateral marks to us. They don't want to unwind at those prices." So that's the only thing that I can read through the numbers I see here....Q: When you say "they don't want to unwind at those prices" do

you mean at the CIO prices?....IKSIL: Yes...Q: Because they would lose money if they accepted the CIO prices and unwound at those prices?....IKSIL: Well, I could guess that was that, but that's--that was not what was said in the discussion. I just reported to Javier as per his instruction and that's how he reacted on that."

*However surprising as the IB behavior was, that was just one step in the plan of the CEO indeed. It will show in the next extract. The "delay" was due to the fact that Mrs Drew had not yet since June 2011 operated the "split" for the Core Credit Book of CIO. She had approved it though on her side. There was a reason for that delay as well. The "split" that heralded the official death of this book was independent of her own will after June 2011. That solely depended upon Mr Hogan reporting to Mr Dimon (like Mrs Drew did). The SEC shall indeed review how Ina Drew worked closely with the firm-wide NEW-York based risk teams on this "RWA priority No1 for Jamie" at the end of March 2012. They were a bit late... 9 months after she had already approved the "SPLIT" of the book (June 2011) that was the prelude to a run-off, she still was waiting for Mr Zubrow and next Mr Hogan. They both had been waiting for the green-light of their common boss, namely M Dimon. The official reason for this 9 months delay was that the bank had changed its RWA model a couple of times on the way... Still Mr Dimon could have at any point in time ordered the preliminary transfer of this "CIO tranche book" to the IB teams...Mr Dimon would just never try that. This "split" was thus to take another shape in early February 2012 under the direct watch of John Hogan then the firm-wide Chief Risk Officer. Still, that was the very same plan of "Jamie". Only "QR" the team of John Hogan could process this new split that was all driven by RWA reduction goals for "Jamie". And, in the coming extract, we are now on the **21st March 2012** and I state that regulators were very close and very familiar (much more than I ever was):*

"Q: Okay. And do you have any understanding as to why the QR department did not or could not produce more up-to-date information on RWA as of March 21st?....IKSIL: I had an understanding from what they were discussing because I was not involved in those discussions. The problem was that they were, QR, from my recollection, had stopped updating on a weekly basis CIO on its CRM and IRC components because there was a project of operating a split IRC/CRM split for the book. I'm talking about the core and tactical book. And it was complex and so QR was very much involved, of course, in this split with CIO and they had a lot of problems. They spent a lot of time as to whether they could try to optimize the split or not optimize the split. There are regulatory implications. They were very nervous about that. And I understood that QR without any updating them in time because of this IRC split that was very complex. And that's only on the follow that next, okay, since then what has changed because it was a delay, what has changed in the book then it was said **"well, the trading on the forward spreads is frozen"**. We keep cleaning up the -- some positions and we are trading this on-the-run long position precisely to put the book in --in run-off or freeze mode so that we will have enough carry with liquid positions that will be rolled every 6 months. And then the debate moved on, okay. Let's set aside the IRC/CRM split and let's discuss about what we think the increase in RWA overall, split or no split, is going to be due to this long risk trade since we don't really trade the other positions....Q: Did you think that the trades that you were involved with on the 19th, 20th, 21st, 22nd of March were good trades?...IKSIL: Yes...Q: And what was it that you thought--why did you think they were good trades?...IKSIL: I thought they were good trades because for once they were liquid and for---Q: **They were liquid?...IKSIL: Liquid this time. Like the rest was very, very not liquid and that one for once was liquid, which was good,** which meant that it gave a lot of visibility for CIO because that would first allow the book to be on positive carry and absorb the losses over time. And if in any case CIO wanted to collapse, I don't know,

whatever percentage of the book with the IB as any moment in time, it was very easy to....Q: But what else do you remember telling her about the losses in response to her questions at the end of her 2 hour meeting to you?...IKSIL: I am sorry. I disagree with what you say right now. I remember that this meeting lasted at least 2 hours. But Ina Drew did not ask any question. The way I was offered to speak was that once they had agreed that they had finished the RWA matter, **Achilles Macris said, "And I believe Bruno has important things to tell us about what's happening in the book in relation to the IB". And that's how I spoke. And I think in the meantime, Ina Drew just asked me, " Please, Bruno, tell us what you have to say". That's all....**Q: Okay. So prior to the meeting with Mrs Drew, you had already spoken to Mr Macris about your concerns about the IB and its relationship to the losses that were being seen...IKSIL: I had spoken to Mr Macris in the first meeting more about the losses of the day before that he should expect to see more often because CIO had a portfolio that was a mirror image of the one of the dealers, not the IB in particular....”

On March 21st 2012, I would be heard no doubt by Mrs Drew then and dismissed as usual. These orders of Mrs Drew were a pure setup organized by her for “Jamie” around RWA figures that New York was “optimizing for regulators’ optics”. That setup around the RWA figures, caused a lethal 9 months delay, that itself was a manipulation. This one manipulation had happened inside Jp Morgan. Market players like Mr Weinstein had nothing to do with it. And the SEC, unlike the FCA, did ask me what the “setup” was in my view, something which was considered truthful after close investigation. It started with questions on how market quotes could be manipulated in my view. And I specified here what I saw ie a manipulation from within Jp Morgan turning against CIO and in favor of the IB. Some documents show that in March 2012 I naturally saw Jamie Dimon as the “great commander” of this. My story since March 2012 has NOT changed unlike what the WSJ journalists alleged in August 2017. And they knew they were misleading their readers here: at best they ignored my story and conveyed “off the record” whispers from the DOJ and the bank then. In contrast to their morphing tales my story was clear on March 16th 2012 already. In short the new “split” that John Hogan would supervise in February 2012 could have been done already in February 2011, yes one full year earlier. And thus the “RWA priority No 1 for Jamie” could have been achieved straightaway with no further trade on the “tranche book of CIO” thereafter. Obviously so, had Mr Dimon diligently executed HIS RWA reduction effort, there would have been no “London whale” scandal at all... But such had NOT been the plan of “Jamie” since 2010 :

“ IKSIL: you may have manipulations as in the past without this drift. This drift, as I said, is -- is a very specific phenomenon that is observed in 2012...Q: Okay. We can read a little farther. **In line xxx, you say "all the rest is nothing, but nothing but setup. You know"**. Do you see that?...IKSIL: Yes...Q: That's a reference to the manipulation isn't it?...IKSIL: No...Q: Well, that is the setup that you're referring to there?...IKSIL: I refer you line zzz to line zzzzy. That's the setup I'm referring to in this call that is...Q: Explain to me what that setup is that you're describing there...**IKSIL: This setup is something that is totally internal.** That's something that I come back to on line yy, that I was instructed to reduce the RWA back in March 2011.... like Javier said "your job is at stake". It was an emergency. **It was a priority number one, blah, blah, blah.** And we had realized days before that day that actually back then the split IRC/CRM could have been done and would have addressed the need to reduce the RWA without doing all those forward investment spread trades, all those notionals, would have spared the problems. **So when I say "it's a total setup" that comes from inside JpMorgan since at least the beginning of 2011. So I tell Julien "Javier maybe doesn't realize that all this come from the inside"**. So he wants to fight to keep a position while his own firm is actually setting this book up for at least a year. That's the setup I'm talking about and that's it...Q: Okay. So let

me go back to line xxx to xxx and still, I understand what you've said and I see how there other portions of the transcript might relate to that. But I want to go back to this..."other Q": objection to the commentary...Q: You say here "it's an online massacre and then that's all, you know. Monday we start. We had a gap of a hundred million. Now we're ending the week we have a gap of 300 million." Do you see that?...IKSIL: Yes

This "internal RWA setup" against the "tranche book of CIO" was aiming at grossing up the loss on this book at the benefit of the IB positions BEFORE the "externalization" would happen. Part of the goal was to create conflicts inside CIO, especially scare some "CIO London traders"... So that they "freaked" and made mistakes...They would be "caught" as soon as the "externalization" would be "approved by regulators". So was the trap that Mr Dimon had actively prepared since January 2011 with Mrs Drew. The "off-shoring" had to happen at prices that a third party would validate. It mattered that the prices were "optimized" for the firm. That was a key part of the plan also, one part that had delayed the "agreement of the IB" from December 2011 when the IG9 10yr skew was at 25 bps till June 2012 when the IG9 10yr skew stood at 0 bps or so.... That level of 0bps clearly was optimal for the firm...

That delayed part of the plan would thus be "approved" finally in the very first week of June 2012 when the same IG9 10yr skew had been artificially pushed at 0 bps...after 6 months of ongoing real pressure. It had been a manipulation and the firm needed an easy scapegoat here. That manipulative pressure would be carefully left in the shadow of the "london whale". That would be a well advertized scandal....That change on the IG9 10yr skew brought about \$70 billion of tangible capital gains at Jp Morgan thanks to this independent third party valuation that would "confirm" the IG9 10yr at 0 Bps. That was not peanuts \$70 billion of tangible capital.... That was about 35% of the total capital of the bank and about 100% of the intangible capital of the bank... The IB had some interest in that but it was NOT the decision maker. And this "move", be that the "externalization" or the "internal RWA setup", was done under the permanent control of the New-York Based firm-wide risk teams since January 2011 leaving me in the blind as I explain below. I describe here how I was instructed since December 2011 to trade on and on and for what purpose officially in the context of this "internal RWA setup" organized "for Jamie" as "priority No 1":

"Q: "review them or I did not renew them"?...IKSIL: No, Renew. Renew... Q: And did Mr Martin-Artajo's instructions concerning RWA in December influence how you traded that month and in January?...other Q": Objection to form. What instruction concerning RWA? What are you referring to?...IKSIL: So yes. **The way this RWA instruction to reduce all the time influenced the way I traded in the market in many aspects...** Q: How so?...IKSIL: We're still in December 11 to January 2012?...Q: Correct...IKSIL: So first, and **in a paradoxical way**, this RWA instruction could only be performed in a sensible way using what we used to call the "marginals", ie the first order, which were the sensitivities of the RWA figure that QR was producing on this book with regards to changes in the positions that were in the book; namely I absolutely needed to know first how much the RWA would change from QR perspective, if one positions had changed by a given amount so that I could make combinations of sensible trades and see whether that would lead ultimately to an RWA reduction. **The problem I had had since-- I had had since April 2011 was that QR had stopped sending updates on those figures**, and so I relied on proxies that Pat Hagan was computing for me. So it influenced my trades in the sense that I totally lacked information coming from QR and I depended more and more on the approximations that Pat Hagan could do for me, which increased the uncertainty and the blindness in which I was at the time, which made me reluctant to trade actually...Q: Okay. Now sir,

you referred to a Pat Hagan. Who was Pat Hagan?...IKSIL: Pat Hagan was the senior quantitative modeler that Javier had hired back in 2008. I think to design in-house models of risk especially.

And the SEC secured that Javier Martin-Artajo towards March 16th 2012 confirmed to me that there had been this "RWA setup" against the "tranche book of CIO" that had run since February 2011 indeed:

"Q: Do you see that?...IKSIL: Yes...Q: Why were you telling Mr Martin-Artajo in this email that the real choice to make is whether the book should be in run-off mode?...IKSIL: It was a response to a discussion I had had with Javier the day before where I had realized that all this RWA thing, this reduction since beginning of 2011, all this was a set-up, that it was pointless. Also Javier wanted to fight with the IB. he wanted to keep the IG9. It was pointless in my view to do that. And he, sort of, agreed with my point of view and said " okay, but we need options here because a lot is going on, a lot is going on". So he asked me to provide him with my--my thoughts, my ideas as to what would be best for the book...Q: Okay... IKSIL: And that's why I said the real choice is whether to decide to keep fighting in this set-up or just let the book die...Q: And do you see where **you write "we would allow for P&L swings"**?...IKSIL: Yes...Q: What does that mean?...IKSIL: **It means that the P&L is going to range a lot, inducing at times big losses, several hundreds of millions of losses**, and that's it. That's what I mean....Q: I'm going to now direct your attention to an exhibit that identified as [redacted]. Sir can you tell us what we're looking at?...IKSIL: We're looking at an email that I sent to Javier Martin-Artajo on the 16th of March...Q: Why did you send this email to your boss Mr Martin-Artajo?...IKSIL: I wanted him to know what the divergence was worth and that it kept growing...Q: Do you see where you write "the divergence has increased to 300 now"?...IKSIL: Yes...Q: What is that reference to?...IKSIL: It's a reference to many former discussions I had had with Javier in the week where he always asked me "how much is it?" trying to--that was my impression, to lowball the number, like, if I said "it's 300"--"do you think it's 200?". I said "maybe"--"and you think it could be 100?" And I would say "no". So we ended up with between 200 and 300. And it was basically the conclusion we had come to at the end of the 15th of March. And I wanted to warn him on the 16th March that now I was convinced it was at least 300. And he should expect to consider 400 by the end of the month...Q: Did you say "lowball" or "lower"?...IKSIL: "Lowball".. Q: Lowball...IKSIL: "Lowball". Okay...Q: And where in this email you say "I reckon we get to 400 difference very soon", what are you stating there?...IKSIL: I'm stating that the drift now is back. It's not going to stop. And Julien is close to the bid-offers as par his account. **And I reckon we are going to reach to a divergence of 400.**

Yes Mrs Drew under Mr Dimon supervision had been "diverging" from the original mandate for this "hedge" for a year since March 2011. Mr Dimon would mention in June 2012 under oath that the book had "morphed". That was true. He and Mrs Drew were the creators of this mutation since March 2011, finding shelter behind the "internal RWA setup" to justify their paradoxical and conflicting orders. And the SEC will also secure my truthful account that indeed this was all done under Jamie Dimon's command knowingly so since March 2011 at least. I describe below how I had come to propose a solution. That was the only "intelligent one". It was sketched to Ina Drew face to face in London in March 2011. That solution consisted in splitting the book and put it in run-off mode:

IKSIL [that was] the only intelligent solution: I had to comply with the instructions that was to reduce the RWA on this book, that I could support...Q: Okay. And just so the record is clear when you say "comply with the instruction to reduce the RWA on this book", when did that instruction--when was that instruction given?...IKSIL: It was given by Javier first on early March 2011. And it was

repeated very clearly by Ina Drew at the end of March 2011...Q: And in early March 2011 when Mr Martin-Artajo gave you the instruction to reduce the RWA, did he say why he was giving you that instruction?... IKSIL: He said why, yes...Q: What did he say?...**IKSIL: He said that it was a direct consequence of the share buyback plan of Jamie Dimon...** Q: Did you understand what he was referring to when he said--let me rephrase the question. You just used the term "buyback plan". In March 2011 did you know what that was? IKSIL: he gave me-- he gave me the reason, the--for the connection. **He said that Jamie Dimon had decided to place JpMorgan under the Basel III rules before anybody else. He wanted to prove that JpMorgan was able to withstand the new regulation. And he had made a deal with the regulators that, if he could prove he had excess capital under the Basel III rules, he could use this excess capital to buy back the shares of the firm.** Javier explained that Jamie Dimon wanted to do that because he thought the bank had too much capital, that there was not enough opportunities to invest this capital. And so he wanted to return the capital to shareholders....Q: You just discussed what Javier explained. Did you have any discussions with Mr Dimon in which he discussed RWA or the Basel III?...IKSIL: No...**Q: Okay. If you could just give me a second, I think we might be close to wrapping up.**

They did NOT care, did they? This RWA setup was just an internal manipulation that would become "noticed" in the markets in the course of 2011. The IB of Jp Morgan would "help" the market players become "aware" of this internal fight that opposed the CIO of Jp Morgan to the IB of Jp Morgan. As Mr Macris told Mr Pinto on March 23rd 2012, that had made a "mockery of Jp Morgan" in the markets. The bank was tarnishing its reputation. Why is that? There was a reward for Mr Dimon and HIS regulators alike: that a \$70 billion gain in tangible capital. It had started in January 2011 as the US Senate report suggested when it evoked the misleading stress test violation reports concerning CIO from the 27th January 2011 (yes the year 2011, not the year 2012) onwards. The violation was real and came from an order of Mr Dimon to Mrs Drew to sell out all the US treasury holdings of CIO New York. Right then too, in late January 2011, Mr Jamie Dimon had ordered Ina Drew to have me trade and trade again. That order officially was justified by the need to smash the RWA of this hedging book. At that very same time (see the US Senate report) Jp Morgan sent risk reports alerting the OCC of a future long standing breach of stress case limit violation of CIO. It was misleadingly attributed to the "Core Credit book" which actually did NOT change at the time. I did not trade then even if Mr Artajo had pressured me to do so. There was no liquidity to trade anyway. I testify on that. That order of the couple "Mrs Drew-Mr Dimon" to resume trading and trading on this same book, right then, was thus conflicting. It was even more conflicting since the positions were already concentrated and ill-liquid in markets that themselves were less and less liquid by the days. Being told "trade!" but untold of this well manufactured stress limit breach, I would be left in the blind on purpose by Ms Drew, by Mr Macris, by Mr Artajo, by Mr Stephan, by Mr Weiland, by Mr Kalimtgis and others.... However I will make several alerts, make several suggestions that all consisted in avoiding trading. My initiatives were quite sensible and they would have spared the markets and the bank from the future "London whale" scandal. I would be heard, understood and dismissed all along by my employer despite my very fresh promotion. What a game of smoking mirrors that came from within Jp Morgan already!

This nonsense that Mr Dimon kept instructing me to proceed with through Mrs Drew inside the bank would become "noticed" by the market players with the help of regular "leaks" from the IB of Jp Morgan. And these would be made credible in return by other "confidential leaks" about this "tranche book" of CIO. The IB staff should not have been able to make these leaks. They were not supposed to have the information like ICE reports on CIO positions of cumulative performance of this "CIO hedging

book” over the years. And they were even less supposed to pass it onto market players. But the firm would let that happen for months. This would lead to manipulations on the market prices themselves in the weeks following March 2011. Yes that had all started in the year 2011, not the year 2012. But in 2011 it did not work so well.

The scandal was thus well born in 2011 on purpose from within the “fortress balance sheet”, under the close “supervision and monitoring” of some regulators like the FCA, the OCC and the Federal Reserve... But the other market players were not easily carried away from good common sense. They must have wondered why they would indulge themselves into Jp Morgan’s “family affairs”....

market manipulations

So the misrepresentations misled the media on my role, on the “trader’s” real name, on the motives hiding behind the firm-wide “RWA setup” inside the CIO of Jp Morgan. The regulators were not fooled however. How could the media then be misled so grossly? Would they- in normal circumstances- trust complacently unchecked rumors emanating from “hedge funds” or “market players”? The answer is a clear “no”. How could they herald this complete myth still, unsupported by the facts, without believing that it had received the explicit backup from Jp Morgan top executives themselves? They would not take this risk. Would they not make few phone calls to regulators on the follow? Just to be safe about what promised to be quite “popular” story”.... They would make some “facts checks” and here they heard no dismissal of the myth in the making be that from the very top of the bank or from the very top of regulators. How comes?

The long series of gross misrepresentations that were the building blocks of the “London whale” could have been stopped by Jp Morgan PR staff even before the first draft of the articles were to be published. The PR staff at JP did not even need CIO staff for that purpose. They even less needed the IB staff who felt authorized to spread the brand new nickname “London whale” among the journalists and among the market players. Those who were used to calling me “the big guy” must have wondered whether the Jp Morgan people or the media had the same person in mind... Why make this change of label from “the big guy” to the “London whale”? There was a difference in nature: unlike the “big guy” the “Whale” was a speculator. Where they here talking in the press of Ina Drew, Jamie Dimon or “the big guy” actually? My counterparties must have wondered.

In any event, those who called me “the big guy” did not have to worry, neither about Jp nor about the regulators. The cover up was complete: they shall not be sued ever even if they had participated in this quite illegal chat on Bloomberg in 2011. The authorities would not indeed make the slightest “investigation” in that direction even though I gave them some specific names here of those whom they should turn to. The authorities just did NOT need to know who the real manipulators were. The authorities did even less need to talk to those who could testify about this illegal chat on Bloomberg. The US authorities yet had had the name of those in the markets who could provide details. The authorities had asked me to spell the reference names letter by letter..... But they will not even try to approach them... Thus we will probably never know what the market participants thought when they saw that “the big guy” had most likely become “the London Whale”... As such that was a clear manipulation. The UK and US authorities completely covered that one up. That would be an ongoing market manipulation....

Likewise we will never know how the PR staff of Jp Morgan actively worded the first article of Greg Zuckerman for the WSJ before it went public. But as I can testify Mrs Drew contributed in person to

fuel the legend in the making further underlining the misrepresentations... And not a single executive at the bank would try to correct that other mistake of hers as per the 5th April 2012. I am not talking here of employees who were NOT executives at CIO or at Jp Morgan. They were left in the blind or genuinely misinformed inside the bank. I believe some IB staff was itself being manipulated when they were incentivized to make the "London whale" moniker popular in the markets or towards their colleagues. (see among the exhibits of the US senate report a phone call dated March 23rd 2012 involving Keith Stephan and Mr Artajo)

I was myself allowed to read one draft of Mr Zuckerman, word for word, but only on the screen of Mr Artajo in the morning of April 6th 2012. What did I know? I had then been summoned by Mr Artajo to his office and ordered to read the draft. It is not as if I had the choice here. Mr Artajo wanted expressly to know what I thought of that full text of the article before it would go public. That was not the first draft of his article that Mr Zuckerman of the WSJ was submitting like this, word for word, to JP Morgan executives like Mrs Drew and Mr Artajo.... So said Mr Artajo... The version I read was sort of "the final one" of what they had collectively come up to, allegedly starting from an "initiative" of the journalist who had heard "my name". I openly complained after the first read that none of this was anywhere close to the reality. Mr Artajo concurred with a whisper. He knew...

I was shocked; this was a complete ongoing lie. I said I had to talk to the journalist. Mr Artajo then threatened me saying that the bank here was handling what it perceived as a lethal threat to its reputation. And in that context my person did not matter at all to the firm even if that was my name that was planted so wrongly in the media. Should I speak to the press, Mr Artajo assured me that the bank would sue me, destroy me and all my family, taking away everything that I had... "everything!" as Mr Artajo would emphatically conclude his warning looking straight in my eyes, and chinning up...

He surely meant what he said here: that was no bluff on his part. They had all the arguments to stop this myth at once. They were decidedly fueling it instead. They should have made a public statement as it was easy to prove Mr Zuckerman plain wrong. But such a statement clearly would NOT preserve the reputation of the bank then. I would still argue that Mrs Drew had made very wrong statements and that I would speak, irrespective of the threat of Mr Artajo. Then Mr Artajo would have me speak with Jo Evangelisti, the PR chief at JP Morgan. Mr Evangelisti was pretending that he could not prevent the journalists to say what they wanted to say. Mr Evangelisti next asked me what was upsetting me the most and I mentioned one paragraph in particular where Mrs Drew pretended that I was the guy in charge and that sometimes I made mistakes. I said that I had made no mistake and that description was really nonsense. I could prove it. Mr Evangelisti took note of this. He would not call me back.

Soon after I would read the final version of the article in the press and see that this paragraph had been removed for most of it...I believed then that the bank had no other choice but to use the fact that the media used my name so wrongfully in the way it did. I ignored then that the journalist should NEVER have communicated the full wording of his draft article to the bank. That was in plain violation of the code of conduct 1-0-1 of the Dow Jones Group Company and all its subsidiaries. I would learn that fact in late 2016 only... incidentally.... That brought to light a very important facet of this scandal....The journalist of the WSJ had been effectively co-authoring the "london whale" legend with the bank top chiefs and the PR top executives. But he would never mention it, showing instead as if he had "discovered" the "London whale guy".

Therefore they at the bank were involved in creating the legend, actually co-writing this myth with Mr Zuckerman. The switch from “the Big guy” to the “London whale” had its origin at Jp morgan itself. They were making it up and yet they would have to remove one paragraph quoting Mrs Drew after I had complained... They therefore knew that they were misleading the public and the markets in their contribution to the article. Their reason for removing this paragraph likely was that they were fearful that I would go out and speak to the press. I reckon this is why Mr Artajo was ordered to have me read the article on HIS screen, so that he got a sort of “confidential approval” from me...and test my reaction in advance. That was another manipulation of the markets. I testified on this one too. And it would be fully covered up by all the subsequent investigations.

They at the top of Jp Morgan New York would not stop there. To complete the scheme and make the “picture” look nice enough for a manufactured “trading scandal”, the public needed a market manipulation “old style” echoing the recent LIBOR case. Here again a decoy market manipulation would hide the real one happening straight in the opposite direction. Once again Jp Morgan knew very well that it was another misrepresentation, one that the top chiefs would fuel in their own public statements, basing their own personal defense on that in the future...Mrs Drew had elevated “all the way up” the genuine manipulation, pointing the finger inside Jp Morgan at the very top. This “London whale” myth would be their defense line thereafter. The “Big Guy” had been morphed into a “London Whale” to divert the public attention. It mattered then to conceal the real manipulation on actual prices with a fake one based upon well known internal price differences. This is a third manipulation that the authorities were made aware of through my answers. This is one more manipulation of the markets that they will cover up in full.

This multi-faceted manipulation of the markets (withholding crucial information on the book, manipulating the public, manipulating the prices) is what this part is going to picture in the coming extracts of my testimony. The 3 facets were organized to give a “human” look to the “London whale” on which the bank planted my name like a flag on the moon. This one part thus matters a lot as this manipulation is the one that Mr Dimon and the IB chiefs would try to “document” with their fake collateral dispute on April 20th 2012, with the testimony of Mr Dimon before the US Congress in June 2012, with the restatement of July 2012, with the opposition of the bank to disclose my key communications to the US authorities in August 2012, with the Task Force Report of January 2013, with the depositions under oath before the US Senate Homeland commission in March 2013, with the misleading “final notice” of September and October 2013, with the pretence that the bank had “moved on” since then while burying my testimony under confidential seal in September 2016 and with opposing its subsequent public disclosure in 2017....despite my request.

How did I account myself within CIO for these market manipulations at the time? As per the legend thus co-authored by the bank, the media and the regulators, I had done “my trades” that had pressured the markets and “could have” induced a distortion in prices. In that they hoped to make believe that a sort of “hidden hedge fund” or “hidden prop trading scheme” had been running in the backyard of the official hedging mandate of this book. I definitely was “central” since I was the man in charge of actually executing the trades on behalf of the couple “Ina Drew-NY/ Jamie Dimon-NY” with the other market players day to day. Here is what I will testify on in early July 2013, repeating here what I had just described even more to the DOJ, the FBI, the CFTC, and the SEC a couple of weeks before. Needless to say that the bank knew all this even better while it kept fueling and contributing the “London whale” myth from 2012 until now in 2018.....

In July 2013 the FCA like the US authorities knew by the detail what I had been reporting towards my management since March 2011, including Ina Drew, namely that the CIO of Jp Morgan was the one big client left in front of the largest few dealers of the planet. Because the activity was to be very low and even lower in the foreseeable future, the dealers could not get out of the legacy exposures that they had accumulated against CIO since 2007. And this was their desire to flatter their performance that impacted negatively the one of the “tranche book of CIO” mechanically. The FCA focused on “March 2012” on purpose, but superficially so as the following extracts will show :

“FCA: “Was that the day after the 20th of March?” IKSIL: “I don't remember exactly. Maybe, you know, I could recover but that's how I communicated and later on, I will send an email to Javier and **specifying “to Achilles’ remark”, right?** I think that at the end of the day, **it's all about the skew trades that the dealers have for massive size in their book. They are tweaking the prices and we are sort of collateral damage, we are collateral damage** of that because we have a mirror image of their own books. **So if they want to flatter their valuation, we suffer, we have big size; there's no liquidity, they control the prices, so that's it.** There's nothing that can be done. So, sure, that was conveyed to Achilles.” FCA: “Okay, thank you. Were there any other conversations that you had with Achilles before the 10th of April?” IKSIL :” In March, I don't remember any. I'm trying to remember in April. You mean before, right before, or the 10th of April?” FCA: “Not the 10th ?” IKSIL: “Before the 10th of April.” FCA: “No; we're just going to come on to that in a second. I mean, if something comes to mind later on, then you can always let us know.” IKSIL: “Yes.” FCA: “Did Javier ever tell you, ever give you an instruction not to tell Achilles about the \$300 million distance?” IKSIL: “No. Javier very early told me that he was communicating, and they were all aware of it and here's what they wanted to do. So...”

*That topic above had been discussed again and again since June 2010. I repeated it in front of Mr Macris who worried endlessly since late January 2012. The FCA had preferred by far sticking to “March 2012” as if all had occurred then. The fact is that this description of mine (above) had already been conveyed to Mrs Drew, Mrs Macris, CFO, risk control, and CIO management in **March 2011** FACE TO FACE in CIO London office once more. Then- ie in March 2011 already- I went as far as advising that the book was put in “run off” mode, ie we stopped trading for good and let the positions expire since we could not even hope to actively trade them in the markets. We could even less hope to wind them down, no matter how slowly we tried to...My suggestion here killed in its infancy the “hidden prop trading scheme”.*

They would not have me trade and trade so easily. Simply because the liquidity in the markets was close to nil already in late 2010. They knew that and had recognized that in June 2010 in the way they coined their future strategy for this “tranche book of CIO”: “Land the plane”. So, in early 2011, when Mr Dimon ordered Mrs Drew to both sell all the US treasury holdings of CIO, thus violate the stress limits of CIO lastingly, AND have me trade like mad based on RWA-Basel III fictions, he had a plan. At the top of CIO, as a result, they tricked me into a net of conflicting orders. On the one hand I had to “reduce the RWA”, and on the other hand I had to grow the future investments of CIO that was so “valuable” for CIO as per Mr Artajo’s words to me....

*Mrs Drew “approved” a run-off in **JUNE 2011** as a result of 3 months of study ran by Mr Artajo, Mr Macris, Mr Stephan, Mr Kalimtgis and QR in New York. I would not be part of this team, solely assisting Mr Artajo very much like Mr Grout did. The CIO would approve the “forward spread investment trade”, but NOT in the format that I had advised then in terms of ratios-instruments and*

risk balances. Mrs Drew had approved the trades as per the conclusions of Mr Kalimtgis, Artajo and Stephan. I had to make few trades only in the meantime. The ratios that the risk controllers had set differed from me on this matter, not much but visibly enough. I had to make more trades as a result... The risk controllers were at the meeting when Mrs Drew would approve, not me. I had to comply with their instructions and execute. I will testify on that and the very existence of "STRATEGY 27" proves it. The FCA knows it but had rather avoid putting that on the record.

That had started in June 2011...But, about 9 months later on February 29th 2012, events occurred. The FCA did check on what had happened. The UK regulator had to review these events. That was 3 weeks before the bank would co-author the "London whale" myth, the UK regulator would have to hear first that a manipulation was well under way already BEFORE March 2012 :

"FCA: Okay. Thank you, that's very helpful. So we wanted to talk to you about the trading on the last day of February, so **the 29th of February**, and in particular on the IG9 10 year. Firstly, just so we're all operating from the same term of reference, could you explain in terms of how you might be pricing the IG9 10 year, whether you would be benefiting from a higher or lower price as you were positioned at the end of February? "IKSIL: Yes, we were selling protection so the lower the spread level where we executed, the better for the P&L of the book, but the worse for the entry point for the position. FCA : And can you clarify what you mean by entry point for the position? IKSIL: If you buy something in general and you expect the value to increase, if this value goes down and then you increase your position, you have a better entry point. **FCA Does it amount to: it's always good to buy when the price is low? IKSIL: Yes. FCA Okay. Understood, thank you.** Can you turn to tab xxx of the bundle? Sorry, we're going right back to the beginning. So this is an **email from Bruno Iksil to Keith Stephan** dated 1st of March 2012 and the subject is "Forward core credit book update". The Bates number is z-z-z, and here you're forwarding to Keith Stephan an email that you had sent to Javier Martin-Artajo the day before on the 29th of February. You say, "I have sold important amounts of protection in IG9 10 year close to 7 billion all day, all 3.5 million CSO1." So, first of all, how significant a size is that in terms of the trading that you've been doing in 2012? IKSIL Well, it's a very important size and I traded also on the 27th and the 28th . You want me to explain?...

No the FCA does not want me to explain the obvious: markets were il-liquid and manipulated....And still the FCA shall hear that one player did come to pressure prices towards the close of New-York and that was NOT CIO by any means.

FCA: So I suppose one question is, you know, in comparison to sort of the volume of trading you would do in a month, compared to the volume of trading that you did on the 29th, you know, how significant is that? IKSIL What's the relative... That's a significant amount that I didn't expect, up until the last 30 minutes of the close, to be able to achieve. And to achieve that size, right, I didn't become more aggressive, I just stood to where I was over the last three days according to the runs I received, **and if I could do this size it is because someone, that was just one player in the market came to execute 30 minutes before the close of New York.** FCA: Did you know that it was one player in the market or did you think there were a number of counter-parties you were transacting with? IKSIL: At the time I didn't know. **I learned that because Gabriel Roberts from Citigroup gave me a call**, felt his duty to tell me that there was just one guy. FCA: And who was that? Did they give you a name? IKSIL: I didn't want to know the name, it didn't matter to me. I happened to know who that was, later. FCA: And when did Gabriel Roberts give you that information? Was it on the 29th itself or just afterwards? ~IKSIL: **The 1st. FCA: The 1st , thank you.** IKSIL: He said, "Bruno, I don't want to have any trouble with that so I think I'd rather tell you that there was just one guy".

The events that I describe above are not really depicting a typical grouping of some market players on one position that they like. It looks rather like a guy, Mr Weinstein, who is panicking while CIO is just doing what it has to do. This is here the proof that the manipulation was orchestrated against CIO. There must have been a genesis to that targeting... No doubt, right? Was it the fault of CIO or else? Traders from CITIGROUP believed that I was NOT the one pushing the prices. Gabriel Roberts was actually considering Mr Weinstein as his mentor. And in fact Mr Roberts will start working for Mr Weinstein soon after the "London whale" events! So his view on his call where he specifies that he does not understand his mentor and future employer is revealing of something puzzling on the side of Mr Weinstein. They at CITI and at other big banks or big Hedge funds like SABA knew that CIO most likely would wind down with the IB of Jp Morgan, not with them. So what did they expect? The FCA "got it" and shall NOT investigate in the future. What was the FCA and CFTC knowledge at the time?—What would be their subsequent investigation thereafter?

FCA Okay. But on the 29th February, you were not aware of that. You were trading-- you thought you were trading with a number of counter-parties IKSIL Yes, I -- what I was doing since the 27th, I was on a program that was related to what we discussed, that I had to cover the high yield and by the mid of February I told Javier, "Look, you know, Javier, it's super expensive to trade this." So I don't want to trade the IG9 because even though it's drifting, say 1/8th today, I'm paying two basis points to execute so it's no point. I'd rather wait on this because I have size to execute and in the meantime I'm going to buy protection on high yield because I have to do it. And I said, "look, I know you guys you want the book to be long risk and you are going to see in the reports every day that it's going to be shorter and shorter risk so, I promise you, I will cover that short risk by the end of the month". And I wait, and I'm not super keen to add to IG9 but this is the only market where I have tranches where I can hedge the default risk on the investment. Because when I will do the invest -- the on the run investment in March, you know, if there is a default in this series the book will lose money so it's a bit stupid, right, because I'm covering, I'm doing size to cover the high yield default and I'm increasing the downside on potential defaults in IG. . So that's why I did the IG9 but I told Javier, "If I want to have a better entry point I'd rather let this drift accumulate for a couple of days that at least it will pay for the trading cost". So I start on the 27th because I know I cannot trade a lot of size and I show in the middle of the market to capture the best entry point. But I think the 27th I will do 500 million, and in the meantime I have bought something like 1 billion protection which means I have to sell approximately \$5 billion already on IG9 as of the 27th and I'm not finished covering the high yield. So I still have to buy protection on the high yield, that's what I do. So comes the 27th I know that I'm already late by 4 to 5 million on IG9 and I have to keep buying protection on high yield. And that's what I will do for the coming three days and I won't be very aggressive at all. I will just hit the bid for small size on the best bid, leave an order, and I will leave orders because I cannot execute the size to **Citigroup and Credit Suisse, nothing more.** And so I do some little on the 27th, a bit more the 28th but I'm still way behind what I have to do as a total. And still I will stick to my strategy because what I don't want is not to profit from the drift and enter at bad economic entry points. It will just turn out that, 30 minutes before the close, and **I tell you I was not aggressive but I was very well known, very visible for two days.** There is one guy suddenly he wants to buy billions of protection on this... one. **FCA I mean, but at the time you didn't know it was one guy.**

The FCA knows exactly what I am talking about: "one guy" means that there was NO market actually on the IG9 10yr. There was NO market. There was almost NO liquidity on the S9 indices. These were the facts. This is what I reported then to my managers on March 1st 2012. This is contrary to what the bank managers and all the regulators will agree to say when they stated "the S9 indices are still

deemed liquid" by April 16th 2012...This false statement of theirs is the root of the mismarking: this assessment on the IG9 is wrong since December 2007.... The FCA will never check the facts on this matter conveying in October 2013 and in the (February 2015) PIR a totally counterfactual account (yes still in 2015) again and again. The FCA will spread the word in July 2015 that they had not found "enough evidence" against me. The truth is that my testimony uncovered too much evidence showing the complicity of the UK regulator in the manipulations. The UK regulator will never be correcting the picture officially since despite acknowledging some of its "mistakes" after my complaint against the FCA....The Office of the Complaints Commissioner will "sympathize" but will never try to talk to me...Here the FCA shows its bias and why it shall not look before December 2011....

IKSIL: No, Yes. **FCA I think we're more interested in your motivation than what other people are doing.** (*No, this is not biased. This is just cross examination right? Whatever Mr Weinstein did...whatever Mr Roberts said... whatever the actual prices moves and the actual pressure were... whatever the way I had traded, something that was fully available in written form...whatever Mrs Drew ordered.. whatever my alerts and actions... the FCA only wanted to know my motivation...as if all was in my hands. BUT the FCA would NOT look at the trading chats that I mentioned for that purpose*) IKSIL: Yes, so, what I saw, — what I saw - come the end of the day on the 29th , it's month end. I told Javier I had to cover the short risk and I'm late — on my -- program. And so I tell the guys, "You know, you know, I can do more if you want." But I don't show any size because, you know, I don't want to have any influence on how the dealers are going to communicate to their clients. I want people to trade with me. And at one stage, instead of trading 300 million in one go, suddenly the guys will be able to do 650 and then another 650 and then another 650, you know, which is an unusual size for this index at the time. But it will be good and I say, "Oh, yes, yes" and I don't want to, you know, to say, "Oh, you know what, i have three billions to go, I will take whatever comes" and once I'm done I just stop answering. That's how it happened. Now, the problem I had is I had not thought of it thoroughly enough and that's why I send this email and I'm a bit apologetic because, unlike in January and February where I asked Keith Stephan telling him, "Well, I'm going to breach the CSO1 current limit because I have to cover and do all these index trades". Here I say, "I'm sorry, I had to do it and I'm going to go over the limit". And the days after I'm going to report to Keith Stephan on the fly to say, "Look, you know, I've reduced this much, this much so it should be back in line". FCA Okay. IKSIL That was the purpose of this. FCA: Okay. You said that it was important to cover the short risk at month end. Can you explain to me the connection with the month end? Why was it important to do it by the end of the month? *(I had just explained that 5 minutes ago already)* **IKSIL That's because, you know, the instruction came from New York initially in December.** And myself, I was a bit reluctant to set this book on a bullish bias because in Q4 2011, the markets sold off, CIO was long risk everywhere and all the books were bleeding money. **The only book that was making money was this book, but it was small anyway versus the size of CIO.** And I found stupid, you know, personally, to set this book long risk too. So I was a bit reluctant, both in December and January, to set the book long risk outright, you know. And I was a bit late and some complaints were relayed to me by Javier, saying, "Well, you know, they don't like they think that you have a loss year to date, you know, mid—January, because you didn't cover this short. I told you to cover this short. Now, you do whatever you want and now here you are, you lost." **And the first time Javier said, "Okay, look, you know, they told us. It comes from New York — from the very top so at the end of January you've got to be good".** So when we are in the middle of February, you know, when I tell Javier, "Look", I asked for Javier's permission, you know, to accumulate this short risk. But I know that, you know, there was a bunch of reports that will come out at month end that will go

straight up and the guys will want to see that the book is indeed not short risk any longer. That's my concern.

The FCA heard my "motivation": I had to comply with the specific orders of Mrs Drew made on behalf of "Jamie". She was making the book "morph" into something that was quite inappropriate for the hedge. Rather than secure again what the trading strategy was in December 2011 or before and "who" had ordered it while I was inclined to do quite otherwise, the FCA "moves on" as per its plan anyways. Did the FCA investigate my "motivation" really? The FCA below plays with words knowing that CIO was a "client", not a "market maker" or a "dealer" or any kind of "price maker" (this is specified in the NBIA of 2006!). The FCA indeed tries to distort alone my words to make me look like the "guy who is making the prices". This is here another pure manipulation of the record of the FCA since the UK regulator knows that CIO was NOT a price maker:

FCA Can I just understand a bit better what you mean when you say, **"I've not moved my price"**. If I understand, from what you've explained, that therefore must mean that buyers were coming to you and offering to buy from you at a lower price than that that you were offering to sell at, is that correct? IKSIL: Can you say it again, please? FCA: Yes, you keep saying, "I'm not moving my price" and they were coming to you. **So were they coming to you and agreeing trades at the price that you were offering** or were they agreeing to trade at a lower price than the price you were offering? **IKSIL: No**, they — I was showing my level of care. FCA: I'm really sorry. Can you just tell me what you mean by "level of care"? IKSIL: Imagine you have a market that is 112-114, or 113-115, right? You start at 114, nothing. Then you say, "Okay, I -- then **I will tell the dealers, okay**, I will care to trade at 113 1/2", nothing. Then you say, "Okay, I care to trade at 113 then you do one ticket three days in a row, one hour before New York is closing, London guys are out already, you are still at 113 and you do one ticket every three hours and that's it. And suddenly, someone says, "Oh! I can do 650, 1.3, 2.6, 3.9 at 113", and then you say, "Okay, good, great... great". That's what happened. **FCA Okay**, so just so I am clear, your account is that the trades that you executed on the 29th of February, you executed at the same price. IKSIL : Yes. **FCA Okay. Thanks**. Do you recall discussing the CS01 breach with Javier Martin-Artajo? IKSIL: I think -- well, I mention him FCA: Obviously you've sent him this email but I wondered if there was another -- a conversation, a face-to-face conversation [overspeaking] IKSIL: Yes. You see the timestamp, right, London time? I hope the timestamp is right, it's 10.30pm. FCA: Yes, they're GMT if they're at London Communications so that's right, IKSIL: it's 10.27GMT. I ...I'm really the only one left in the office here. Julien... [overspeaking] ... FCA But did you, the next day, have a conversation with Javier? IKSIL: Yes, so when I come back I say, I tell Javier, "I'm sorry I messed up but I had to do it". _ FCA And what did you explain to him about your reasons for trading? IKSIL: Well, I had already explained him in the past. He knew more or less that that's what I would do, and I said, **"Well, you know, I could do some size but I won't do it again because it's not liquid and it's really, this position is huge already"**. So I told him, **"If we have to cover the high yield that won't be on IG9"**. FCA And what conversation did you have with Keith Stephan about the breach? IKSIL I forward it to Keith the morning after, and I told Keith, "Look I'm going to update you on the fly, I'm going to cover it, buy protection here and there, and try to find ways to fix it". And I told him, "Look, it's going to put the book short risk again and we'll do this on the run investment at one stage because I don't want to add to IG9 now". **FCA Okay. Just as a general point, obviously** you'd be aware of your – you know, the notional size of the book as you are going along. IKSIL: Yes. FCA: But what sort of awareness did you have of the market size as a whole? So, for example, in the IG9 10 year? **IKSIL This market was huge since 07. I think it's still huge. What I was aware of is that the turnover had declined, like, dramatically in 2012, and actually on IG9, the turnover really declined during the summer of 2011.** I always thought it was connected to the stress among

European banks and the skew trades and the lack of liquidity because the European banks, you know, they had less constraints with regards to derivatives. They had remained, you know, frequent users and during the summer, especially through the stress of French banks, big French banks, a lot of them decided to get out and the European banks were big players **so there was a shortage of players among the dealers and therefore a shortage of liquidity**. So I was aware of that. Now it's always been a very big market because that was the hedging tool since 07. This is the only market, you know, that prevailed since then and survived after the roll every six months. **I still think it's a big market, it's just that, as everyone tried to exit, it ended up in the biggest dealer's book somewhere in some, I don't know, off balance sheet funds, whatever. And usually it's a form of skew trade** where you have some protection, say, on index based products that is bought, and even as much protection that is sold in terms of bespoke tranches or single name CDS. **And the dealers are carrying the difference in prices between index products that are liquid, relatively, and single name products that are absolutely not liquid, and that yield a bit more.** So... FCA And in terms of your awareness, though, say in February 2012, of what your market share was, you know, is that something you were aware of?

The FCA hears "skew", "summer 2011" but it shall NOT investigate that or cross examine me while it was clearly trying to put a manipulation charge against me here. It was so easy for the FCA to pretend that I sounded untruthful on paper. But the FCA knows the hard evidence even more than I do. The FCA knows of the "off-shoring" of skew trades by dealers. And the FCA cuts me before I can conclude that the IG9 market is huge and very illiquid, held in very few hands of dealers having ALL the very same skew position. They alone decided where they put the prices of the single name CDS constituents versus their respective index.... And vice-versa... The FCA obviously knows the skew, as the UK regulator calls the transfer of skew risks as "the off-shoring". The FCA knows ICE as well and it knows the dealers situation with the skew in early 2012. The FCA is ALSO closely and continuously monitoring this "correlation book" of CIO since November 2010. The genuine manipulators are known and they were targeting CIO since 2011. And the FCA was actually quite close to them :

IKSIL: Well, I knew that I was a visible player since 07, given the size and the strategy of the bank. Dealers told me, yes, I was one of the largest players. I had no clue about the market share. I discovered much later, you know, that on that 29th I happened to have a very — I don't remember the number but it was huge, and what was stunning is that I knew that, on both ends actually, we were just two of us trading on this index that day. .FCA: But you didn't know that at the time. IKSIL No. No, no. **When Citigroup called me, you know, what I understood is that towards the close there was one guy. But he did not tell me that there was no one else left in the market. I ...FCA: Okay. I think we might take a break now.**

I am cut off...The FCA needs to "break" this record indeed. The FCA has a negative view upon my being 'alone' but the FCA had absolutely NO care about Weinstein actions, Roberts actions...As per the initial plan of the FCA that situation was "potentially" inappropriate for me but it was "ok" for all the others involved in this... No, this cannot be called a "bias". This is more serious than that. The FCA at least looks away from an obvious manipulative behavior of Weinstein. The FCA does more than that actually. The FCA cuts me off in the middle of my answer and makes a break. The UK regulator will NOT come back to this subject in my interview. The FCA shall NOT ask about this call from Gabriel Roberts, about Saba, and about the very strange situation where this huge IG9 market was only trading between CIO and SABA on 29th February 2012. Both had 100% of the volume but the FCA shall only try to incriminate CIO without looking at the trading evidence...Is that biased or else? The

FCA certainly did not do its job here. The FCA again in its Bank Final Notice (2013) and PIR (2015) will actively ignore those key facts.... Yet the RDC, inside the FCA, will dismiss the PIR in whole and shall NOT explain the basis of its decision, not even to me while it was mandated to on paper (see the FSMA 2000 Act and the charter defining the mission of the RDC committee towards Human Rights). This impunity of the genuine manipulators shall remain confidential:

FCA: Thank you. Mr Iksil, I think you just wanted to clarify one point? IKSIL: Yes, something because I think I become a bit tired. There may have been -- you asked me a question about the level where I traded on 29th February. I was focused on the last trades so I answered, yes, I traded at the very same level, that was -- that is true for the main bulk, you know, the big size like 4, 5 billion, I don't remember exactly, was traded at the very same level. Now throughout the day I was still in this price discovery mode and I traded at slightly different level within a one basis point range, I think. FCA: Okay, thank you. IKSIL: I just wanted to make this clarification that I didn't do all the trades at the very same level but the big ones in the last 30 minutes, yes, they were done just at the same level. FCA: Okay, that's really helpful, thank you. IKSIL Where I was already for hours before. **FCA Okay, lovely, thank you.'**

Was it so "lovely" for the FCA to hear that I was NOT the one even targeting this level of execution while Mr Weinstein was? The FCA, had it looked at what my trading evidence shows, would have seen that I had actually changed slightly my "level" in order to get better entry points, ie I was looking to have a bigger loss that day in P&L. So to be sure, I was doing the very opposite to any price "pressure", contrary to Mr Weinstein. The FCA could neither argue nor ask any further question. How surprising while the UK regulator was investigating the "market manipulation" case in theory!

I was truthful. And this account of early July 2013 would be repeated in September 2016 before the SEC and the defendants' lawyers and the Bank's lawyer who heard all that. The SEC and the defendants' lawyers really cross-examined me here in quite a sharp contrast to what the FCA did BEFORE making public its "settlement" with the bank on the matter of market manipulations in late 2013....the SEC extracts below will disclose the elements of market manipulation that I testified on since June 2013...Why did the SEC come back to something that it had already "settled" with the bank as much as the CFTC, the DOJ, the OCC, the FCA had at the very same time? Why did it matter since my colleagues had never been charged with regards to that matter anyway? Was it done for any other reason than to try and discredit my testimony alone? It will fail...Once again...

The FCA could have "discovered" a lot more about the early days of 2012....I described at the SEC deposition that at the very start of the year 2012, the IB staff spied on CIO activity and moved the prices in the markets subsequently. We at CIO were told of that by our market counterparties actually. There is hard evidence of that, one evidence that the Compliance of Jp Morgan refused to investigate fully in March 2012 onwards.... Once Compliance top chiefs (ie Mr Zubrow and Mr Cutler) realized that this "manipulation suspicion against the IB", no matter how "very, very, very, very serious" it was, was actually "founded"... The anecdote here refers to the 4th January 2012 actually:

"...Q: And down below on line xx over to yy you say , a little bit before: "so in fact, they started the year really, really long where **we saw that they front ran us like pigs as usual for the occasion**" And how did they front run you, and how did you find out that?...IKSIL: We found out through some anecdotes. We had-- **we had to post our trades in the systems of JpMorgan**, very, very quickly. As soon as we traded, we had to post them, and we had a big pressure **because the IB was centralizing all the, I would say the-- the operations downstream**. Once you have booked a trade, you still need

to match with your counterparty, and in particular on the indices, and you had to-- you had to agree finally on what was called ICE, which was a compensation chamber. I'll spare the details. But we had to book in the system and **the IB was dealing, was managing all the--the records with regards to ICE or different contracts for tranches**, and what we were told by our market player at the time is that the IB would trade without knowing that we--what we had done. As soon as we had booked the trades in--in our systems-- so we booked our trades, the IB didn't know-- the IB saw that we had done this trade and then another dealer would tell us that the IB of JpMorgan was front running us. So I made the connections and I assume that this is because they would see all of our trades in ICE. So when it suited their own plans, they would front run us.....Q: ...were the actions of the IB a factor in increasing your mark to market losses?...IKSIL: **Well it's confusing your question. I don't know how to answer that. It's--there are many things that sound wrong to me....** *(I object here on the use of "mark to market" since the IB was handling this for "collateral" "margin calls" and "fair value adjustments" on behalf of CIO- further more I object to the fact that only the IB staff knew what they were doing against CIO while I had only anecdotes coming from third parties. The question was manipulative and the questioner is going to adjust without my explaining why I objected here....as such this is telling that the questioner switches alone from "your mark to market losses" towards "the P&L on the Core Book")* Q: What I'm trying to understand is whether or not the IB actions had an impact on the p&l of the Core book? Other than what we talked about before the leak to the market, but in terms of their own trading actions...IKSIL: They--I mean you pointed to the fact that **they increased our execution costs**...Q: Right...IKSIL: And from my calculations, **the execution costs were as big as 60 percent of the recorded gains in the former years**. So that could literally ruin totally the activity of this book if they had front ran us all the time. So that was a pretty damaging threat. Now it didn't work all the time..."

Here is the reason why the IB was pushing the prices against CIO as early as January 4th 2012: the IB made the execution costs explode at CIO and therefore the year to date loss exploded whatever the valuation process that was applied to the CIO book. Could the IB succeed in that endeavor? I was asked the question and I answered it referring to events that occurred in early February 2012:

IKSIL:...that was visible since the market players told us that they saw the IB of JpMorgan doing that and those players told us that because they prefer to keep their relationship to CIO as they had no interest in teaming up with the IB of Jp Morgan. So it didn't work necessarily. It happened to work in 2012....Q: What's this manipulation?...IKSIL: It's my speculation from my understanding based on Javier's account that I base all my speculation here upon the trades that I proposed initially to the IB in December (*December 2011*), and I assume that since I asked the IB and now Guy America is coming back (*Guy America was the head of CDS trading at the IB of Jp Morgan*), he's actually interested by the trades I originally proposed to do in a tear-up

I explained that I had proposed some wind down trades to the IB staff in December 2011. They had turned me down then, ie Guy America declined the invitation then. Yet Guy America would come back to Javier Martin-Artajo to do these same trades in early February 2012, ie AFTER he had pushed the prices in his favor, thus generating a \$200 million loss for CIO as a result. The incident of December 2011 and the initiative of Guy America in early February 2012 had a common root that ALSO could be found within the "fortress balance sheet" of Jp Morgan as I explain below:

IKSIL: all right. So, this manipulation as I understood it at the time, was that Guy America had, through some of his traders, big exposures that were offsetting the ones of CIO. Back in December (2011), I offered his traders to unwind big chunks of those offsetting exposures between CIO and the

IB. I showed these traders prices where I was currently trading or it was currently trading in early December(2011). **And they turned me down on the reason that they were not valuing those positions at those prices.** That was not in their interest. Since then, I had observed by coincidence that repeated itself week after week -And Julien confirmed it- that on those positions the book was incurring a regular growing loss that we also identified with the drift. And so we arrive now in February(2012).The rally in the market has stopped, and Guy America is showing up all of a sudden and now he wants to unwind. And rather than telling his trader to turn towards me, he's going straight to Javier. It feels to me quite manipulative....Q: Okay. I think that's about--I didn't remember Mr [redacted] asking you specifically **about this big manipulation.** That's why I did, but **I don't have any further question on that exhibit....**

IKSIL: And so I look at those trades and they are pretty market neutral and big. So even though it's a big P&L item, I mean, It's huge, 150 million, 200 million it's a big gain, it will be based on small price changes....So, as I've experienced --and Julien-- that all this year to date loss that we have in the book is actually driven by small price changes. It must be the same on the side of Guy America. So basically he knows very well as well that his 150 million, 200 million gain on the back of CIO is really based on price manipulation, framing that could vanish in one day or two if the markets reverse....Q: Was it his framing or just framing generally?....IKSIL: Well, he's the market maker. So he's making the market so that it fits with his P&L typically. **So I speculate that he knows very well that this gain that he has is really because he has leaked in the market the so-called sudden deleveraging of CIO** and he's made his own prices in favor of his P&L, but he knows that it's all within the bid-offer. So **he needs CIO to lock the gain.**"

I could justify quite rationally this "big manipulation" at the time, at Jp Morgan, towards all my management line. I made a reference to that awareness at Jp Morgan in my February 2016 4 page letter to the media. The bank would not deny what I stated. In my SEC deposition, I provided a longer description, based upon slides and charts that I had communicated inside CIO in mid February 2012 that showed that the CIO positions were specifically targeted in a way that was NOT consistent with the general market trends and historical record.

In the coming extract I explain that there was in Tactical a position that was almost identical that the one of "strategy 27" where you had the IG9 and other "forward spread trades" in Itraxx S9 and HY 10-11. I explain also that in mid February 2012 I reported in my slides that the position in Tactical was at profit year to date, despite the fact that it was based on less liquid instruments than the IG9, the itraxx S9 or the HY 10-11. The idea was quite similar however. Hence comparisons were relevant. It was plain logical that this position in Tactical should have made money as it was expected to gain in a rally of the markets historically speaking. That was the case clearly in "Tactical". Surprisingly enough the "Core Book" quite similar positions, expressed in more liquid indices, were incurring a big loss year to date on the very same period.

That was nonsense and revealing that these positions were targeted by an ongoing manipulation of specific market prices. It was easy to infer that, since the position in "tactical" was being small and probably unknown to the IB and the market players, it was at profit as expected because it was NOT targeted by the big "plan" at JP. This position in tactical will markedly start losing money right after the meeting with Ashley Bacon on March 12th 2012, ie right after CIO had communicated to Mr Bacon ALL the positions including those of "tactical". That was another coincidence that I will elevate to Mr Macris and Mrs Drew on March 21st 2012 by the way :

IKSIL: On the left hand side, you have the core credit book and the arrow going on the left is pointing at the year to date P&L of the new investments. **This is the nickname I put for the forward spread trades that were approved in the summer of 2011. This number, if I remember well, is extracted from strategy 27 P&L year to date, if I remember well.** On the right hand side you have the tactical book and you can see that 2--the block 4 is actually very successful. And you can notice that block 4 and this strat--this new investment P&L were behaving in a very different way. You had one that was down while it should have been up in the rally because it was a long risk position. And you could check that, if it had not been implemented with such visibility and targeting, expressed in slightly different forms, actually it would be very successful because it would have mimicked very well the variation in the market...Q: did this information shown in these 2 graphs relate in any way to your opinion at this time that **the dealers were manipulating the prices?**...IKSIL: **It did relate in some way**, yes. Q: And how did it relate?...IKSIL: It relate... It related in the sense that since the implementation was not quite the same and that this position was in the "core book" and was 10 to 20 times larger than the one in "tactical", you obviously had a visibility issue that was a problem for the dealer without them manipulating necessarily...Q: You said it was a problem for the dealers without them manipulating?...IKSIL: Yes...Q: Okay...IKSIL which means that they would simply, without manipulating the price, in general have a tendency to, I would say, flatter their P&L. And so if it's a slightly different implementation with a very tight P&L, naturally some of the difference could be explained without a manipulation. But at this time, at this moment towards the 22nd February, the market had stopped rallying. So it's not a question of the market moving and creating noise in the P&L of this roller coaster. **It's really something that worsens with no obvious reason.** So it's related because the question is **"Okay, how far can this be so different?" I was short of explanation at this time. So there was only one conclusion left....**

And the CIO managers were understanding quite well what that conclusion was. After the meeting with Ashley Bacon on March 12th 2012, it was clear that this manipulation of the markets found its root within Jp Morgan at the IB as far as the market leaks were concerned. By February 3rd 2012, ie 1 month before, I had made several alerts already and Javier Martin-Artajo had taken over on the issue. Key words are stated here:

IKSIL:initial presentation with numbers. He wanted only charts. So if you look at this charts, you have three curves, one red, one yellow, and they seem to move alike and that's the visual impression that everyone has when everyone looks at the book. Is it balanced, not balanced? The obvious is that it looks like the same, yet if you really look into what the book has, which is forward investment spreads in IG9 actually sneakily, day after day, almost invisibly **when you look at those 2 curves, they are underperforming the whole market.** And those 2 first lines, the yellow and the red, give an intuition as to what myself or Julien or anyone at CIO would see day to day looking at their bloomberg screen. But what's really happening on this within the book is the blue line that shows that--that shows the **underperformance of the forward spread trades relative to the general market.** So, assuming the book is more or less balanced, the book still loses money and a lot of money because of **this ongoing, almost invisible day to day underperformance. That's what I call the drift, or yesterday this residual manipulation that could not be captured day to day.**

This is this plain awareness of the manipulation that was driven by IB leaks to other market players that would induce "New-York" senior management to send the "March 6th order" to alter the estimate P&L that was produced daily at CIO London:

IKSIL: The Front office prior to March 6th had reported in the estimate P&L all the impact of the drift, all but not all the manipulations...Q: Right. There was another manipulation that was taking

place that was not reflected in the P&L estimate?...IKSIL: As usual, but the drift was a manipulation that could not be detected really on a quote-by-quote basis. It was detected at the end of the day, over a couple of weeks. And it was not identified as a manipulation at once. But at the end of February, beginning of March, it is known to be a manipulation that has been fully reported for what it was, the drift into the estimate P&L before March 6th...

That manipulative behavior of the IB against CIO was not new at all. It was actually a recurring pattern:

Q: Okay. Now, prior to the first quarter of 2012, had you had any discussions with Mr Martin-Artajo about whether the IB was manipulating prices to target CIO?...IKSIL: Yes... Q: When was the earliest time that you can remember when you and Mr Martin-Artajo had discussions about whether the IB was manipulating prices to target CIO?...IKSIL: Manipulating the prices right? The earlier discussion I have in mind is **around May 2009, June 2009...**Q: And what do you remember Mr Martin-Artajo saying in that discussion? Strike that. What did Mr Martin-Artajo say in that discussion?...IKSIL: He said that **the IB was siding with Dario Vilani who worked at Deutsche Bank at the time**. And they were teaming to push the prices against CIO because they had big offsetting positions in front of CIO and **they wanted to force CIO to unwind**

And here is my account of what I would learn from Javier Martin-Artajo himself in February 2012:

Q: First of all, prior to this call with Mr Grout, had you had a conversation with Mr Martin-Artajo about putting someone in a corner?...IKSIL: Yes...Q: Okay. What did Mr Martin-Artajo discuss with you in that conversation?...IKSIL: He told me that Guy America, or Guy America, had come to see him to see whether CIO would agree to unwind with him, Guy America, some of the positions that were in the Core Book. And Javier made description, a short description, of that conversation and how he, Javier, interpreted the move made here by Guy America. And Javier explained me that he had some information about the investment Bank that had a very good start of the year. But they needed CIO to realize their gains. And **Javier was smiling. He was saying "well, now they need us and that puts us in a--in a relatively comfortable position to negotiate with the IB"**. Javier was rather pleased and optimistic by that. And he explained me that Guy America is a very, very ruthless and tough guy. And one must not be naive. If this kind of guy comes to you like that, and if you say "yes", he's going to completely hammer you and put you in a deep loss. So Javier explained that he turned Guy America down, but not fully, just making him understand that CIO had no rush to unwind the positions that Guy America was talking about....Q: Okay and do you see here in the call where you refer to "we put him in a corner"?...IKSIL: Yes...Q: Who's the "him" you're referring to here? ...IKSIL: Guy America...Q: And what did you mean by the phrase "put him in a corner"?...IKSIL: I meant to summarize what I've just explained, that Guy America was in a bind somehow, that he was having profits and he needed to get the help of CIO at that time to secure all those profits, realize them. So he was in a corner because, since there was no market, he had really little elsewhere to go if he wanted to realize his gains...Q: Okay. And with respect to the phrase, "what Javier suggested, but I kind of agree, it's if we put him in a corner, we'll have the selfish satisfaction, you know, of saying "ah, we'll bury him"" Q: What did you mean by the phrase "we'll bury him"?...IKSIL: I meant that Javier and Guy America had a bad relationship. And I felt that Javier was, kind of, glad that Guy America came to see him to, in my opinion, ask him a favor. Javier was happy to be in that position, and there was a big ego fight between the 2. That's what I meant by "we'll bury him"....Q: Okay and you just mentioned the "ego fight". What did you mean by the phrase "we will have the selfish satisfaction"?...IKSIL: I meant that there was an ego fight between Guy America and Javier Martin-Artajo. But my understanding was there was an ego fight also above Javier. Ina was in an ego fight

with the IB. Achilles was in an ego fight with the IB as well. So all in all, my understanding was CIO as a department was in a big ego fight with the IB, and that happened at the chief's level...**Q: And what was the basis of your understanding that Ina Drew or Achilles Macris were in a ego fight with the IB?**...IKSIL: As to Ina, my basis was a quick conversation I had had with her a few years ago where she described me the merger between Chase and JP, where they--there had been a reverse takeover by the JP guys and that she had had to struggle for survival all along. And **she was in plain distrust with regards to the IB in general**...Q: I'm sorry? Distrust?...IKSIL: yes [Distress or distrust?]. No, distrust...Q: Okay...IKSIL: She couldn't trust them. She had seen so many things. That's how she pictured it to me for years, that distrust. As to Achilles, my basis was based on meetings I had had with him, and in particular Tolga Uzuner, who came from the IB and joined CIO, I think it was in 2007 or 2008. And Tolga came from Credit Hybrids. And in the conversation I understood that Achilles had been the sponsor of this tranche book that was a hedge for the firm. And it was somehow a basis of his business, Achilles in London, and the IB was claiming that it should not sit at CIO. So **I understood that Achilles was also a bit wary in dealing with the IB, knowing that the IB, as far as I understood, claimed that this tranche hedge should never have been at CIO. It should have been at the IB.**...Q: Now I believe that the other day, Mrxxx asked you about an occasion when you went to Mr Macris' house.

My story did not need be checked. Yet it dismantled the "London whale" myth: Mrs Drew and Mr Macris had quite big personal stakes at play with this book in particular. That did NOT require any further verification. In contrast I will be cross-examined quite appropriately on my elevations of the time highlighting that there was this manipulation in the markets that was fueled by the IB of Jp Morgan but in the backyards, and following orders from the very top of Jp Morgan Bank here. Things would be clarified as to what was custom "framing" and what was an "actual manipulation done with a precise purpose":

IKSIL: What I meant is that this drift was in my opinion the result of a manipulation. This manipulation was real. And I understood that that was a loss that was real for CIO because the manipulation was real...Q: Okay. Now, one of the other days you were asked questions about the interactions you had with Mr Martin-Artajo in February 2012. And do you recall stating at one point that you received some information from Javier Martin-Artajo that indicated that the IB of JpMorgan was behind this framing?...IKSIL: Yes...Q: Okay. What did Mr Martin-Artajo tell you in February (2012) concerning whether the Jp Morgan IB was involved in framing prices?... "other participant": Objection. Asked and answered, and overbroad and compound...Q: You may answer... "other participant": I'll object because you had asked him about manipulation, now you're asking about framing prices. I just want to make sure you mean the same thing here...Q: We've moved from March to February now... "other participant": Okay. And you asked him first about February about manipulation, then you changed your question to framing prices. If that's one and the same, that's fine. I'm just not sure what you're asking...Q: Okay. My question was: "and do you recall stating that at one point you received some information from Mr Martin-Artajo that indicated that the IB of JpMorgan was behind this framing?". He said "yes". My question then was "okay. what did Mr Martin-Artajo tell you in February concerning whether the JPMorgan IB was involved in framing prices?" Can you answer that question sir?...IKSIL: Yeah. So framing prices, as I said, was a phenomenon that happened regularly, usually towards month end or in other periods. This framing had taken a new face in 2012. **And my discussion with Javier was that I did not see myself the IB so much in the market.** And he explained me "yes because they don't want to trade. They don't want to trade with us". But **Javier was sure that the IB was behind what I described to him on the strange behavior of the other dealers.** And so that peculiar situation that Javier and myself were already discussing in

February 2012 where Javier was convinced that the IB was behind that. Because **he told me that Ina had had to open talks with the IB about collapsing the trades** after the loss that the book had had with Rescap (*February 9th 2012*). And that's how we discussed basically about this particular framing in 2012 that had a new face versus the past years where the IB seemed invisible to me in the market. I mean not very visible. **And Javier thought that they were hiding behind other dealers and other hedge funds on purpose.**

I was truthful and corroborated as Compliance would later suggest. The matter by March 1st 2012 had become clear: there was actually almost no market. It was therefore easy to manipulate the prices. No one cared apart from a handful of players who had the very same exposure on IG9 10yr skew risks....My alerts were heard, understood in full and led to new instructions. I would thus be officially tasked by Mr Macris to document this manipulation after I would be invited by HIM to elevate what I had observed to Ina Drew face to face on March 21st 2012, ie 2 weeks before the bank would co-author the "London whale" myth in the media:

Q: Okay. Did Mr Macris get you and Mr Artajo together to say "I want to understand more about the losses that you say are to come" ? ...IKSIL: We had a discussion with Mr Macris after the very long RWA meeting, blah, blah, blah on the 21st. So I think this discussion I'm referring here, if I'm right on my memory, was before this long meeting with Ina Drew on RWA. And right after the meeting was closed on the RWA, Achilles wanted Javier and myself to stay in the room and we discussed again about the dealers, the IB, the IG9, the losses...**Q: Dealers, IB, IG9, losses are the things that you discussed with Mr Macris and Mr Artajo after the RWA Ina Drew meeting?...IKSIL: The losses in relation to this collapse operation that was in the pipeline....Q: Okay. All right.** So let me make sure I've got this right. On March 21st, we have one meeting that you've described between yourself and Mr Macris that occurred before the March 21st meeting with Mrs Drew?

The first meeting was to comment on the loss of the 20th march face to face. And Achilles Macris in this third meeting would start saying "I have been too naïve when I turned to them. How can we f..ck them?" BY "them" I believed then Mr Macris made reference to his own initiative on March 1st 2012 to call Ashley Bacon for help and he had the IB chiefs in mind thinking about the IG9 already:

IKSIL...That's my recollection...Q: Then you have this meeting with Ms Drew... Okay. Another topic that you mentioned that you discussed with Mr Macris and Mr Artajo in that meeting, that third meeting on the 21st March. What did you discuss with Mr Macris about losses in that meeting, that third meeting?...IKSIL: That was actually the very start of this meeting that Achilles wanted to have with me and Javier. It was, this meeting was on the follow-up of this long RWA centered meeting chaired by Ina Drew. It had lasted as least 2 hours, but at the very end, at the very end, Ina Drew asked about, at the invitation of Achilles Macris, asked me about what I was seeing in the markets, what I heard about the dealers, the prices, the loss--the losses that were accumulating in the book. And what I replied was that since the meeting with Ashley Bacon (*March 12th 2012*), from what Julien was telling me and what seemed relatively visible in the market to me, was that since this meeting, the book **The book was losing money everywhere, the longs, the shorts, the not longs, the not shorts, the long-shorts, the long-short-long, whatever we had in the book, even the positions that we had not traded for a while. And I said this impact since March 12th generalized throughout the book was only possible through the IB and the bank because the other counterparties could not know all of our positions. There was no question asked.** The RWA centered meeting ended and that's when, when the communication was closed, that Achilles asked me and Javier to stay in the room. “

That was on the 21st March 2012. On the follow I would be tasked by Mr Artajo to document the manipulation that was under way in the markets showing as much as possible how the IB did that. I would show evidence to Compliance. Compliance staff would say that my fears were founded. Ina Drew would elevate “all the way up” on March 23rd 2012, making Mr Pinto state that these were “very, very, very, very serious accusations”....Mr Pinto (CEO of JPM UK and top IB chief) would even state that he would also raise his own arguments and launch a thorough investigation inside the IB since he may have to “fire a lot of people”. But Compliance would simply refuse in front of me to go and investigate at the IB.....Thus I was a freshly promoted “MD chocolate medal” at CIO that Mr Pinto (CEO of JPM UK) would NOT try to talk to at the time or ever... and that Compliance dropped all the same....We were 2 weeks still before the bank would launch the “London whale” myth in the media. I did not matter at all to Compliance, to Mr Pinto and others while Mrs Drew had allegedly caused a commotion “all the way up” based upon my alerts....Like the regulators “concerned officially since 2010” about this book, none of them needed to “talk to me” really....Not yet....

Fake MD promotion

Thus the media would be misled on my role. They would be misled on the real “traders”. They were blinded as to what the genesis within Jp Morgan of these “london whale trades” had been, namely the RWA-Basel III reduction for “Jamie”. It was just a scheme- in my words of march 2012 : “a complete setup... an online massacre... a commander in chief” all this happening within Jp Morgan... Of course the media were well incentivized to look in the very wrong direction about what the real manipulation was. They were misled with the “tempest in a teapot” comment of April 13th 2012. Nothing related to this “Tranche book of CIO” was benign.

Regulators had been highly concerned officially since late 2010. This book had been truly the “priority No1 of Jamie” since the start of 2011. Jp Morgan had been on red alert since 23rd March 2012. There were then “very, very, very, very serious accusations” made by Mrs Drew to her boss, namely “Jamie”, against the IB chiefs about this market manipulation. Compliance was involved for no less than a reputation threat, a Chinese wall breach, a market rumor of many \$billions to be lost, a “mockery” that had lasted for 3 months already at least, ICE warnings... All that had happened 2 weeks before the first seminal “london whale” articles would come to press. For 3 weeks already what had happened at JP Morgan was anything but a “tempest in a teapot”.

The articles would not doubt create a cathartic diverting entertainment on the public stage. But inside the “fortress balance sheet” of Mr Dimon there was instead a hell of a crisis. And all the regulators knew that from ICE, from Compliance, from Mrs Drew way ahead of April 6th 2012 what was going on... This is at least what she had replied to the OCC when faced with the MRA of December 2010. And since then all the regulators had been quite “concerned”, ie for more than a year, already about this book of CIO in particular. That “concern” had become indeed a hell of a mess instead of a colorful “London whale” tale. And this hell had officially started one week before March month end in 2012.

Where was I standing in this mess? I was at my desk overloaded with requests sent to me by Mr Artajo and Mr Stephan (risk controls- Mr Stephan will be promoted actually right after the scandal in 2012). Since the 23rd March 2012, thanks to my alerts, the book was in a “post mortem” that had set the whole CIO “in crisis mode” for the coming weeks. I use here the very words that Mr Macris had coined for the occasion. There was a review day after day for the “post mortem” occurring in a genuine “crisis mode”. However most of the time I was NOT a recipient of the emails. I was NOT one

of the guys who attended the meetings. I was NOT the guy whom the executives needed to talk to. I was NOT the guy that Compliance would support although Compliance admitted that my concerns were “founded” (dixit). I was NOT the guy Mrs Drew needed to talk to while she elevated her “very, very, very, very serious accusations” against the IB of Mr Pinto based on my reports. I was NOT the guy Mr Pinto wanted to talk to although Mr Macris had just made clear that I was the source of information for the accusations of Mrs Drew. Mr Pinto wanted to talk to Mr Artajo instead. They knew that I weighed nothing in these events anyway. I was not central in their eyes and not to become central despite my recent “promotion as Managing Director” devoted to this “tranche book”.

I had been promoted indeed MD – Managing Director- in November 2010 and this would be official in May 2011. It was just a “chocolate medal” as Mr Artajo specified as far as I was concerned. The chocolate had a peculiar flavor though. One strange anecdote occurred in this quite stringent process that was managed by the Human Ressources (HR). My official “sponsor”, namely Mr Artajo, refused to fill the application form that HR had asked him to fill. That was weird since he had to fill it on behalf of the “promotion for MD process”. Mr Artajo claimed he wanted for me to be an “MD”. He had contacted HR for that purpose in theory. He knew quite well what the process was. I was not indeed the first Mr Artajo had promoted MD. But I likely was the only one for which Mr Artajo did not know “why” he had promoted me. Indeed he refused to start the very first step that he had to perform as the official “sponsor” inside the bank. Thus I would have to fill the form for him and he would sign up. That was weird and HR staff by email mentioned to me that it was quite peculiar. Surprisingly too, in the process I was to go through an “appraisal” with all my management line. This included Mr Macris and Mrs Drew who were expected to interview me for the occasion. Then they were supposed to review whether this MD promotion made sense to them. They would NOT judge that interview “useful” or even “needed”. The fact was anyway that nothing changed in my role: I was the “director” of no one else than me and I was “managing” nothing more than what I was managing as a “Vice President”, my title when I joined CIO in 2006. The chocolate “flavor” really was peculiar. In hindsight I reckon that none of them was the actual “sponsor” of my chocolate medal MD promotion. Only the supervisor of Mrs Drew, namely Mr Dimon, could sign up on my promotion while the review and the HR process had notoriously NOT been respected. I probably was the only one example of that.

Then, unbeknownst to me while all my management line was involved along with Compliance, some regulators, (ie the FCA, the OCC, the Federal Reserve) were sending red-alert warnings to the bank top senior management scrutinizing the bank about this “tranche book” of CIO. Another strange event occurred on the regulators’ side, then in March 2011 and onwards... None of them will ever try to talk to me then while my name just popped on their “key persons” list. They ALSO were NOT respecting their own process. They ALSO were NOT doing THEIR job already. Yet they had every reason to start talking to me right then. Between January and March 2011, the bank would send misleading risk reports about material and lasting stress test limit violations that allegedly were due to “changes” in this “tranche book” of CIO. That attribution was plain wrong as the book did barely trade and was actually in reduction mode. I was NOT trading much then, if at all, for well known reasons: there was almost no activity and therefore almost no liquidity. If anything had changed at CIO since December 2010, that would have explained correctly this sudden material violation of the stress test limit by CIO as a whole. And some exposures did change, in New York, at the request of Mr Dimon. My managers knew about these changes. They did not tell me about that. The “tranche book” itself had NOT changed... That change was therefore to be found elsewhere at CIO. As I would learn indicidentally again, but only one year later, the change had been done by Mrs Drew as per a specific order of Mr

Dimon. She had been told to sell all the US treasury holdings of CIO New York in early 2011. Mr Dimon and Mrs Drew allegedly had reckoned that their US treasury holdings had made enough money. They knew the US treasuries were the most liquid asset for CIO, the most resilient one in case of a crisis, any crisis almost... They had decided to become almost totally un-invested in US treasuries until interest rates would come back up. They would never see better levels in the future than those at which they had sold out... and we are today in 2018...7 years have passed... Was it a gamble on their side here? Not quite. They aimed to place CIO in stress limit violation and attribute it misleadingly to the "Tranche book of CIO" then...

There was one sure thing in January 2011 when the CIO massively breached its stress test limits: the "tranche book" itself had barely changed. There was thus not a single reason why this "tranche book" could have moved the whole CIO out of its stress limits. The bank knew that very well at the time. One wonders why Mr Dimon wanted to provoke the regulators then. Regulators were highly worried already and had a lot of pending questions about this book. And they had had further cause for concern. Mrs Drew had indeed refused to address most of the official queries (see the US Senate report) stating "everyone knows what is going on here"... The regulators at the OCC interpreted her statement as "go ask Mr Dimon" (see US Senate Report). Mrs Drew sternly characterized the regulators as "intrusive" then. Thus this provocation on stress limit violations was bluffing to say the least.

Still no regulators would come and ask me anything. The explanation of their silence towards me on the face of it was simple. Javier Martin-Artajo told me that this promotion was just a "chocolate medal". He was right. Indeed nothing changed in my role at CIO as all regulators knew very well then, despite their subsequent pretence in 2012 and onwards. Whatever change, real or fictitious, that this book had undergone, it was the decision of Mr Dimon. It was the implementation of Mrs Drew. It was the execution of Mr Macris. It was the trading of Mr Artajo in the day to day operations...I was just a screen... A puzzling fact remains however: all the US regulators like one man decided to postpone the enforcement of their own requests on the follow....(see the US Senate report account on the matter)

Whatever the pending "expectations" and "optics" of regulators in early 2011, my role was known and unchanged despite this "MD chocolate medal".... And here is how I described my place at CIO for what it was during my testimony before the US authorities or the UK authorities. That was in June-July 2013...This first extract of the FCA compelled interview is about the March 6th 2012 orders that Javier Martin-Artajo conveyed to me. It matters to specify that I was actually on holiday since the 2nd of March 2012 and that Mr Artajo had already given his instructions to Julien Grout as usual on the 5th March 2012. I had not been in the loop and that was normal. I was not needed. Mr Grout had been chosen by Mr Artajo and Mr Macris because he had the skills and the knowledge that allowed him to replace me on any occasion. That was one occasion. That was not the first time. More it matters to specify that Julien Grout had already understood quite well the instruction of Mr Artajo and did not need me as such himself. The real cause for the call was that Mr Grout, as a result of the instructions, had sent a projection of the IG9 loss to "New York" that was about \$350 million. That was a bold move of Mr Grout that he made without consulting with me in the first place. And, although it was a relevant clue for Mrs Drew to know, this had set the whole senior management of CIO on red alert. Mr Grout projected a potential loss of \$350 million for the sole IG9 10yr index position of the book at CIO. If he had ever tried to conceal "part of the loss" or "part of the projected loss" he would have done it in a really stupid manner given what he had sent on this occasion. The IG9 10yr was

about 15% of the book and was projected to lose potentially \$350 million. It was very intuitive then to extrapolate that Mr Grout was expecting a potential total loss for the whole book that was 6 to 7 times bigger, ie around \$1.5 Billion. That was big enough to set "New York" all over the place as one understands now.

And New York was indeed all over the place. This was why Mr Artajo allegedly had called me. Mr Grout had done here a pretty rough estimate. Still he was giving an order of magnitude that was not "irrelevant". Mr Artajo had provided a similar order of magnitude to Mrs Drew in late December 2011. I had myself elevated to Mrs Drew and CFO and Mrs Macris and Mr Stephan and even larger figure by January 18th 2012...It was just too rough. Mrs Drew wanted a finer analysis. Mr Grout needed tips for that. This is what I explained him in the call for most of the time we spent on the phone that day.

Mr Grout could have done better alone. He understood why even before I called him. Mr Grout had used the IG9 10yr skew as a reference for his projection. Here he had apparently confused New York executives since Mr Grout's seemed to suggest that the "tranche book" had some IG9 10yr skew exposure. That was a strange perception from "News York" guys actually given their longstanding "approval" and the subsequent orders that Mrs Drew had done in person since June 2011. But the seeming confusion had to be cleared anyway. That is why Mr Artajo wanted me to talk to Mr Grout 1000km away from both of them. That was not really necessary as it will turn out in the following days. They were sitting 10 meters from each other in the open space of CIO London offices. They could see one each other at any moment in the day. But Mr Artajo wanted to secure that such an incident would not happen again. And to that aim Mr Artajo called me to refine Mr Grout's "understanding" of the context that prevailed in New York: they needed the staff in London to address Mrs Drew specific queries for the coming SAA meeting that would occur on the 8th March 2012.....Mr Grout's spontaneous connection to the IG9 10yr had caused more problems than it had solved visibly so. One last precision, in my 6 years at CIO, I would almost never attend the SAA meetings whatever my position title in the CIO would be...

FCA: "Okay. And did Javier give you any other instructions in that conversation, anything that we haven't already discussed? [12 seconds of silence]" IKSIL: "I try to remember. The part that we have not mentioned were the presentations, so again, he told me to tell Julien -- so he called me on my holiday to -- for me to speak to Julien when they were both in the office, I think, and it was about presentations that will be done, so one for Thursday for Ina Drew, so he — yes, you see how indirectly we are having a look with Julien at what was happening with a certain angle that was not usual business at all. And so **Julien had to prepare a presentation for Ina Drew, for what was called the SAA meeting on Thursday.**" FCA: "Yes. Is that the -- sorry, what does "SAA" stand for?" IKSIL: "I think it's **Strategy Asset Allocation, and that's where actually CIO management decided to allocate capital, unwind, remove positions, decide on the scale of anything that was done in CIO, including this book**, that was. **I didn't attend SAA meetings**, except if they wanted me to provide technical answers." FCA: "Okay." IKSIL: "And so I told Julien to prepare all the slides. I had a presentation already that described all the main sensitivities, the dangers, that announced the loss to come and so on and so on, and so Julien had to liaise with Andrew Perryman that was doing the presentations for Javier with my slides. And there was another meeting with Ashley Bacon. I didn't know -- I never heard of Ashley Bacon before. I thought he was in the Investment Bank. He was actually working for the bank, but at the time **I thought, "Okay. The CIO is going to have a meeting with the IB to see which risks are offsetting and how to unwind the book"**". That's how I saw that,

so Javier asked me to tell Julien to prepare the things and..." FCA: "Okay. All right, fine. So I just have one further -- a couple of questions on marking the book intra—month — and then we can move on to the second section of questions — which was whether you ever kept track of the mid marks in circumstances where, you know, you weren't automatically marking to mid."

The extract ends with a typical gimmick on the FCA side: I tell the Uk regulator that we were thinking about the best way to implement orders coming from "New York", ie from Mrs Drew or above. My answers were clear.... And therefore the FCA kept asking whether "YOU" kept track of the mids "where, you know, you weren't automatically marking to mid".... That was quite a problem: we were almost NEVER marking to mids at the end of the day. Not that we were far anyway. BUT we were ordered to differ from mids at any time if we felt it made sense. That was known by the FCA itself and by the bank of course.

*Then here is an extract now about the 12th March 2012, ie one week after. Mr Grout and Mr Artajo had worked together in London. They had finally documented the SAA meeting of March 8th 2012 without reaching out to me once on this matter, without communicating to me what they had done. They had ALSO prepared the key meeting with Ashley Bacon for Mr Macris and Mr Drew, likewise. Thus I landed back to London after a week of holiday, **on March 12th 2012**, without knowing any of the slides that they had prepared together. Around noon, the meeting with Mr Bacon would have happened. Mr Macris and Mr Artajo had made the speech. Mr Keith Stephan attended the whole meeting. I discovered their slides as they ran the presentation to Mr Bacon and Mr Greene. I would speak only very shortly, explaining that the P&L was a nightmare (sic). Mr Macris cut me right after that sentence of mine and closed the meeting. Mr Bacon or Mr Greene would never revert to me to ask me what I meant by that....They must have known very well what I meant....Or my opinion actually did not matter...*

Towards the end of the day, Mr Grout would mention for the first time since January 4th 2012 that he had again a big potential disagreement on prices with the dealers we usually talked to (about \$200 million). Here in July 2013 the FCA shall hear why I would tell Mr Grout to record and report on the differences induced by the March 6th 2012 instructions from New York. I asked Mr Grout to update mr Artajo, his direct manager, every day. Mr Grout would tell me that he would do it... And Mr Grout shall confess to me, but in early June 2012 only, that he actually had NOT updated Mr Artajo everyday with this special spreadsheet. Mr Grout would display deep distress and remorse about that, but only in June 2012. As I asked him "why" he had not done what he had told me he would do so often. Mr Grout replied that Mr Artajo had asked him not to. Mr Grout could not remember when and could not tell me how many times he had been truthful with me sending truly this spreadsheet that was known to be so important at the time. I then, in June 2012, replied that it did not matter so much as my own alerts had brought "all the way up" the most important figures.

Mr Grout did not seem to share my optimism at all. I would discover through the investigation documents that Mr Grout knew better what was in the making at Jp Morgan. He would not tell me what it was in June 2012, simply suggesting that I did not know all of it. So he thus still was very concerned and would not elaborate on his concerns. I was not suspicious then. I was just a bit disappointed by him...somewhat "betrayed" by him then. Not worried despite all the drama playing in the media. I would understand in 2016 only why Mr Grout knew quite well why he should feel bad about that. He knew much better than me already around mid March 2012. I would discover that in the course of 2015 and 2016 progressively coming across some documents for the first time....Mr

Grout had done more wrong things in my back through the first quarter of 2012 that he would ever tell me face to face...

IKSIL: "What I wanted him to do was to monitor how this difference broke down per bucket — what I call the bucket -- i-TraxX market, European market, investment grade market, high-yield market in the US. I wanted him also to monitor it per strategy and per Main instruments, especially the **instruments that I knew CIO management was looking at for -- eventually further investment.**" FCA: "And why did you want him to break it down by instrument?" IKSIL: "Because this spreadsheet served several purposes, it was not only — it served basically three purposes. For him, it was a sanity check, because I didn't want to trade any more, and so I told him, "You can use the strategies, because now you know what's inside the strategy, to help you figure out how you should apply judgment, but you need to keep track for every strategy, where you were the day before from where you are today". FCA: "Why?" lawyer: "Perhaps you should also say who you wanted him to provide that spreadsheet to." IKSIL: "Yes, because — okay, **first a sanity check for him**, because I didn't trade, I couldn't provide much guidance, you know, on where the market was actually trading. **Second...**" FCA: "And..." IKSIL: "..." **second...**" FCA: "..." why — why weren't you trading" at that point on 12th March?" lawyer: "Sorry?" (*the FCA cuts me at a critical moment when I am pointing already to Mrs Drew and Jp Morgan executives*) FCA: "Why weren't you trading at that point?" IKSIL: "I didn't want to trade any more. I sent many, many warnings to CIO that it was too expensive, it was not rational to keep trading on this book." FCA: "And was that -- you did not want to trade, full stop, or are you talking about specific strategies or instruments that you did not want to trade?" IKSIL: "Well, I typically didn't want to add to the forward spread investments, not because of the loss, because, as I explained, this — in practical terms, this loss was reflecting actually minor market changes. They were visible over the weeks, but in terms of opportunity in entry points, that was not an opportunity. That was mostly a trading cost and the positions were huge already and the visibility was huge." FCA: "Okay." IKSIL: "So I didn't want to trade for those reasons. Now, why did I ask him to do that? Because I didn't want to trade, so I couldn't provide him with much guidance and he had to apply judgment even more than in the past. So I said, "Look, you -- you put a scan through the book because you know all the strategies now, how they should behave, so you can use that as a reference for you to make sure how you apply these judgments, how you monitor, the eventual manipulation the unexpected moves and you make your own assessment on this". **Now, the second point was referring to what CIO wanted to do.** And what I wanted to provide CIO was to say, "You know what, we -- you -- think that the forward spread investment is attractive, but contrary to your intuition, the real market move that is attractive is not on this big position that is very illiquid, but on this smaller one that has suffered a lot because we have applied no judgment, and guess what, here you have a market opportunity". FCA: "And what was that instrument that you were just referring to or strategy?" — **IKSIL: "I didn't know, yet, . you know. They were the forward spread investments, you know, IG9, S9, high yield 10, high yield 11. They were the focus of CIO that approved this trade back in 2011, and from what Javier told me, they -- they — they were thinking of adding to those.**" FCA: "And so how was monitoring the difference relevant to that, to what CIO wanted to do?" IKSIL: "Because the idea was to say, "Let's -- let's open --" they were looking for options and I said, "Let's open the mind, because yes, there is this drift that is killing the year-to-date, but because everyone is focused on that, maybe we are missing that there is a strategy, as such, that is just drifting, drifting, drifting, drifting that is smaller. We don't look at it, but maybe that's -- that's the real opportunity, at the end of the day". FCA: "And so was — what was the purpose of — of the monitoring in that context?" IKSIL: "So the — in my view, **we would come at month end when CIO wants to make a decision** and we would provide CIO with a report saying, "Okay, this strategy, this month lost this much". Okay, in market price change, is it meaningful? Well, no, it shows that the

big position is huge and very illiquid. This position lost that much, but actually, it refers to a material price change. That could be an opportunity, even if it's illiquid. So the idea was to provide a panel of analysis, strategy per strategy, so that if CIO wanted to deploy capital and put some capital there, they would see which strategy was the most -- the best opportunity."FCA:" And when you say "best opportunity", what were you anticipating might be an opportunity?"IKSIL: **"At the time, I saw no opportunity."**FCA: **"Okay. You mentioned the word..."** (The FCA does not investigate, does not cross-examine. The FCA only looks for "helpful words" for its flawed thesis like "opportunity") lawyer: "If I ask a question, I'm not sure that Bruno's even answered it yet, but who did you want the spreadsheet to go to, to see the divergence?"IKSIL: "I wanted — **I wanted it to go to Javier so that he communicates to New York.**" FCA: "Just before we get on to that though, I think you had 'said there were three purposes to monitoring the difference, and we had got through two of them, so could we just finish off what the third purpose was first and then we'll talk about how that would be monitored.'" IKSIL: "Yes. And on the 12th, this was also this concern that, you know, **there was a change that was instructed by CIO, to apply judgment and ignore the drift**, and I was concerned that this 200 million was not necessarily a random result. So, the third purpose was over the days to get certainty as to whether this was just noise, just, you know, what I call the thickness of the line -- thickness of the line, that you have 500 million of potential uncertainty, that if you apply judgment, you know, you -- it's possible, you know, that it's plus 100 one day and minus 200 the other day, plus 100 the day after. Now, if you see a regular pattern, as we observed in the next three days, then you get the certainty I got to. ~"FCA: "How long did it take you to get the certainty?"IKSIL: "Well by three days."FCA: "So by the Wednesday, are you saying that you thought the difference represented a loss on the book?"IKSIL: "Yes, I had already talked to Javier, I think on the Tuesday, or even I told on Monday Javier that we would monitor the impact of the manipulation. Then on the Tuesday, I update - - I started updating him on the fact that this difference was not shrinking, but rather increasing, and then, you know, I started telling him, "Well, you know, we have a change. It has an impact on the estimate so what if we made a one-off so that, you know, we send the estimate and then right in the middle of the day, bing, we throw 200, 300 whatever, just "FCA: "Are you talking about loss there?"IKSIL: "Yes, yes, you know, in a one-off saying, "That's it". So we change just the year to date and **to avoid, you know, the controversy with New York, that doesn't believe it. You know, especially that, and to avoid the suspicion of New York that we sort of lag to acknowledge this loss, that we should have acknowledged much earlier.** Well, you know, you show one upfront of 300 million loss, you are definitely triggering the questions from New York, and then you explain what is happening, you see? So I was ready to say, "Okay. You know, they doubt us. Okay, I can face their questions. I don't mind". **He said, "No, no, you are going to mess the whole finance department with that".** ~"FCA: "Sorry, Javier said that?"IKSIL: "Yes." lawyer: "Yes, just to clarify things, Bruno, to go over again what it was that you asked Julien to do in creating the spreadsheet and the purpose of communicating that spreadsheet to Javier?"IKSIL: "Yes. So during that week, on many occasions, quick talks but I got to the certainty that this loss had to be reported in some form and so I tried the one-off, I tried the cushion, I mentioned the liquidity reserve. **That was not my job and Javier told me, I think, on the Thursday or the Friday, "I'm going to talk to Ina to tell her about it. Give me one week."** And so **I told Julien, "Okay, send to Javier every day the spreadsheet so that he knows the number day by day because he's going to have back and forth with Ina."** I didn't know how they would put that in the accounts in some way but I wanted Javier to know and I was convinced there was a number and I wanted him to know how it was spread because, to me, there was a liquidity reserve to be taken and there must have been a justification so I thought there would be one on the European market, one on the investment grade market, high yield market. I wanted Javier to have all the numbers every day and **I asked Julien specifically to update him every day on that.**"FCA: "Okay. Did you have any questions on that?"FCA:" I wonder if, just to flesh out

what you've just said there, if — can I ask you just to turn to tab xxx of the bundle that we've provided? For the benefit of the tape, this is an email from Julien Grout sent on Thursday March 15th at 6.27 2012 to an email distribution list entitled, "CIO estimated P&L" and it's also cc'd to the CIO P&L team. The subject is, "CIO Core Credit P&L Predict for 15th March". This document, as I understand it, is when we talked right at the beginning of the interview about preparing a price estimate. This is an example of one of those P&L estimates that would be sent at the end of the day?" IKSIL: "Yes." FCA: "Okay. And we can see then, on Thursday, 15th March, the estimated daily P&L for that day is a loss of around US\$60,000." IKSIL: "Yes." FCA: "And just then turning over, just to follow the chain through, if I can ask you to turn to tab zzz of the bundle? And for the benefit of the tape, this is an email from Julien Grout sent on Friday, 16th March at 18.28. It goes to the same recipients as the previous email and it's entitled, "Core Credit P&L predict for 16th March". Looking there we see the daily P&L estimated loss for that day is around US\$3 million." IKSIL: "Yes." FCA: "It's almost US\$4 million, actually..." IKSIL: "Yes." FCA: "...if I'm going to round up. Can you -- bearing in mind what you've just said to us about your belief that the loss that you had seen in the spreadsheet Julien was keeping was by then a real loss that should be shown, can you explain why it wasn't shown in these estimated P&L prediction emails?" IKSIL: **"Since the 6th this was not supposed to be shown in the estimate and I remind you it with my suggestion to Javier first that we should show a one-off loss through the estimate report and Javier told me, 'Don't do that'. So that was clear.** We are not supposed to report that in the estimate, whether as a one-off or a cushion." FCA: "And just to be absolutely clear about it, you say it was not supposed to be shown. You received that instruction from who?" IKSIL: "Javier." FCA: "Okay. Thank you."

The FCA knew better than me whether "Javier" had received the order from "New York JP Morgan" or "New York CIO". Thus I elevated in return the big headline numbers, their origin anyway. I advised on what to do, ie stop trading, collapse with the IB, let this book die by expiration. I relied on Mr Grout to provide the details. Mr Grout had given me every assurance. But he did otherwise unbeknownst to me. Mr Artajo did elevate my alerts to Ina Drew however, whatever the doubt that the FCA artificially slides in above. What is really peculiar is that Mr Grout did NOT do what he assured he did and Mr Artajo knew it. And to be 100% clear, the FCA shall check through other means, about the 20th March 2012 subsequent alert that indeed my alerts had been transmitted by Mr Artajo. Julien Grout was in charge of the estimate P&L for Mr Artajo, not me anyway. This was cross examination here as one can read below:

FCA: "Okay. Did you discuss that — the showing of the US\$40 million loss with Javier Martin— Artajo?" IKSIL: "Can you say it again?" FCA: "Did you discuss the US\$40 million loss with Javier Martin-Artajo?" IKSIL: "Um not really. At the start, Julien told me that. My guidance was to, as I explained, 'you show the loss no matter how much it is going to be and you come back in the bid offer and you come back with something that looks decent to you'. **And then, as was typical since '07, whenever there is an event on the estimate, we were expected by Javier to tell him in advance as he had the final say anyway.** Now what happened is I think I sent him a text message. I left a message on his phone and we waited, you know, 30 minutes and after we sent anyway. And so there was no real discussion, I just wanted to tell him that that's what we were going to do."

Still, as of March 6th 2012, ie one month before the bank would launch the "London whale" myth through the media, I had made already quite loud alerts "all the way up" that had shaken the tree. That would be between, me and Mr Macris. This would cause the "secret" demotion of Mr Artajo in early February 2012. And this would therefore remove any incentive for Mr Artajo to NOT communicate my alerts "all the way up" the chain at CIO in March 2012. The FCA shall hear it:

FCA: "Before the 10th of April, had you had any conversations with Achilles Macris in relation to the \$300 million distance?" IKSIL: "No." FCA: "Okay. Let's move to the 10th of April now." IKSIL: "Just one clarification you know. I had with Achilles Macris, conversations at best twice a year." FCA: "Okay. So this is in an average year." IKSIL: "Yes it's like... **And I had many more discussions with Achilles Macris in 2012. It's not customary for me to reach out** and my contact point is Javier." FCA: "Okay, understood. So how about prior to April the 10th, did you have any conversations at all with Achilles Macris in relation to the losses on the book?" IKSIL: "Yes, I did. **I did have one in the ISMG meeting on the 31st of January where it was month-end and I warned Achilles Macris and all the attendees on the meeting - and it was finance, it was risk, everyone,** that this book could lose easily \$50 million, \$100 million that day, month-end because prices were drifting and out of control. **The second time, I mentioned the loss to Achilles Macris was -- so,** during the conference call with Ina Drew on the 3rd of February, where at one stage Ina Drew asked, you know, how much this book could lose. Javier said \$50 million. I said, "No, no, no, no, it's \$50 to \$100 and it can be one day" FCA: "Sorry, just to clarify. **You said \$50 to \$100 million in one day.**" IKSIL: "Yeah, possibly, yeah." FCA: "And you had that conversation with?" IKSIL: "It was a conference call because after I went to the ISMG meeting, Achilles Macris, I saw it later, sent an email to Ina saying it's worrisome, so there was a meeting with Ina Drew. I had prepared some slides. Javier made the presentation. We saw some of the slides that mentioned the loss. That was in the first presentation of January that I brought to the ISMG meeting. Basically, I said, "You know, the year-to-date is \$100 and the book can lose \$300 million just because of the drift and the lack of liquidity". These slides were removed but I explained all this drift in charts where you..." (*the FCA cuts me while I was about to say what was said in my presentation*) FCA: "By whom?" IKSIL: "By Javier. He reviewed the slides in preparation for the meeting and he removed, you know, he tore apart all the slides mentioning the loss but Achilles Macris saw the first slides and actually he cut me off the 31st January, so I could not present the slides." FCA: "How did you know Achilles had seen the first slides?" IKSIL: "Because I brought the presentation to the room and, of course, you know, I was sitting next to him and I let him -- I saw him — I started saying, "You know, it can lose —", I wanted to say, you know, "Today's month—end, the book can lose 50-100. I'm sorry there's nothing I can do" and I saw Achilles flipping the slides. So I don't know for sure if he read the number but he stopped short and he moved on to another subject but **he called this meeting with Ina. Javier made the presentation using some of the slides only** and there were charts, you know, showing the drift, you know, the on-going underperformance day after day... since the start of the year and **Ina started the meeting saying, "Okay, Bruno"** because I sent the slides before, so that Ina would have time, you know, to get familiar with it and she started the meeting saying, "**Okay, Bruno, I'm not a specialist" but I get it. I get it**" and so, it's only at the end of the meeting that Ina asked how much this book can lose that I made this remark about it."

And as a result of his concerns, triggered by my alerts, Mr Macris will demote quietly Mr Artajo on the follow, unbeknownst to me then. Mr Artajo shall next be devoted ONLY to this "tranche book" of CIO. Mr Drew and Human Ressources will support Mr Macris move here that occurred right between the 31st January and 3rd February 2012. Many people at CIO will know of this demotion, like Keith Stephan then. But I will only hear of this from Mr Artajo around May 9th 2012. Still Mr Artajo, Mr Macris and Mrs Drew will order me in early February 2012 to keep "trading and trading" as per their orders that they had got from "Jamie"... "Jamie wants you to trade" so said the freshly demoted Mr Artajo in February 2012... This demotion of Mr Artajo should have eliminated any possibility that I would be considered "the trader in charge" in the future investigations. But the FCA would have a different

approach. The FCA tried again and again in 2013 to make it up like I was the “trader in charge” anyway....against what it knew already about this demotion.

FCA: But it's still —— but **you recognize that it's of benefit to you to do the trades and that's why you enter into the trades..**

One sees why the FCA did NOT look at the trading evidence officially ... More it was unsettled as the “But it's still—But”... It just attempts next to place another ambiguous “you” and a no less ambiguous “interest”... I did not “trade” to my “benefit” like typical “traders” do. I was following specific instructions all along. The NBIA of 2006 had been crystal clear: the “sponsors” were Mr Macris in London and Mr Panzures in NY, CIO NY. And I was warning that these trades were toxic inside CIO. It was MY interest to say so obviously. And my boss would be demoted as a result, in what was not to be called a “constructive dismissal”, all this unbeknownst to me....The FCA knew and ignored these facts in its public statements. The FCA did that with a purpose. It could never have supported the myth created by Jp Morgan if it looked officially at the trading evidence or spoke of Mr Artajo's demotion.

The FCA was simply trying to give an artificial credibility to the myth by pretending endorsing it after its own “investigation”. Everyone would assume that the UK regulator had done its best effort, right? People could not check what the FCA knew or did actually. The confidential impunity was quite convenient for the FCA. Thus going against the facts and the evidence in 2013, the FCA knowingly ignored all the information that it had gathered since November 2010 when it had demanded a “close and continuous” supervision of this “Tranche/correlation book of CIO”. The FCA just targeted me, because it knew I was blameless and it was not. For that the UK regulator had necessarily to ignore the facts that I raised in my interview, even though they are supported by evidence that the FCA had in its files. The FCA shall not investigate, and even less expose on the public stage, this evidence or even my testimony:

IKSIL: I have no choice. FCA Why do you have no choice?..... IKSIL: Because I have to cover this protection on high yield that I need to do. That's the number one priority I have, and the preceding priority I have to respect is to maintain the book in a slightly long bias. **But you really need to look at the chats because you will see what I'm saying**, that I'm just not moving, it's the buyer coming to me in an aggressive manner. FCA And when you get to the point where you have covered the high yield, what is the reason for trading beyond that? IKSIL: Because I've been fishing for a care on IG9 for three days already and we are 30 minutes before the close. I mean, you know —— I don't remember, maybe -- Julien as well, maybe I'm the only one in the room because I'm freaking out because I know that Javier the morning after is going to tell me, “You told me you were to -- you would cover the short bias”. So when the guy is coming. I'm very happy, I'm — phew-- you know, I was good to stay. It was good I stayed. So, I won't —— I will do a little ‘bit more rather than a little bit less because they will look at the color of the number, you know, they want to see the book long risk not short risk. So I will do a little more and then as the thing is coming I wish I could buy protection more on high yield but I couldn't, the guys were not showing anything....

It was not a question of “interest”. I simply had no choice...Either I executed the orders or I resigned.... That was the choice I had at the end of the day. Through the extracts above, it was described that, as to the risks that were taken that I was NOT the decision maker. These were NOT my trades and NOT my strategy. This will be stated by Mr Dimon in a CNBC interview as of August 8th 2017: I am NOT the one to blame (sic)...I did what I was ordered to do (rather than “asked”) and I tried every possible

means to dissuade my managers to repeat their instructions to me. Yes Mr Dimon finally said it but in August 2017 and very quietly after he learnt that the DOJ and the SEC had given up...What he did not say and should have said was that I was fully heard and fully dismissed. I would be literally "ordered", this going in straight opposition to my repeated requests and alerts. There was a reason to that and Mr Dimon knew it very, very, very, very well. He had no promoted me "MD-chocolate medal" in late 2010 for no reason. He was building a "complete setup" around RWA-Basel III fictitious models and figures. He had the regulators on his side already, ie in December 2010. The whole setup was falling apart finally in mid 2017 since I had published this blog....

It can therefore be said that since 2012, Mr Dimon and his firm had made misleading statements wrongly so and knowingly so... As the next extracts will show, the bank Jp Morgan, its CEO and its watchdogs had a deliberate purpose in conveying all these years many gross misrepresentations about my role in the scandal....My fake "MD" promotion had been one crucial step for them all in late 2010 already, ie 18 months BEFORE the legend that they would launch in the media in late March 2012. Indeed they had long needed a "screen man". In late 2010 the "screen" had to be an "MD" to make sure the authorities could harpoon him at the H-hour on the D-day. As to the timing, starting in February 2011, I was pressed to execute big trades in dying markets despite my repeated alerts. These alerts were heard, understood as worrisome, but Mrs Drew repeated her instructions. I therefore repeated my alerts.

And this led in early February 2012 Mrs Drew and Mr Macris with HR to demote Mr Artajo so that the latter would be officially 100% in charge of the execution of the instructions that I had received and been "asked" to execute..."please!" do that huge series of trades in these dead markets... That had been the gimmick. And yet their chosen fall guy was not falling after 1 year of attempts to set him up. They had tried though. They had done their best effort "all the way up" since early 2011....

They had wasted no chance to incriminate me. Thus I would have been "promoted" (late 2010). They would sell all the US Treasury holdings allegedly as per a pretty "double down" gamble of theirs. That was just a decoy. They were NOT making "bets" so much. Soon after stress limit violations at CIO would show up. Misleading reports would be sent by the bank to the regulators. They would be alleging that the "tranche book" was the cause of the violations. They at the top of the bank knew that it was plain wrong. They wanted to trade like very soon! The authorities now had my name on their list as one new "key MD guy". But I would not trade... And I would keep alerting upon what they wanted to stick on my back luckily enough. A year would pass. The regulators would not try to talk to me anyway, me the "brand new MD on their files for this worrisome tranche book of CIO"

They started all doubting after I wrote of "drawdown", "this one book should die", "take the pain" and "liquidity trap". That was in late January 2012. Yes a year had passed. And they were quite late on their schedule for the "screen" to fall for them all. They would then manufacture this demotion of Mr Artajo Just in case I may not be the "fall guy" after all This is what they notified Mr Artajo who got the message straight.

Mr Artajo and later Mr Grout knew already in the early days of 2012 the edge of the cliff from which I was to be pushed. As to the valuation, I was not needed, and I was not heard. More I was deceived by Mr Artajo and Mr Grout who told me one thing and did otherwise in my back making sure I could not know it at the time. That happened in February and March 2012 for sure. In that deception that my close colleagues knowingly participated in, they were also following orders coming from "New York".

“New York”? Was it “CIO New York”? It is not so sure as the demotion of Mr Artajo and the “freking” moment of Mrs Drew suggest. All along the period of January to March 2012, regulators received more than 100 reports highlighting limit breaches at CIO that all were attributed to the trades that Mrs Drew and Mr Macris so forcefully wanted be “done” despite my warnings. This time it was true: they had secured it. Unlike 2011 where they had sent reports of limit violation of CIO attributed to a book that did not trade, in 2012 they had been organizing “for Jamie” massive trades that would substantiate the limit violations. In their own words, Mr Macris and Mrs Drew aimed at matching with “regulators’ expectations”, a thing that Mr Bacon would also refer to in Late April 2012. Still, be that in 2011 or in 2012, while receiving these hundreds of limit violations, NO regulator would attempt to talk to me on these many limit violations that polluted the whole CIO of Jp Morgan. No they would not. They were “on hold”... But their “optics”, their “expectations” were being actively “managed” from the very top of Jp Morgan. It is just as if the regulators knew who the “traders” were in reality. As a new Managing Director, I was on their “key people” list however. But as they knew quite well too, I was nothing else than a screen for them, a screen that was to crash, one that they had chosen to have in late 2010 with a specific purpose.

This purpose is best exemplified by the false risk reports that attributed between January and March 2011 for 7 weeks onwards a massive breach of CIO of its stress test limits that already was misleadingly attributed to this “tranche book”. In hindsight that really looks amateurish when it is compared to the “professional” manipulation that started in 2012 and has not really ended in 2018. All this time, from late January 2011 till late March 2012, not a single concerned regulator would try to talk to me to learn what the hell was going on in this book. Yet I was then a fresh new “MD” on their files, ie a “key person” for their supervision role as gate-keepers. The gate-keepers had not done their job between late 2010 and July 2012. That was all set and known in July 2013 through my testimony for any newcomer in the investigation team. The SEC deposition in September 2016 would only provide more background to the setup that Jp Morgan had organized around my name since late 2010. As the case “Lehman Vs Jp Morgan” (to which I also testified truthfully) proved, it is likely that the bank already manipulated the “mark to market” figures of the “tranche book of CIO” in September 2008 to make me be its “fall guy” already....As it turned out indeed, the IB staff at senior management level and at valuation stage, all sitting outside of CIO for “mark to market” purposes as the documents proved it, did engineer a false mark to market to make Lehman Brothers declare bankruptcy through a \$250 million margin call that would be the last straw for Lehman Brothers employees and management. This shows clearly in the evidence and the testimony that I made in early 2014 in Paris....

Thus there is a lot more to say about this fake MD promotion. It was largely predated by events occurring in 2008 involving Jp Morgan, Lehman Brothers, regulators and the IB top chiefs. Here, in late 2008, the bank executives had shown the “way forward” with regards to my fate as a screen man. The SEC deposition would only further document this as will be seen in the following extracts....

*First on the **30th March 2012 events**, the SEC knew better than me when I was supposed to be “managing” these trades and “maximize” the performance trying to make standalone “profits”. Here is what the questioners said about what Mr Artajo had been instructed to do for this “tranche book” for that month end crucial valuation of March 30th 2012. See below the wording of the questioner: irrespective of whether the question came from the SEC or the defendants’ lawyers. There was no objection this time. I heard myself the “consensus” here. The question stated that “New York” needed*

a “good number”, ie one number that would “match” and thus help to minimize the net loss with active “asset sales”, something that was neither “compound”, nor “leading”, nor “distorting”, nor actually “surprising”. I would not hear the words “good number” myself from Mr Artajo actually, in the CIO London office at the time of the events. Whoever was in charge of this minimization of the losses on March 30th 2012, I was not in the loop. I was judged truthful here. The SEC knew better who was in the loop:

Q: Do you remember him (Javier Martin-Artajo) telling you that New York needed to have a good number because they had to match their security sales to whatever that number would be?...IKSIL: I don't remember the wording "good number". What I remember is this discussion about the 150 million that was related to the ability of New York to realize gains through security sales that was sort of limited to 100 million....Q: Okay. Let me move in the time we have left to day to April 10th, the events of April 10th.. Before you do that, ---, did you say a hundred million or 150 million"?...IKSIL: I said Javier gave me this 150 million request and explained me that New York was in the process of selling securities to realize gains to offset those losses. And he expressed the view that as to him New York could hardly go beyond a 100 million gain on those sales... Q: So do you remember on April 10th of 2012 there were 2 P&L estimates that sent that day?...IKSIL: Yes

This extract just shows that I was NOT the one deciding either on the estimate P&L, on the ultimate performance figure, on the executions or on the targets. Mr Artajo received the instructions from New York day after day....And I did not know much as the questions of the questioner suggest. He indeed “moves on”....

As to my role in the estimate P&L process and the subsequent controls, things were clearly said. I would be judged truthful by the SEC in my “recent statements and writings” in 2017 after thorough examination:

Q: Was it your job to review the P&L estimate he proposed before he sent out his P&L estimate?...IKSIL: What do you mean by "review"?...Q: Was it your job to proof the P&L estimates he sent out on a daily basis?...**IKSIL: No.**...Q: Okay. Whose job was it to produce the final P&L estimate for the core book each day?...IKSIL In normal days, that was Julien's. In exceptional days, Julien to first check with Javier...Q: And what is your understanding of why Mr Grout asked you at line xxx "is that fine with you"?...IKSIL Because part of my job was to help Julien as much as I could in processing the P&L estimate. And one of our standard practices, between Julien and I, is that before he sent his final estimate P&L, he would check with me as a sanity check.

Q: Okay. And had--**had you seen the results of his price testing work (ie the one of Jason Hugues at CIO-VCG)?...** **IKSIL: I had not seen the results.**...Q: Had you been informed as to what the results would be?...IKSIL: Yes...Q: And who informed you of what the results would be?...IKSIL: Julien...Q: Okay. And were you surprised at all by the results?...IKSIL: Yes...Q: And how were you surprised?...IKSIL: I was surprised because I expected Jason to find a big difference with the estimate P&L, around 200, 300 million. That was my expectation, maybe less. Who knows... **But actually Julien told me that Jason actually was a lower loss for the 30th by about 20 million. So Jason was right next to Julien and Julien to me that. We are sitting one next to each other. And I told Jason "well, Jason, I'm very surprised by your results because to me it was very difficult** to--to be safe from the prices, **we were stretched.** So maybe you made a mistake. Please check your prices. And If I were you, I would be more [conservative]

And I would be cross-examined on that of course. I would be judged truthful, after they all could check my statements with the ones of Jason Hugues himself or Mr Grout himself or Mr Artajo himself for example:

"Q: I want to clarify that when you use "guidance", you use my understanding of "guidance" right?" And Mr xxx replied "Yes". Just for the record, what is your understanding of the word--what is your understanding of what the word "guidance" means?...IKSIL: My understanding of "guidance" is you have an opinion on something that is not irrational or particularly subjective. It's a sort of input that you provide that is not still a neutral information. It's something that conveys some rationality, but also some subjectivity of yours. And that is left to judgment of the person that you're giving this guidance to...Q: Now, you were also asked "were you paying"--let me just see if this refreshes your recollection. In connection with the marks on the week of March 12, specifically march 12,13,14, you were asked "were you paying attention to the P&L estimate during those 3 days?" And your answer was "not a lot".

And I was questioned of course on this "not a lot" above and as to why, however, I expected to be "hailed over the coals"....

Q: do you see where you wrote "you don't lose 500 million without consequence"?...IKSIL: Yes...Q: What were you referring to there?...IKSIL: I was referring to the fact that the book would be dead and that it would have lost at that time 500 million...Q: And do you see that at the bottom of page 5 in French you wrote "et je vais en prendre pour mon grade"?...IKSIL: Yes...Q: Okay. And pardon my terrible accent. Do you see the translation there that says "And I will be hailed over the coals"?...IKSIL: Yes...Q: What were you trying to say there?...IKSIL: That--I don't know. I assume it's the proper translation. What I was saying is that just before all this would be elevated, it would be negotiated with the IB. That would be a big loss for CIO and this book. And I was the guy who was operating on this book. So I expected to face some negative consequence of this...Q: Okay. And so just to clarify the record, you said you assume it's a proper translation. Are you familiar with the phrase "hailed over the coals"?...IKSIL: No. I can tell you what I meant in French--it's a reference to in the Army. You have people who have a medium level of responsibilities and of course when something goes wrong, it's always their fault. You can't hit the guy that is just operating. You--but the chiefs on the top are going to hammer the middle guy and say "it's all his fault". That's it....Q: Okay. And sir, were you ever in the Army?...IKSIL: I did my military service in France. So I had a very short experience...Q: Okay. I'm going to direct your attention to page yy now.

The authorities would also hear how Mr Macris did consider the responsibilities to be shared while HE had forcefully demoted Mr Artajo without telling me in early February 2012 and while he had also called Ashley Bacon to the rescue by March 2nd 2012, ordering me to keep executing Ina Drew's trading specific orders. Here the questioner comes to what Mr Macris would tell me in the evening of May 5th 2012 (this is May 2012, not March 2012, ie this is 3 months later):

Q: Do you remember that?...IKSIL: Yes...Q: And in your answer you said something about a cab. So you remember that?...IKSIL: Yes...Q: Did you have --well, strike that. What was your opinion of Mr Macris's intelligence?...IKSIL: He was extremely intelligent...Q: Okay. And in the--and did you have a cab ride with Mr Macris that day?...IKSIL: That night yes...Q: Okay. And did you have any discussions with that extremely intelligent man in the cab?...IKSIL: Yes...Q: Okay. And did he say anything in the cab about Mr Martin-Artajo?...IKSIL: Yes he did...Q: What did he say about Mr Martin-Artajo?...IKSIL: Suddenly, it was in early May, **he said, "Look, Bruno, I hold Javier totally responsible for all this mess. I asked him to do-- to take care of this, and he completely failed".**

And I remember I replied to him, " but it was an impossible mission this year to avoid this debacle". And Achilles stopped there....Q: And what did you mean by the phrase "impossible mission to avoid the debacle"?...IKSIL: I meant from the start of the year, if not in December, the instructions were totally conflicting. I--I alerted and **I knew Achilles had been worried in January seriously**. And then after came the articles, which made the matters even worse. We tried to escape the scrutiny of the dealers in March, and in April the whole planet--...Q: tried to?...IKSIL: to escape the scrutiny of the dealers in March, and in April, he read those articles that made the matters apocalyptic. So that was impossible. **There was a sort of force...**

Mr Artajo was very much aware that he was "the trader on this book" for Mr Macris and others. The SEC heard as well that still in early February 2012, Mr Artajo was very upset, most likely learning of his demotion that Mr Macris, Mrs Drew and HR had just done to him. Mr Artajo knew that he could not invoke the "constructive dismissal" clause. Here is HIS reaction to the demotion via slides that I had communicated to the whole management of CIO as of January 31st 2012:

"IKSIL: He scared me. **He suddenly became violent, not against me, but he really tore apart the slide, and the second one, and the third one and the fourth one. And they were like on the floor.** And I was very surprised by his reaction...Q: Okay. Sir, I'm going to ask you now to look at YYY. Do you see that on the bottom of this email thread on the bottom of the first page you say here "the whole street here is framing. And I tried, same story all over the book parts"?...IKSIL: Yes...Q: What do you mean by the phrase "all over the book parts"?...IKSIL: There is a framing that is triggering a loss in the book, small but everywhere...Q: And **then Mr Martin-Artajo replied "let's keep trying tomorrow and Wednesday then. Patience is going to be needed once again"**. Do you see that?...IKSIL: Yes

These slides that Mr Artajo violently tore up on February 2nd 2012 were not new to him at all as I was asked to describe. They had been submitted to him as of January 26th 2012 after a discussion face to face. Mr Artajo had had NO reaction then. They had been further commented by me by other emails on January 30th 2012 already. They had been submitted to risk management, CFO, business, operations, HR and Mr Macris on the 31st January. They had raised the concern of Mr Macris to Mrs Drew and induced the demotion of Mr Artajo although everyone at CIO in the know would hid this information from me then. Then only Mr Artajo had had the strong unique reaction depicted above.

Here is the account that I made in New York, under oath truthfully so in September 2016 about the preceding context of Mr Artajo's demotion. Mr Artajo knew what was wrong here:

Q: Sir, in January (2012) , did you have any discussions with Mr Martin-Artajo about the budget of the book in connection with the losses that the book was incurring?...IKSIL: Yes...Q: Okay. What did you discuss?...IKSIL: Javier told me that Ina wanted originally to set a high number for the year 2012 in the range of 100 to 200 million positive, that **Achilles finally convinced Ina to target a zero, which was more reasonable**. And I remember that after a week or so, the book was already down 40 million. **Achilles was very upset by that, as per Javier's account; and that Ina was seriously considering collapsing the book with the IB**. And I wanted them to know that all this was really very small versus what was in the waiting. That was my expectation

...IKSIL: I was instructed to repeatedly...Q: By whom?...IKSIL: By Javier essentially on a repeated manner, and by Ina Drew initially...Q: When you use the language "but this increases the issues with the risks and the size" what are you telling Mr Martin-Artajo in that part of the email?...IKSIL: I'm communicating on the fact that defending the P&L is probably a good thing to do

to secure the level of loss that the book is incurring. It's certainly preventing the dealers from framing to some extent, but on the other hand, it's just increasing the problems that the CIO already has with this book...Q: Okay. And when you refer to "our sensitivity to price moves and trading costs" what are you saying there?...IKSIL I'm saying that it's a catastrophe in the waiting because the original loss to me is due to small price moves that is generating a big loss already due to the size of the book. And the instructions I received all lead to an increase in the size of the book itself; therefore, the same price move is going to create a bigger loss that is going to trigger an even stronger instruction to me to keep defending the P&L, which is going to lead to more trading costs and, therefore, a bigger loss even if the prices don't move. So it's just an ongoing failure... Q: How many discussions did you have with Mr Martin-Artajo in January on the topic of whether adding notionals by defending the position would increase the issues with the risk and the size concerning the book?...IKSIL: I had a couple of discussions on this matter...Q: Okay. Do you see the next paragraph, the last line of that third paragraph where you write **"yet the control of the drawdown is generating issues that make the book only bigger in notionals"**?...IKSIL: Yes...Q: What did you mean by the phrase "control of the drawdown"?...IKSIL: Control of the drawdown was pointing at this instruction to defend the P&L to say "okay. You need"--Javier told me "you need to refine the current level of loss. You need to fight against those dealers when they move their prices". And that's what I mean by control of the drawdown...Q: If you look at the next paragraph, do you see--right before--let's stay at that paragraph. Do you see where you say "yet, to avoid this accumulation, we need to let go on one way. The only one I see is to stay as we are and let the book simply die"?...IKSIL: Yes...Q: What were you saying there?...IKSIL: If we want to avoid this accumulation of notionals, if we want to avoid this snowballing effect that is, as I said, is a catastrophe in the waiting, we need to let go. We need to accept this loss, this pain. It's painful because it's a loss, it's painful because we know it's the dealers moving their prices against us. It's super painful but we have to let go. **We have to abandon this fight.** It's not worth it...Q: Okay. Did Mr Martin-Artajo agree with you in January that you should avoid the accumulation of notionals?...IKSIL: That was my understanding, yes...Q: And did he agree that you should stop adding to the IG9 positions?...IKSIL: I'm not sure about that. On the one hand he completely agreed and understood what I was saying. That made total sense to him. ON the other hand, he was really, really fond of the IG9 position...Q: And do you see the past part of this email where you say. **"Please let me know the course of action I should take here?"**...IKSIL: Yes... **Why did you send this email to Mr Martin-Artajo on January 30th 2012?...IKSIL: I wanted to express my very strong concern and the way I saw things evolving.** And as he had kept telling me to keep defending, to keep growing the IG9 position, I wanted to tell him to think twice about this...

Q: What did you discuss with him concerning the book's losses in that time period?...IKSIL: We discussed the reason why the book suffered the loss from the bankruptcy of Kodak

(the bankruptcy of KODAK added to the problems described above. It occurred on January 19th 2012 and induced a conference call with Ina Drew on January 20th 2012 where she would repeat her instructions that would command 100% of the notional increase in the book. I thus repeated my warning about the liquidity issues).

We discussed what should be done to involve no tranche and, therefore, big notionals traded on indices and, therefore, very big execution costs which were potentially much bigger than the current year to date loss even though that loss was big. We discussed the scenario that occurred in the first quarter of 2009 with the fact that CIO was likely the target of some dealers and hedge funds, that if CIO wanted to grow those positions and notionals, CIO should prepare to an even bigger loss than those ones. And I--**Javier told me that he understood perfectly what I was saying, that I needed to**

make much better communication that the ones I had done already on the subject. And that's how I started making those slides as of the 26th of January. And then I wrote to Evan Kalimtgis, in email, to Achilles Macris, and I went to the ISMG meeting in the 31st of January...Q: Okay. Now directing your attention back to exhibit xxx, the P&L report, can you tell us what was the year to date P&L of the core book as of January 25th 2012. The year to date loss came to \$101 million...How did that P&L performance compare to what--well. Did you have any expectations as to how the book--the core book would perform from a P&L perspective in the month of January 2012?...other Q": Objection. What point in time?...Q: You may answer and if you expectations changed let me know--let us know...IKSIL: My expectation changed. **After one week it felt to me that it smelled like 2009,** that the book was targeted and that we should expect a loss of 300 million or so in the near future. So the loss of Kodak, once substracted typically from that number showed a loss of 50 million year to date, which in my view was small, very small compared to what we should expect. And when I realized that Ina Drew was ordering to cover the marginal high yield losses setting the book long risk, we were going to add a further 200 million in execution costs....[Q: "substracted"?] IKSIL: Yes, yes once "substracted", if you prefer, from the year to date that led to a year to date of 50 million as of the 25th while I projected myself that, as in 09, we could easily project another 300 million or so, which meant that the very high focus of CIO management already at the time on this loss had to be set in the correct context. All the more so as Ina Drew had ordered trades that would cost another 200 million in pure execution costs, which meant that, in my mind, that we have 50 million already, plus 200 million for sure going forward to execute Ina Drew's order. So we would down 250 with no positives. So I projected a loss for the end of the in the range of 500 million.

The extracts above provide the genuine context of the "london whale" trades of 2012. Mrs Drew ordered them. Mr Macris faced conflicts, was very worried. Mr Artajo transmitted to me the instructions. The reference to 2009 was pretty relevant. I thus elevated the dangers accurately so. All this was done repeatedly by the end of January 2012. Rather than "abandon this fight", Mr Macris, Mrs Drew and HR at Jp Morgan New York demoted Mr Artajo while maintaining their orders. That was an impossible mission and they all knew it. They were all knowingly fighting Jp Morgan on the face of it. Thus Mr Macris in May 2012 was again manipulating me in the cab when he alleged that Mr Artajo had failed...

At some other point in the depositions I would be cross-examined once more on this, as this is really a crucial aspect that shows the ongoing misrepresentation that the bank and just all the watchdogs have maintained so far until 2018:

Q: Okay. And do you see where is the last full paragraph above where **you write "please let me know the course of action I should take here", you use the phrase "but the notionals become scary and upside is limited"?**...IKSIL: Yes...Q: Why were you telling that to Mr Martin-Artajo?...IKSIL: It was to point to him the danger I saw coming in all this. I hoped he would change his mind on defending the P&L, growing the notionals. **I hoped he would turn back to Ina Drew and say "we should just stop all this"?**...Q: Okay. And what does the phrase "notionals become scary" mean?...IKSIL: Well it's scary. It's really frightening. I mean, it's scary...Q: What would cause it to become scary?...Well--I want you to imagine you're talking to non- traders. Okay. So what is scary?...IKSIL: Because **they are fully big on a market that is almost dead. We happen to have a massive size and in front of all the dealers of the planet**

Mr Artajo will actually confide to Mr Irv Goldman on March 30th 2012 that "THEY" had made a mistake since "last year", ie 2011. As Mr Artajo stated, they should have stopped "this" then rather

than go on in 2012. The evidence is available in the exhibits of the US Senate report through the phone call transcript between Mr Artajo and Mr Goldman. Mr Goldman concurred with the not so freshly demoted Mr Artajo.... Yes they knew they should have "abandoned this fight" a long time ago. Back in January 2012 I really needed to know the "course of action"...And at another moment again, the questioners would check on my February 2016 4 page letter that I had sent to all the main press agencies:

Q: something that you say on page--at the bottom of page 2 going over to page 3 of you letter, you say **"In January 2012, my written alerts elevated concerns about a large potential loss that was predictable growing with the notional amounts. These alerts went to the highest management levels of CIO including Ina Drew and market risk."** Do you see that?...IKSIL: Yes...Q: When you say this went to the highest management levels of CIO, was there anyone other than or above Ina Drew--well, who else in addition to Ina Drew and market risk are you referring to?...IKSIL: Well, Ina Drew was at the very top. So Achilles Macris was concerned, Evan Kalimtgis was concerned, Keith Stephan was concerned, and got perfectly the problem. Javier of course. So to me-- and Irv Goldman and John Wilmot were on all the conference calls. So they had no questions. Therefore I assumed they understood very well what we were discussing...

Was the questioner suggesting that Mr Dimon was ALSO in the pack? Ina Drew and Risk controllers were defining the "course of action" in fine details. But indeed it was not mad to include Mr Dimon in here given the peculiar flavor of the "chocolate". And the deposition also devoted some time to scrutinize my fake MD promotion. I explained that Julien Grout and Javier Martin-Artajo knew in 2012 that I was being ripped off by Jp Morgan. They knowingly participated in it. I would discover that after the events of course. I was straight and I would be judged truthful again:

"IKSIL: Because I believe that **at some period of time, today, I come to the conclusion that Julien lied to me and Javier lied to me in connection with what was happening to the book and what was actually happening through the P&L estimate reports...**Q: And what period of time to you now believe that Javier and Julien lied to you about the book and what was actually happening with the P&L reports?...IKSIL: I believe that **they lied to me starting in 2012** actually. Q: Right--first business day of 2012?...IKSIL: Yes...Q: Throughout the quarter?...IKSIL: all along the quarter, yes...Q: All right. And in my few remaining minutes, can you describe how Mr Grout lied to you starting from the first business day of 2012 about what was happening with the book?...other Q": objection. Calls for a long narrative...Q: Well, then we're going to get one... IKSIL: **I believe today the starting point of the lie was that the year end valuation for 2011 had a big problem. And they didn't tell me what the problem was. I think they pushed me both to trade and trade and trade again to cover this problem that they had seen in December (2011). And that they hid from me.** And when I stopped trading in March, this problem came back to the surface. And I have this conviction today that typically on the 15th of March in this call that we've seen--...Q: Well I asked about the first business day of January--IKSIL: yes, okay...Q:--so you finished your answer as to why--...other Q": no, you called for a narrative...I said calls for a narrative...Q: Yeah but he can't go beyond the question. He's now talking about what he thinks happened on beyond the scope of what I had--"other Q":.. It isn't..Q:--in mind. You're wasting my time..."other Q": I'm just going to note for the record my objection that as you know, **it's improper to cut off a witness when he's answering your question because you don't like where the answer is going.** You're free to continue... Q: You think when I asked him how my client lied to him I was hoping for something great? It's just beyond the scope of the time frame I had in mind. So is it your testimony that Mr Grout pushed you to trade?...IKSIL: **My testimony is that Julien induced me to trade in order to cover this problem**

that he knew existed and he knew that with Javier...So--.. That's my belief...Q: that Julien Grout induced you to trade to cover the problem that he knew existed at the end of 2011?...IKSIL: That's how I would express it. Maybe my English is not perfect...Q: When did you come to this belief?...IKSIL: It's been very progressive evolution. It started first when I read the testimony of Julien with the FCA somewhere in 2014, this interview he had in July 2013. I-- I read things that really surprised me. And I didn't believe at the time he had lied to me. But I thought he had done something wrong. He knew it and he had to lie when he was questioned. That was just my gut feel....Q: Just for my own clarification, did you say July 2014?...IKSIL: No '13, 2013... Q: Thank you...IKSIL: I saw this interview later of course. **And it's really late last year that I really discovered that he was 6 or 7 basis points away from the crude mids on the IG9 10 year, no later than the 13th March**. And that was a shock, because then I reviewed the spreadsheet that is attached to exhibit zzz--...Q: yes...-- that you testified you reviewed for the first time this week--...IKSIL: Yes...Q: --was it your view of that spreadsheet this week that led you to believe that Julien Grout had been lying to you since the first business day of January 2012?...IKSIL: Before I saw this spreadsheet I had a strong suspicion on that. When I saw the spreadsheet I had a conviction --that he never mentioned that to me--, while usually he would have...

IKSIL: Okay. As for Julien, this belief that I have today, built over time. For Javier, I believe strongly that when he decided to promote me as managing director at the end of 2010, he was hiding from me the real problem that this book had. I think he concealed to me as well in March 2011 when he told me "your job is at stake, you've got to reduce this RWA". He knew already that there was a solution with the splits and he didn't tell me that. **So he induced me into the stress and all those things that could have been avoided. And he knew it. Next, like Julien, he pushed me to trade much more than Julien did, knowing that there was a problem with the December (2011) valuation.** And the last thing I believe is that when he called me when I was on vacation 1000 kilometers away with this March 6th call, I believe today that the reason why he called me was not to speak to Julien to repeat what Julien actually had understood and that Javier could deal with it without me. So he lied to me on several occasions. Lied on my promotion. Lied on the problem of December (2011). And lied on the motivation for the March 6 call...Q: What did he lie to you about on your promotion?...IKSIL: **He said that that was his decision, but he didn't want to fill the form that was required to proceed with the promotion saying "well, you know", he didn't think it was important. I believe he knew that this promotion was extremely dodgy. I was already scapegoated by the firm and he didn't want to put his name on this....**Q: You say that you believe you were already scapegoated by the firm?...IKSIL: Yes...Q: And that you think your promotion was to, what, make it more credible that you were at fault for something that was wrong with the book?...IKSIL: I was promoted to be the fall guy with this book yes...Q: And that was in--when was that promotion?...IKSIL: That promotion was announced to me by Javier in November 2010 I think...Q: You mentioned in connection with the March 6 call (2012) I think you said that you now believe that he really understood what Julien was saying to him?...IKSIL: That's not what I said...Q: Okay. Tell me what it was about the march 6 call that you felt was not true...IKSIL: What I felt was not true with--...Q: What you feel now I mean...IKSIL: --What Javier told me is that --Javier called me when I was on vacation-- saying that I needed to call Julien urgently, like, right after this call because Julien did not understand what Javier wanted, and so on and so on. But I think that was not the real reason why Javier was calling me like this to ensure that I would call Julien on a recorded line. I think Javier wanted to set me up as the guy who would convey the orders to Julien.

Why did the bank and all the watchdogs try to set me up so clearly since late 2010? If I had not told the truth here I would have been dismissed or disproved by either the SEC or the defense lawyers of

Mr Artajo or the defense lawyers of Mr Grout. They all had an obvious interest in discrediting me or challenging me at least... as one lawyer stated, that mattered a lot for their client... provided they simply could challenge me....They would never try that. Instead the SEC in 2017 judged that I had been truthful. But why then would the SEC not sue Mr Dimon? That shall NOT happen at any time... And the reason is that this setup inside the bank had already started in 2008 and the case "Lehman vs Jp Morgan" uncovers the early steps of the scheme whereby a "trader" had to fall for this book of CIO. All this was meant to blur a mismarking that had existed in 2007 already. It most likely was suspected in 2004 already through the "merger of equals" with BankOne where \$42 billion of intangible capital would be created with a pencil in a group that totaled \$105 billion at the time of the merger. The problem has always been that the DOJ, the SEC and a couple of other "gate keepers" had approved this weird "merger of equals" then....That was a mismarking from the start in January 2004....

The mismarking trail actually appeared all along in the backyard of my testimony as it will be seen in the following extracts. Truly this "tranche book of CIO" was the revelator of the longstanding mismarking of Jp Morgan balance sheet since BankOne had joined with Mr Dimon alongside. And the authorities had let that go on for way too long in 2007 already, as is explained elsewhere on this website.....

Mismarking trail

This is now the last chapter dedicated to show how thoughtful the misinformation plan towards the media was. The "London whale" tale was a series of well prepared misrepresentations that would be co-authored by Jp Morgan and would be thereafter backed by the authorities. They, the bank and the regulators, knew from the start that these were plain misrepresentations. So far I have shown, based on my own answers to the authorities investigating the case in front of me that:

- 1- my role had nothing to do with the tale,*
- 2- the "traders" in charge were well known in fact,*
- 3- the "traders" had conveyed their instruction based on an RWA-Basel III scheme that was just a decoy, ie a deceptive scheme to have me trade and trade again and again...*
- 4- they fully understood what the real market manipulation had been since January 4th 2012*
- 5- these "traders" had "promoted" me as an MD in what was just another part of their scheme*

This part will picture their "motivation" for sponsoring this fake promotion (2010), for doing the "complete setup" on RWA (2011), for engineering the market manipulation (2012), that would lead to this misleading "london whale tale" in mid 2012. That sounds suicidal, driven by some kind of despair. It is not the case at all...

One must wonder: "why would they inflict on themselves such ugly egregious "mistakes"?" First why is that they had not collapsed the positions back in 2009? Second, why is that they preferred to invent in late March 2012 this "London whale" tale that anyway harmed the reputation of the bank for good? The short answer is : "the chief commander had bet on a double-down gamble".... It matters to see a bit better what this gamble was. The coming extracts will show why the "traders" produced all these gestures. To be clear, the "traders" here are to be found in the group "Mrs Drew- Mr Dimon- the FCA- the Federal Reserve- the DOJ- the OCC-the SEC", ie those who were in the secrets of this "merger of equals".... The decoy mismarking, through the question that will be asked, will unveil the real mismarking that had largely pre-existed the setup that I described before.

Let's start with the official mismarking that has been publicly suspected by the bank and the authorities altogether for the 5 years between July 2012 and July 2017. It was all about "price differences between CIO and the IB" that should never have existed. It was all about price differences that had been unduly generated by" CIO London traders".... The bank and all the regulators would allege publicly in July 2012 that a mismarking had resulted from that, at Jp Morgan, in relation to this book of CIO.

What was true on this tale? Prices had actually been different between CIO and the IB, but notoriously so since 2007. That part was true and it had lasted since early 2007. The rest was false especially when they all pretended that CIO had originated this difference in 2012. The bank and all the regulators validated in 2013 to the public stage that this was because of CIO staff. That public statement was a known misrepresentation. Yes this "alleged mismarking" was a decoy hiding a much, much bigger and longstanding mismarking that dated back to 2007 at least. They all knew it at the time, ie in June-July 2012 ...

This real mismarking had surfaced in 2007 because of the FAS 157 and because of this "strategic hedging book of CIO" (ie the future "London whale book"). Today I would say that through the "watermark" of the record of my compelled interview one can see that most regulators were aware of that real mismarking since 2007. What was it then? It was a massive understatement of reserves linked to "basis risks".

The decoy mismarking, that the FCA tried to create so artificially in 2013, showed its inconsistency through my compelled interview and as a result, while questioning me, the FCA itself provided clues to the genuine mismarking. The FCA would fail indeed with me in trying to substantiate its own coming misleading tale on the mismarking. And failing so blatantly the UK regulator unveiled indeed the "watermark": focusing on "price differences" that were quite well elevated, the liquidity reserves that should have been taken on the follow became more and more obviously "missing". It was then easy to trace the origins back in time.

This price difference had existed since late 2006 in fact. It had become quite material knowingly so by late 2007. The bank produced indeed in late November 2007 an internal audit report that flagged very well both the structural difference in prices AND the need for associated reserves. Then the FAS 157 was implemented at Jp Morgan and had been audited here. It would audited both internally and externally via PWC in the following month for 2007 year-end reports. Reserves in connection to this "tranche book of CIO" were required and were missing. That was the conclusion. Thus the genuine mismarking, ie a long standing massive miss on liquidity reserves at JP Morgan already in 2007, came to the fore as in a play of light and shadow during my compelled interview. This "watermark" will be further uncovered through the SEC deposition 3 years later.

Let's build the trail of the genuine mismarking as the FCA perceived it quite clearly in July 2013 already. First of all, back in 2006, as explained before, the CIO was to start trading CDS using the market-maker infrastructure of the IB of Jp Morgan, ie the one of the Investment Bank of Jp Morgan. That was mandatory at the time. Mr Macris had secured that then. All was crystal clear. CIO was just a client, living inside Jp Morgan, delegating its "mark to market" on CDS positions to the IB, as every regulator on the world required for a newcomer on CDS markets to do. There an obvious reason to that ruling: the CDS were "over the counter" products that had no organized market place. There was

therefore no “consensus” that was reliable for any newcomer on CDS. This is why CIO had to recourse to the IB, ie the best “experienced practitioner” on town at Jp Morgan.

The rule was also that, after a couple of years of trading experience, and a fully audited structure, the watchdogs may (or may not) grant the unit the ability to run its “mark to market” as per the accounting standards. To get that approval, CIO had to prove its ability to manage CDS exposures for a couple of years. It had to prove that it had built a valuation structure “approved” by the firm and its regulators. And Jp Morgan had to prove that it was fully able to reconcile the differences that still may exist between the IB and the brand new structure of the CIO. In any event, should CIO get that “official permission” from say the FCA, the OCC and the Federal Reserve altogether, the Bank Jp Morgan would have to also be “approved” by the regulators after proving that it could reconcile the CIO valuation with the one of the other risk-taking units of the firm “independently”. That was bullet proof: either CIO was fully dependent upon the IB, or Jp Morgan could prove that it was fully reconciling any difference between CIO and IB (if only to avoid being a basic Ponzi Scheme).

There was nothing new in this, nothing unexpected. The rule had been in place for 2 decades already if not longer (see the very foundation of the SEC in 1934 for that purpose- it was about Ponzi Schemes then)....

That requirement was the one that the SEC would enforce indeed across the banking industry since 1993. This requirement was “endorsed” by the “group of 30” chaired by Paul Volcker in 1993 as well. This “group of 30” was, at the invitation of Mr Volcker, co-chaired by the CEO of Jp Morgan of the time. It included then, in 1993, some executives at other large US corporate and a couple of gate-keepers like accounting firms and audit firms. Needless to say that the policies of Jp Morgan were crystal clear for 2 decades on that “mark to market” subject, being run “independently” so....

This ruling ensured specifically that the mark to market was controlled by an “independent” entity anyway that was separate from the newcomer in question, namely CIO. It was carefully enforced in the case of CDS. This “hedging initiative” was to be heavily exposed to CDS. CIO had no former experience on CDS. Quite logically CIO had started as a “client”, dependent upon the IB for its valuation. This would NOT change thereafter as far as CIO was concerned...CIO did not apply to be in control of its mark to market for this book. Otherwise public reports and the bank would have said it right? If indeed CIO had become effectively “empowered” after 2006 to control its “mark to market”, the bank and all the regulators would have all been too happy to say it in further support of their thesis that CIO staff was “responsible”. But they would never even try that. They knew why that was too much of a bluff here. Even the FCA would not try its chance here as the extract below shows:

FCA: “And what was your role at that time?” IKSIL: “I joined in March 06. And my role, as defined by Achilles Macris, because Javier Martin-Artajo had not joined yet, was to start preparing CIO for trading, big, on protection views for the ‘bank within CIO. He explained me at the time that they were not looking for a star trader, they were not looking to make -- to find someone making 50 million in a year. They would not pay him for that. What they wanted is someone who had expertise who would help him install the infrastructure for the CIO to be able to trade credit derivatives. Especially index, i.e. liquid credit derivatives and tranches eventually. **And CIO had nothing. CIO was not plugged to the I.B. systems, CIO was not prepared within the bank to trade credit derivatives.** So that was my role, to help Achilles Macris start developing this infrastructure. That's when I started — first proposing idea, ideas. Strategy ideas to him and Ina Drew. And really what they were

planning at the time was to prepare for over a one year horizon for something bad that would happen in credit markets because the markets were overheating.” FCA: “Okay. So you were starting to help design strategies...” IKSIL: “Yes.” FCA: “...for the book?” IKSIL: “Yes.” **FCA: “And...” IKSIL: “And — and infrastructure.” FCA: “And infrastructure.”** IKSIL: “That's when I brought to CIO from the IB Luis Buraya, who had ten years of experience in back office and **JP Morgan systems to pull the plugs at the right place.**”

“And infrastructure?...And infrastructure”. I knew very well what I was talking about. This was the start of the compelled interview. As explained above the FCA already had a crucial issue with regards to the official restatement of Jp Morgan of July 2012. The bank had mischaracterized its valuation process and the UK regulator had backed up the misrepresentation since then. In July 2013, pretending to place me “at the center of all this”, the FCA knew that its bias was dishonest from the start. It was indeed in denial of what the regulators themselves had been enforcing over the last 20 years, following in that the very standards of Jp Morgan itself!

*The very beginning of my compelled interview was truthful however on my part. The FCA deciphered very well what I meant when I stated “And CIO had nothing. CIO was not plugged to the I.B. systems, CIO was not prepared within the bank to trade credit derivatives.... **FCA: “And...” IKSIL: “And — and infrastructure.” FCA: “And infrastructure.”**” The FCA was wrong knowingly so and was already sure to be wrong with its own coming “settled version” with the bank that it will publicize in September 2013. Yes the future “settled version” was plain wrong as CIO was NOT in control of its mark to market anyway by design and by mandate. It had always been deemed a “newcomer”. It had NOT applied to have its status changed within the firm.*

What was standing out in my answer above was that, irrespective of whatever my colleagues had done wrong, the “mark to market” of this “London whale “ book of CIO was done 100% independently of CIO London itself. It was done at the IB of Jp Morgan to be clear. Thus the July 2012 restatement was a fake. To be sure there could still have been what lawyers call a “books and record violation” attributable to some CIO staff. As explained before they had lied to me and had misled me. That was enough to fault their integrity and put a “books and records violation” on their shoulders. But that would NOT suit either the bank or any watchdog. That visible “books and records violation” of my close colleagues was clearly prevented from spreading within CIO thanks to my actions and elevations at the time. And I testified that my own communication and alerts had secured that actually all the relevant information had been elevated “all the way up” anyway and understood for what it was, ie critical information. Therefore my colleagues may have done some things in the wrong way, but CIO London as such had elevated all the matters in due time and accurately, at least through me...There was not even room for a sort of “confusion” between what I said and what my colleagues said. The audit track was clear: my figures were providing a predictable thread for the decisions even though I was NOT in the meetings, NOT in the emails, NOT in most of the decisive talks.

Thus, since July 2012 onwards the FCA and other regulators had let Jp Morgan make infamous and misleading statements that misled the markets with this “London whale” scandal. And, as it would turn out, the FCA in July 2013, with other regulators, was simply preparing to carve in stone these misleading descriptions through their common imminent “settlement”, “historic admission of wrongdoing by the bank” and “historic fines”....

The issue that popped up for the FCA when it questioned me above- here in the former extract- was that I had had the knowledge and experience of that crucial aspect about the “mark to market” from my former position in a French bank. I knew what the regulators’ requirements were for any newcomer on CDS markets: it could NOT control its mark to market and had to delegate to a “recognized frequent market player”. For that sole reason, all the mismarking tale of the bank since July 2012 was clearly a gross misrepresentation in the FCA’s eyes, as much as it had been for me when I first heard of it on the 12th July 2012. In July 2013, what was clear for the FCA is that I was “central” indeed in that even the potential-putative-real-whatever “wrongdoings” of my close colleagues had been “instantly” cured by my own communications inside CIO and therefore inside the bank.

The FCA knew quite well that I was 100% truthful while hearing me here: this restatement of July 2012 of Jp Morgan was a plain misrepresentation on the part of the bank that all the watchdogs had been backing however. And, rather than challenge me on that line, the FCA would try systematically to play with my words as the coming extract shows. But in so doing the FCA was displaying its own awareness of the genuine mismarking, in the “watermarks” as I said. Quite coincidentally in the extract to come the FCA play of word is done between “marking the book”- ie setting relevant prices as per a “business oriented” selection process- and “mark to market”- ie setting relevant “consensus” prices as required by the accounting standards and firm-wide policies. As the FCA heard loudly the CIO was ordered to deploy a process that would be separate from the existing “mark to market” one that would be legally binding. And that was done for quite sensible reasons that could be gathered under the banner “FAS 157” (2007) and SOX laws (2003). That interview happened in July 2013 :

FCA: “Okay. And in terms of marking the book at that time, so prior to Javier Martin-Artajo joining CIO, could you talk me through the general process for marking the book? And when I’m talking about “the book” **I’m talking about the core credit book...**” IKSIL: “Yes.” FCA: “**...within the synthetic credit portfolio.**” IKSIL: “Yes. By default with Luis we did what we always did, we picked the mid prices. Unless we saw something like really, really stupid. So we didn’t apply judgment. And we used very liquid products.” FCA: “And so when you say you picked the mid prices, how did you do that?” IKSIL: ““Well, initially, I mean, okay. We won’t have enough of one day, but I’m going to be quick. Initially we didn’t have any — **we didn’t in anyway have anything ready for that.**” FCA: “**Mm hmm.**” IKSIL: “**So what we did is we asked the investment bank to make the valuation for us.** And what we realized, because we were monitoring that with, say, broker runs and, you know, decent statistics, we noticed that the IB was not selecting what we thought the mid prices were. So that’s when we had to design the first proxy spreadsheet because — and **the IB said, “Well, you know, you are crossing over different markets, so our traders don’t synchronize their closing runs”.** And therefore — we said, “Okay. Then we will have to use our own prices”. And what we did is really, you know, 5.00pm London time, we had very liquid instruments, main, IG, indices, you know, the on the run. So, you know, the guys were -- who were looking at Bloomberg, and it was relatively easy to know where the mid was.” FCA: “Okay. So initially you took the mid prices from the investment bank, but by comparing that to market information you were seeing, you felt that **more appropriate methodology would be for you** to assimilate all the market information you had...” IKSIL: “Yes.” FCA: “...and pick a mid—price from that information?” (*since late 2006 our marking process became “business oriented” ie in full breach of the “mark to market principle” that demanded a “independent” marking process. That change had been ordered by the risk department in New York because the “tranche book” disrupted the firm-wide VaR analysis.*) IKSIL: “Yes. It was — it was typically a noise, because there were days where obviously the first strategies were

making money and the **IB prices were disconnected and showed a loss. And we were unable to explain what was happening.** So the decision was made, probably... **FCA: when was it...? IKSIL: Probably September 06.** **FCA: "Okay. So that's when you started using your own methodology rather than the investment bank's methodology?"** IKSIL: "To select mids." FCA: "To select mids." IKSIL: "Mids."

CIO had a "business specific" selection but still we targeted "mids", ie "business specific mids".... Pfew! The FCA is glad I say "mids" as this could still be "interpreted in hindsight for the purpose of the setup" as a "mark to market"...assuming that CIO was "presumably" doing a "reasonable thing" here... Yet this meant that the firm-wide controllers were "aware" that CIO was doing a "business specific" selection of "mids" and the bank Jp Morgan had then to "reconcile" CIO mids with the IB mids ANYWAY. More, the FCA would have to still hide what this estimate P&L shall become in 2007, ie a process with NO defined closing time and NO attention to consensus data and NO connection to collateral and margin calls...The estimate P&L of CIO London was NOT a mark to market complying with accounting standards ANYWAY, already in late 2006. These were as many other major violations of what the "mark to market" for this book HAD to be for the "books and records". And since I had a pretty extensive experience of the regulator's requirements in "mark to market" terms for CDS from my former French position I made a clarification already here:

FCA: "So when you're talking about marking the book are you only talking about the month end process?" IKSIL: "I'm saying that we're just providing the estimate. There was — and **we were part of a bigger process. And I'm mentioning the liquidity reserve** because every day, when we send the prices, the back office, for example, would make further adjustments coming from different effects." **FCA: "I understand that process,** but my question is: when you were referring to marking the book are you just talking about the end of month process?" IKSIL: "I don't know..." lawyer: "I -- I think it might be helpful if you explain the process, the practicalities of..." IKSIL: "Yes." lawyer: "...the preparation of the estimate. How it was done and who did it, and then how — where it went from there — thereon." IKSIL: "Yes. Let me describe..." lawyer: "It might help." IKSIL: "...the process as I saw it." FCA: "Fine..." IKSIL: "Now this set of prices is sent to back office, middle office, 'you have usually a **number of minor adjustments** that are made, that come from different parts, I mean very technical, **I don't know exactly what they were doing.** But could have stupid things like trades that were not booked properly, with a wrong price." **FCA: "So it's a reconciliation process..."** IKSIL: "Yes." **FCA: "...in middle office?"** IKSIL: "Yes. With -- from many, many parts. It's not only due to the last trades on things like this, it could many, many other things." FCA: "Okay. " **IKSIL: "And then, I don't know how the proper mark to market was recorded, because there was a liquidity reserve also..."** FCA: "So when you say..." IKSIL: "...with this." FCA: "...**proper mark to market**", can you clarify what you mean in that context?" IKSIL: "Because, well, for me, you know, as -- **as we started having illiquid positions, like in 07** (year 2007), to me **they were big, they were visible. There had to be a liquidity reserve in this.**"

The FCA is proactive in cutting me off to prevent me from answering and making it clear that the future "settlement" with the bank in 2013 will be also a gross misrepresentation of the reality that had prevailed at CIO London since 2006 actually. This peculiar reality at CIO for this book had existed in complete awareness of the authorities. The FCA diverts me in order to focus solely on the estimate P&L:

FCA: "Sorry, I was just..." IKSIL: "...and there was..." FCA: "...asking in relation to the process " IKSIL: "Yes." FCA: "...rather than sort of wider market considerations. In relation to the process of

producing the estimates, we had got to the stage of middle office and back office applying adjustments, and so, is it still on a daily basis you're talking about the proper mark to market?" IKSIL: "Yes." FCA: "And so can you just explain what — what you mean by that?" **IKSIL: "By?" FCA: "A proper mark to market."** **IKSIL: "That's what I just said, sorry, is that in a proper mark to market, in my view from what Javier told me, you had the estimate and a liquidity reserve."** FCA: "So the mark to market number is the number derived after middle office and back office have applied any relevant adjustments?" IKSIL: "Yes, and -- and, **that's why I mentioned always, the liquidity reserve number. That was first set in — in — late 08.** I don't know why it was not set formerly, but to me that was the consistent thing, to do, in any _" FCA: "And so the mark to market number was determined on a daily basis after middle office and back office had performed..." (once again FCA interrupts, removing once again the liquidity reserve) IKSIL: "Yeah, yeah. What I knew is they were using our prices, right?" FCA: "Yes." **IKSIL: "But to me that was not what I would call the mark to market on those illiquid positions anyway. And I think there was an awareness, at least in 08, that these positions were not liquid, they were -- there was a liquidity reserve."** (FCA will divert to 'F9 monkeys' not investigating the reserve issue)

Even though the FCA would not want to hear about this "liquidity reserve", it would have to come across the issue again and again...The UK regulator will start another play of words between "real loss" defined as per a "subjective judgment" (can it be called an 'actual loss'?) and the "actual loss" defined as the one that CIO's counterparties consensually saw. The FCA slides in a distinction between an "actual loss" and a "real loss". There is NO need to make the distinction for liquid markets. But this the question arises all the time in illiquid markets when one has measured and "actual loss" based upon uncertain prices. Indeed, the one has to figure what the loss would be IF one has to actually sell out and make this loss "real". Usually the "real loss" differs from the "actual loss" simply because prices are uncertain enough. The FCA shall have to hear that I had several discussions with Mr Artajo and that many documents supported that:

FCA: "Was that -- did you have a conversation with him on the Wednesday when you considered the - the difference represented an actual loss?" IKSIL: "I -- I don't remember exactly when -- when I had this discussion. I Remember I had several discussions, and I came first with this idea of a **one-off**. I don't remember exactly which day, right, and I remember he went to Paris at the time. I'm not sure of the day exactly, but I remember I had basically three discussions with him. The first one was to produce a one-off. The second one was to put that amount in a **cushion**, and you will see the huge interest of the spreadsheet here is that I -- we had this sort of a special column in Monster Truck where we put some sort of **execution costs** into it, typically when we planned to unwind a position. We didn't know where we would trade, so we were marked conservatively but **we knew that we would not even exit the position on — say the exit price that was shown in the market at the time.** So we applied this — this negative number that would impact directly the year-to-date, right? **That was the cushion column** and I said, "Well, you know, let's put a cushion -- Julien has devised this spreadsheet. He can -- he can define strategy per strategy, you know, how much cushion we should define, and that would sum up basically to -- to the distance or the adjustment I thought we had to have." He said, "No, no, don't do that" and I had a third discussion with him that week, where I said, **"Well, in that case, we should take a liquidity reserve, because this is all about price uncertainty"** and he said, **"That's not your job"**.

Worse the FCA shall hear that all the price differences would be elevated by Ina Drew "all the way up" by the 23rd March 2012, ie one week BEFORE month end, the month end that allegedly had been

“mismarked” in a bank that alleged to be “unaware”. The FCA here is faced with its own future gross misrepresentations:

*This evidence discussed here is likely what triggered the elevation of Ina Drew, 2 weeks BEFORE the seminal articles...FCA: “Okay. If we go to tab zzz just now, please. This is a Bloomberg chat dated 23rd March 2012 involving yourself and Javier Martin-Artajo's name also appears, as it appears he has joined the chat room. There's no Bates number on this document. On page x, you say in the message, “I reckon we have today a loss of \$300 using the best bid» asks and approx \$600 M from mids. I see it coming. I will stop trading at all now.” (I said that BEFORE Mrs Drew would issue her “stop trading” order. And here I actually told Mr Artajo that I had at last finished executing the former specific orders of Mrs Drew) First of all, obviously, this is a Bloomberg chat in which you are obviously active and Javier Martin—Artajo, you know, there's no active response from him on this chat.” IKSIL: “You mean, “active”, not trading, no?” FCA: “Active on the chat.” IKSIL:” Yes, okay.” FCA: “So there's no comments that are attributable to him. Do you know if he -- sorry, did you make him aware of these two figures, the \$300 million and the \$600 million in conversation as well?” IKSIL: “ Him, you mean Javier?” FCA: “Javier.” IKSIL: “I sent a Bloomberg chat to him. -- What I remember is I was frustrated because I could not talk to him and I don't remember whether I actually talked to him but I asked Julien to tell him the numbers.” FCA: “Okay.” IKSIL: “And I sent him a chat ——— Bloomberg chat to Javier for him to know.” FCA: “Okay. And what were the numbers that you asked Julien to tell him?” IKSIL: “Those numbers were the result of all the tools I had developed from the 12th – 15th to help provide the estimate within the context of the new method, where at the end of the day, the issue was that when you want to ratchet down to account for the drift, right, you've got to make very, very difficult decisions as to how you do that, what — do you stick back to the mids everywhere? Do you select one price, the other one? So what I knew for sure is that the loss on the book could be explained very well, 80% of it, for the main bulk of course from the forward spread investments and you could really mimic those grossly with the indices. So I designed a tool and I could demonstrate that I could replicate the path of the P&L by simply looking at a handful of prices. So my tool was ready and I was looking just at the prices and I could tell, if my analysis was right, that the drift was speeding up. And at the time, **Javier had talked to Ina. He told me, “I'm going to tell her — I'm going send her an email. It's going to be official.” It's going to be the number in the liquidity reserve.** And he told me that the day before. And I saw in my analysis, using just index prices, that by the end of the month, because that's what the number that Javier wanted to know. **He wanted to know both how much loss should we expect in the estimate and how much liquidity reserve should be put by means of measuring the distance or the change in the distance since the 12th say. Right?** And so he asked me to provide the bulk numbers. And I knew that on the 23rd because he told me he would send the email to Ina with the final number that Ina had to be aware of for month end, quarter end. And I realized that day -- so we had back and forth the day before, like we are sort of flirting around \$200 \$300 million, you know, estimate loss plus distance or liquidity reserve. And I wanted to tell him, “Look, no, no, no no no”. You should add another \$300 here because the drift is accelerating and the bid offer is widening so you should rather consider a range of \$500 million. So \$300 more on the estimate by the end of the month and a gross number of \$600.””*

This “figure for month end”, this “total number” was a direct reference to “liquidity reserve considerations”. Mrs Drew was asking that to Mr Artajo... Thus, BEFORE month end March 2012, Ina Drew and HER boss Mr Dimon were considering liquidity reserves for this book. And they would do NOTHING then. The FCA wanted to “move on” right? But I would clarify things a bit further already in July 2013...

-FCA: “All right. I think I'm going to move to 30th March.”.... FCA: “Thank you. Mr Iksil, I believe there are a couple of matters you wanted to put on the record before we start.” **“IKSIL: “Yes, I wanted to clarify first the context of this 300 and 600 million. Why did I communicate this way? It was on the back of many discussions I had with Javier since I elevated to him the need to report this 300 million loss in some way or form and Javier told me “I'm going to talk to Ina” and then he asked me, “I need the total number and I need to know how it breaks down into what the distance is and what the estimate is going to show”. And we mentioned the liquidity reserve. But even with Javier I didn't discuss in terms of liquidity reserve or not. It's — it was my understanding that because it was not a one-off, it was not a cushion, it had to be in the form of a liquidity reserve, accounted in this way or form, but I didn't know exactly how CIO would do that anyway. So that is the first clarification.” FCA:” Mm hmm.”**

The FCA would NOT challenge me. It just mums here. Later on the FCA will try to force on the record that I had had no “tangible evidence” that this reserve issue was being addressed at the top. The FCA was then simply distorting the record. The extract above proves it. Ina Drew wanted the “total”, not the sole projection for the estimate P&L alone...She thus was aware of the “distance”, ie the price uncertainty surrounding the estimate itself. The FCA can only “mum” here indeed...

The FCA should have challenged me on the tune of “how did you know that Mr Artajo was telling Mrs Drew the total and not was not hiding the distance?” But the FCA would not ask. Hard evidence proved that Mr Artajo had communicated both figures in writing soon after by email. The FCA did not need to go down that road. More, Mrs Drew provided an unreliable account herself. The US Senate report made a couple of peculiar descriptions of the reversals of Mrs Drew when she was questioned in 2012 after the scandal. So the FCA probably did not WANT to follow that road. I was bringing further evidence here that Mrs Drew had not at all been left ignorant of the distance. She therefore had been untruthful during her depositions before the US Senate commission. The FCA should have challenged me here as either Mrs Drew was to go to jail if I was right, or I was to go to jail since I would have been untruthful here. The stakes were high. Either I told the truth or Mrs Drew had told the truth. We could not be right both. The FCA knew who was right here.... No, the FCA shall not cross-examine me on that. The fact was that the documents are abundant proving me right.

Also the FCA shall have to hear that, even though I was not the contact point of CIO-VCG, I would warn Jason Hugues at CIO-VCG and advise him to be conservative. I advised Jason Hugues to review his own prices for his independent marking. This alone dismantled again the future “settlement” of September 2013 whereby CIO-VCG had made “mistakes” in its control process. As a result this showed that the fault occurred solely at control stage with no misinformation at all since Mr Hugues elevated the difference in due time to HIS management. Despite all the “errors” that were placated on him, Mr Hugues will remain employed at CIO-VCG after 2012 at the very same control position. How could the regulators let Mr Hugues remain employed at CIO at the very same control position?! Well, they would. This fact also induces to think that regulators always knew what the real mismarking was despite their future public statements and future investigations on the “London Whale”:

FCA “And did you discuss that with Jason Hughes?” IKSIL: “No. The only discussion I had with Jason Hughes that day is that he came up first... so he went back to Julien because usually he interacted with the person in charge of the estimate. I would interact with him occasionally when he needed some runs, some broker runs and either Julien, Luis or Ben was not there, so I would help him, printing runs because I had the same messages and **he came to Julien** and said that he had — so he

told Julien something and **Julien told me that Jason came up with a lower loss** than what Julien sent. **Then I told Jason, “Look, Jason, we are very uncertain, we are stretched by the prices, everything was moving, it is very illiquid. So, you should take some cushion. Maybe you made a mistake. Maybe there's some price in your spreadsheet that is wrong so you should check. Check, please. And if it were me, you should take some cushion from, i.e. show a larger loss”...**”FCA: “[coughing] Sorry, I missed that last bit.”IKSIL: ““You should show a larger loss than us.””FCA: “Were any specific figures mentioned in that conversation?”IKSIL: “No because I didn't know how he came up with this number. Just on the principle. I found — I said, look “Check twice because that's very surprising”.

As to the future collateral dispute (April 20th 2012), that was a fake manufactured as well within Jp Morgan on purpose, I will be quite clear in front of the FCA:

FCA: “Okay, thank you. If you turn over to the next tab, please, tab yyy. That's an email from Bruno Iksil to Javier Martin—Artajo dated Friday, the 20th of April 2012. The Bates number is [redacted] and there's a reference to valuation issues. You say, “We seem to have valuation issues coming from Morgan Stanley and B of A. The difference would amount of up to \$500 million. It looks like another bid-ask trick. Having checked our own marks, we do not see such a large disagreement.” Then just reading ahead, you say, **“We will revise our marking process in the coming days as we find potential discrepancies that we may correct.”** It was really that sentence that I was interested in. Can you tell us how the marking process was changed at that point? _” **IKSIL “I don't think we changed anything unlike what people think.** We, as far as I know, **we were proved right on the prices we had and the counterparties were proved wrong. And the discrepancy was reduced by the end of the month, way before the end of the month,** for most of it and it turned out that it was really a liquidity issue. That's what I know from the collateral dispute. Now, what I meant here is that I told Julien, “Okay, check that first. You know, maybe you had a wrong price, so first, check before going into the argument that they are crooks and so on, whatever”. Julien said, “No, I don't see anything wrong with it”. Now, if I remember at the time, we didn't have all the information, so we could only check what we had on our end. Now, what I say is that if we turn out to have something that is wrong, that even within the bid offer spread that is wrong, okay, we will adjust. We will change a bit the way we select the prices but that's it. ”

This is a big testimony of mine here once again. This dispute was in itself a pure manipulation engineered from within Jp Morgan. And it would be covered up by all the future public reports. I dismantled the “London whale” legend manufactured by the bank itself here. How easy it should have been to deem that I was untruthful! The FCA does not check the facts. The dispute was a fake. I was truthful and unchallenged, once again corroborated (dixit the FBI which heard me in April and June 2013). Another anecdote that I provided the US authorities with was indeed that our Middle Office and Back office guys in CIO could simply not even read the IB file that detailed the collateral data. CIO was really not even able to manage its margin calls! The IB would have to tell CIO what it had a problem with towards its counterparties. The chief of Clo Middle Office London, Paul Bates, would resign abruptly soon after.... The FCA needs a break indeed after that:

FCA: Okay, thank you. We're just going to move on to the next section. How are we doing for time? We started at 1.50. Okay, perfect and we're going to talk about...”lawyer:” Can we take a break?” FCA: “Do you need to have a break to confer? Just five minutes, yes? Yes, that's fine. Okay, the time now is 2.35. We'll pause this recording of the compelled interview with Bruno Iksil.”

Better is to "break" first rather than cross examine me on the facts right?...The FCA actually will "move on" in this compelled interview...The FCA followed a peculiar logic. Yes all this leads to Mr Dimon and no one else as the collateral dispute was a fake that had been manufactured inside Jp Morgan here after the articles...The CEO (no one else could at this time) was handling the issue, a deadly reputational issue for the brand Jp Morgan. He did that by commandeering a fake collateral dispute inside the walls of his fortress balance sheet, no less...

The FCA, by a strange coincidence, moves on from April 20th back to April 10th in fact where only Mr Dimon (in my opinion) could have ordered Mr Artajo to instruct Mr Grout to issue a \$5 million loss for the 10th April 2012....It will fail again and "move on" backward further....

Towards the end of the interview the FCA will not investigate or cross examine me. It will simply try to paint the tape mixing dates and roles:

FCA. So we've talked today about the VCG process a few times but there's just a few additional questions that we had. If you could turn to tab zzz, which we may refer to. If I could just ask: are you - — I mean, are you vaguely -- are you fairly familiar with this document? I'll just read the details for the tape. It's IKSIL: Uh—huh. FCA ...a Bloomberg chat involving IKSIL: Yes. FCA Julien Grout and Bruno Iksil dated 1st March 2012 timed at 18:07:23. The Bates number is [redacted] and the points that I really want to refer to are on the xxx page, **there's a reference made by Julien Grout to "producing better runs for Jason"**. IKSIL: Uh-huh. FCA And then throughout this chat, there's various points at which there's discussion of what the difference is and it's references to, for example, on page xxx, timed at hh:mm:ss, **Julien says, "Difference in call with Jason, minus 31 million. He's going to look again tomorrow morning but he says everything should be fine."**

It gets worse and worse as the FCA "moves on" backward to month end February 2012 above. March 1st 2012 is the "day after" and Mr Hugues accepts prices published for the 1st March 2012 in order to control the prices of the 29th February 2012. This is in breach of the most basic accounting standards. Anyway Mr Hugues will take these prices of the "day after" as it occurred at times in the past. And this "violation" was done knowingly so by the price controller himself. Remember that regulators will let the bank keep Jason Hugues employed at CIO-VCG at the very same price control job AFTER the events.....What Mr Hugues was doing was a gross violation, already in February 2012, wasn't it? Or else, it was NOT a violation BECAUSE even the price control at CIO-VCG had little to do with "mark to market" accounting standards actually. The FCA will see during a compelled interview with Mr Hugues that there was nothing wrong with it for Mr Hugues himself. And Mr Hugues will remain employed at CIO at the very same position after 2013. The FCA goes on noticing that Mr Hugues, using prices of the "day after", could reduce his initial difference quite materially.....:

FCA: ... And then the difference then reduces over the next few pages to 19 million and then to 7 million. So that's just to put the context there. So what evidence was being provided to Jason Hughes on 1st March? IKSIL: I don't know for sure because Julien was handling this, right? FCA: Okay. IKSIL: It was a collaborative process between Jason and the person who was doing the estimate, especially at month end. That was not me, as I said. **FCA: Did you think that was appropriate, given that VCG's a controlled function, a controlled process?**

The question is totally biased since I was not trained to any firm policy as the FCA expects actually. I have no clue what a 'controlled function' is and what it is meant to be. All I knew, and that was way enough, was that the "mark to market" of CIO had to be done independently of CIO itself. Thus I

knew that I had nothing to do with the controllers by design....whatever he was supposed or expected to do...

IKSIL: Well, I don't know, you know. I just saw the way we operated with Jason. And the way we operated is, he had -- he used — we provided broker runs that supported the selection of prices we had. He used also independent price sources. And comes the day after month end, Jason runs his own analysis. He looks at every single price and for every single price if he sees a difference, he's going to ask us which price he should keep, either his, which we don't know how he computed it, or... So what we did is we provided reasons why we selected this price. And the only source we had, was not to explain him, about the markets and the direction and things, was to say, "Look, maybe you have different independent price sources. But we have this run and this run and this run and this run. And this is why we ended up there". It was up to him to keep our price or not. FCA Your answer to that question was, "I don't know" and Joanna asked you whether or not you thought it was appropriate, given that Jason was performing a control function. Can you just clarify for me — You don't know whether it's appropriate or you didn't know whether Jason was performing a control function? IKSIL: I knew Jason was performing a control function. Now, I cannot judge the appropriateness of what he was doing. FCA No, I'm -- I think what Joanna is asking is the — about the appropriateness of what Julien is doing. So in your view, is it appropriate for the front office to provide that sort of information to an independent control function? IKSIL: Well, that's what we're expected to do. FCA Okay. **IKSIL: It was not the first time [over speaking]**

And on the follow, the FCA shall hear that even CIO-VCG was NOT complying with one crucial accounting standard, namely to have a "defined closing time". CIO-VCG would even use prices that would be made "the day after"....

FCA How did you know you were expected to do that? Who had sort of set that expectation? (*I am interrupted which is very peculiar!*) IKSIL: Well, since I joined CIO, that's how we operated. Jason came and then he said, "Okay, I have this difference. Can you explain me what – why I should keep your prices rather than the one I have?" And so, you know, we were requested, I mean, by Jason, queried by Jason. You know, "Can you tell me why I should keep your price instead of mine?" So... FCA: And so that was a regular month—end process? **IKSIL: Yes. Yes and, I mean, there were other instances where we would use typically runs on the day after or runs for the month-end that we collected the day after, after Jason came back with his difference. That was normal.** FCA: I think that that -- this particular example is an example of that, isn't it? in that runs from 1st March were provided... IKSIL: 'Yes. FCA ...by front office to Jason Hughes in relation to February month—end? IKSIL: Yes and again when we do that, we say, "Okay, that's a run-on today" typically. But you see it's a run at the opening and maybe we — and we saw some changes, that we anticipated, that didn't show in the close but is reflected in the morning right at the open. That's the kind of thing we -- which we would say. And he's still, you know, free to change the price or not. FCA Given the time, can I ask you quite a blunt question? The way I read this is that it is a backward and forth process in the sense that it's not really up to him to accept your price or not. You -- there is repeated going backwards. "This is a better one. This is a better one. Get nearer. Get nearer." **To me, that reads like an interference with the control function. Can I ask for your view about that?** IKSIL: **I disagree.** FCA Okay and why do you disagree? IKSIL: **Because that's how we operated since the start. There were back and forth with Jason.** FCA: And can you give me your opinion on whether or not Jason was – it was a matter for Jason as to whether or not to accept your estimates in this sort of example, given the repeated return to him? Or is that common for your interactions with him? IKSIL: There were —I mean that was always like that. And to explain the interaction, right, the

way it happened is that **Jason would come** and say, "Okay, the" -- he would proceed with the biggest difference and say, "Okay, that's here where I have the biggest difference". So bim! -- that's when we would say, "Okay, that's where you are but look, we have these runs". He would decide to proceed or not and then he would come with the next difference, you know, and that's why. The back and forth is because he's analyzing every single price difference one after the other. FCA: Okay, thanks. I apologize for the bluntness of the question. IKSIL: No, no, it's fine. FCA I just didn't IKSIL: No, it's FCA The time is running against us.

The FCA admits here that they wished they had more time. But they would decline any invitation to talk more when obviously they admitted above they had NOT covered their self-defined topics

IKSIL: No, no, but it's important because that's why I mentioned, you know, I cannot answer about the appropriateness because that's how we operated anyway. FCA Yes and you talked about other examples. Sorry, did you want to clarify? IKSIL **No, I just want to clarify that, you know, Jason — in reality, Jason came to us to -- and asked us, you know,** "Should I — on this price, I have this difference. Should I keep your prices or keep mine?" That's the back and forth. FCA: And what level of sort of detailed explanation would you get into with him? So if he comes to you and says, "Which price shall I take?" do you just give your opinion or do you discuss it? IKSIL: Well, first it would not -- it's very, very rarely me, because I have not selected the prices first in the estimate. So I don't know really where it comes from. I have not even looked at the runs that Jason has. It occurred once or twice, you know, that -- because the person in charge of the estimate interacting with Jason was out for _lunch or whatever, that you know, **Jason brought me to his desk and he showed me the spreadsheet, how he saw things.** And sometimes, you know typically because he was analyzing price by price, he could have a big difference positive, big difference negative. So **typically he would ask me, "Where do you think I should look at?"** Because at the end of the day, what mattered to him was the ultimate difference between our estimate and the P&L he had. So... The only argument you could give, right, is to say I would help him once or twice, saying, "Well, you know, in Europe basically you have a big difference. I don't understand that" and I would say, "Well, maybe this price maybe is wrong". And then, what we would do, very simply, to answer your question, 'would be just to come back to the runs, say, well, if we are at the mids or if we are not at the mids at the time, I say, "Okay, maybe we should take yours because your look — you look to be at the mids". That would be interactive, like this. FCA: Okay. Yes and I think we're done. IKSIL: All right. FCA: So thank you very much.

The FCA shall NOT try to interview me again despite its own admission here that it had run short of time. The FCA thus will NOT finish its investigation on CIO-VCG with me. It ALSO will not even start investigating my interactions with the bank controller Allistair Webster. The UK regulator from the documents knew what it would hear. And that disproved even more its future official story. Thus the FCA knew it was 100% wrong on : the estimate P&L was a "mark to market" proxy, the "reserve" was not discussed, the "price controller" was misinformed, the CIO London process had been concealed for parts.... Thus the FCA shall print in September 2013 massive misrepresentations, never correct them next and of course never let me review them before they went public (breaching here the rules set in the FSMA 2000 Act). And the SEC deposition of September 2016 proved further that the FCA "settlement" of 2013 was misleading.

As it was said above, the July 2012 restatement was also a gross misrepresentation. No later than the 1st May 2012, Mr Braunstein the CFO firmwide of Jp Morgan had had all the details that he needed to

process the adjustment that would be found "missing" in July 2012. I testified on that truthfully so since I could prove it with evidence of the time:

IKSIL: He (Artajo) said something to me about this meeting. He said that Doug Braunstein wanted to know every detail, that he was a difficult guy, but he asked smart questions. So he, Javier, had a lot of work to do, that he would ask for my help. And there was a second meeting and Javier told me that it went very well, that **"Doug got it"**. And so that's the knowledge personally that I had...

And the reason why this adjustment was missed literally by the firm-wide CFO in early May 2012 was because it had been missing knowingly so in December 2011 already:

Q: Were they marked differently than the IB books at December 2011?...IKSIL: I cannot tell you...Q: Okay. Did you have any involvement in the final P&L for the year for 2011?... IKSIL: Depends which one you're talking about. Whether it's the--the official one that I believe was the official one on the 15th where I had some involvement or the one that I discovered on the 5 of--4th of January that happened actually on the 31st of December. The latter one I had absolutely no involvement.

As to whether Mr Grout, Mr Artajo were actually creating a mismarking that they intended to stick on me in March 2012 already, the authorities had way enough reasons to suspect that from my testimony indeed. It is just that my colleagues operated like that under explicit instructions from New York:

IKSIL: So my answer was "no, I didn't, did not tell him that". I told Julien "you tell me that with your marks, you have a divergence or a distance of, say, 300 million and you also tell me that as per your analysis you find 300 million or more on the sole IG9 10 year. So I, Bruno Iksil, infer from what you tell me, Julien Grout, that another mark that you have selected, you have been more conservative than the crude mids and I really wonder why you make such an assessment because to me you have many more prices than the IG9 that are being framed. So I don't understand why you would not only accept those other framed prices and be more conservative than the dealers that are framing those prices as you, Julien, tell me." So it made no sense with his own explanations that he provided to me on his selection and his analysis....Q: So, after you gave this guidance, he did go back and look at the other positions correct?....IKSIL: Yes, that's what we discussed...

And right on the follow, Mr Grout would tell me that he would correct his admitted mistake here..... And he would hide from me that he actually did not make the appropriate corrections...I would discover it starting in 2013...And in his subsequent testimonies Mr Grout would claim that he had always done what I had told him to do...He lied as the evidence of the time proved it. This would put him into trouble before the FCA itself on July 9th 2013...Mr Grout would operate some key reversals. I would testify that the evidence showed what had happened and that indeed Mr Grout told me "white" and he was doing "black". He would reverse track on some points in front of the FCA no later than July 2013. But the FCA would totally ignore it in its public "settlement" with the bank in September 2013. Next the FCA would choose to drop any case against Mr Grout in 2014... Mr Grout would also reverse track in front of the SEC in 2016 but not a single US authority will inform the public of that reversal. Instead they will drop all their charges against him like the FCA did 3 years before.... That little anecdote tells a lot on the genuine mismarking trail that looks really ignored here.

Thus, "no" the FCA would not want to question me about the audit of the controller Allistair Webster. Then the FCA would have carved on its record that, thanks to my "useful small tables", the auditor Mr Webster could compute on the back of HIS mind "live" in front of me, the adjustment that the bank

needed to add to the estimate P&L and the recent reserve. That was known by the 7th May 2012...ie 3 days before the May 10th "moment of honesty" of Mr Dimon would occur.

Now the SEC deposition in 2016 did a better job than the FCA. The genuine mismarking was quite visible irrespective of the size of the entertainment that the "London whale" myth had generated. The global IB controller Allistair Webster had been mandated by Jp Morgan NY senior management on April 30th 2012 to support the CFO Braunstein review of March 2012. Mr Webster did have interactions with me that the FCA would not deem significant quite wrongly so. In the extract that follows Mr Webster was focused in early May 2012 on the "difference" that allegedly will have been "unknown" in the future restatement of July 2012. Mr Webster audited this very difference in May 2012 ie 2 months before the fake restatement of July 2012, while the CFO had already "got it" of course:

Q: First of all, who did you have conversations with if you remember?...IKSIL: I ended up having a conversation with Julien Grout where my recollection was that **Allistair Webster wanted to explain the difference with volatility and Julien was in charge of that.** And later on I learned from Julien that it didn't work and **Julien had to explain in full how he had arrived at his prices at month end.** And I don't remember exactly the discussion, but he was annoyed by that request because he was overloaded with work. I said "well, okay. I'm going to do that. And I created small tables that I transmitted to Allistair Webster, not for the sake of really comparing, but for the sake of explaining at least how the estimate p&L process was working and how, indeed, CIO had landed **there**. So I provided a sort of independent replication of what I thought the process had been. And then there had been a discussion with Allistair Webster and me because he came back with those tables. **And we reviewed, because I didn't exactly land where Julien was. But close.** And then Allistair Webster and myself, we discussed on the differences, how much it was worth, what was the total. That's the only recollection I have....Q: After April 30th?....IKSIL: Yes...Q: Was it before the May 10th, before the --....IKSIL: Yes

Yes that complete audit and quite intuitive computation of the difference had happened BEFORE Jp Morgan had published its 10-Q report of May 2012. There was by May 8th 2012 no information that was missing and that would cause the restatement of July 2012. The bank manufactured from A to Z this mismarking and the subsequent restatement. As to whether the SEC or the auditors or the senior management had been ignorant of that "difference" that allegedly had caused the July 2012 restatement, I would be shown in this September 2016 deposition a document that proved that this difference was there, known, reconciled and fully audited, in September 2011 already. But the mandated reserve was missing then- in Q4 2011 already- and would be missing still in 2018 actually :

IKSIL: If I look at the columns "x" and "y" showing the price difference between the front office marks and the TOTEM/ICE marks on the IB credit hybrids marks at 30 September 2011, what this column tells me is that the IB at JpMorgan was marked much farther away from these benchmarks than the CIO. Q: Do you have any knowledge of that?....IKSIL: The only--..."Other Q": objection to the words "by that"IKSIL: Yeah. What do you mean by "that"?...Q: Well, do you have any knowledge, any personal knowledge or any knowledge you can share with us why it was that the IB at JpMorgan was so much farther--had marked their books, their positions so much farther from these indexes and these benchmarks than the CIO in September of 2011?....IKSIL: **The only knowledge I have of that was what Javier told me once in December 2011, and later on in beginning of 2012, yes.**

Back in December 2011, the mismarking was causing big trouble inside Jp Morgan already. This is what this spreadsheet of the controllers told me. Javier Martin-Artajo had explained me then in 2011 that the IB was giving CIO "bad collateral marks" that created a \$300 million loss for CIO then already, ie in early December 2011. But these "bad collateral marks" were inconsistent with the market prices of the time. I offered to show market prices to the IB traders who valued their positions at other prices than market prices actually. That collateral issue inside Jp Morgan was the reason why the IB traders had turned down my offers to unwind with them in Mr Artajo's explanation to me....Whoever was wrong, all this issue was caused by a notorious, deep rooted, lasting ill-liquidity. Had it not been the case, the IB traders would have had to wind down with me close to the prices that I was showing then....

It is easy actually to secure a widespread knowledge inside the bank that "yes" the positions on this "tranche book" were damn illiquid since 2008. I had elevated the matter several times myself with big figures. Below, I talk about the "cushion column" where the CFO role was predominant even for the estimate P&L figure that was communicated inside the firm. The "cushion" column was added at my request in 2009 even though CIO had already added a liquidity reserve to the book at the start of the same year:

Q: Why was it added? (the "cushion" column in 2009)....IKSIL: It was added because we had to mitigate 2 instructions for the estimate P&L that were conflicting. One the one hand, Javier wanted to have prices that reflected where we thought the market was or should be, and we had to report on that in the estimate P&L report for the prices. But on the other hand, I had to unwind the positions in the book as fast as I could and the liquidity was so poor that **the unwind costs on a daily basis could be 30,40 million**. So the book was making a lot of money on the existing positions and had- I'd say- a "new trade P&L" that was absolutely awful. The problem was to figure out what kind of prices we should report since the price should, in theory, be independent of the actual pace of unwinding. It was a forceful, a very quick unwinding. So what we did is we kept doing the price analysis for the estimate P&L aside from the speed of the unwind and we added in the cushion column an expectation of what this unwind cost on a daily basis was, instrument per instrument, so that the report was complete and the net estimate P&L had the right price and thanks to the cushion, the right economic result at the same time. ... Q: Who else as you, to your knowledge, was aware of this column "cushion"-- or this "cushion" column that was added in 2009?....IKSIL: You had Luis Buraya, Jason Hugues (CIO-VCG ie price control), Javier, Finance (ie CFO)....Q: Do you remember any of the names of the people in Finance that were aware of that cushion column when it was added in 09?... IKSIL: I don't place Jason Hugues in Finance. Now you can ask Keith Enfield. He knows who at Finance decided on that cushion on your end.....

IKSIL: I think when it was added in 09...[redacted] IKSIL: No, no in 09. At the end of 09, there was a big cushion still for year end. I asked Luis to ask that this cushion was rolled in 2010 because the unwind was going on. And **Luis came back to me saying that Finance did not agree and reintegrated this cushion into the P&L estimate. This happened again at the end of 2010 and again in 2011 (This alone proves that Finance had the final word on the estimate P&L itself)**Q: So when Finance would come back at the end of 09 and 10 and 11, did you understand that they were disagreeing with you, that you should be maintaining this cushion in your Monster Truck?....IKSIL: I just understood they decided on that. That's all....Q: So they never agreed with you that it was appropriate to use this cushion column the way you were using it?...IKSIL: I can't say we disagreed. We never had this discussion. They never came to me....Q: **You just know that at the end of the**

year they would say ‘we don't agree with this’ and they would roll it in?IKSIL: Again they would not say that they disagree....

I elevated the need for a reserve. The control staff of CIO called it “FO reserve”... I was repeatedly overridden by CFO under the eyes of all my management line in 2009, and in 2010 and in 2011....The mismarking, the “books and records”, they were all done away from me, above my head. What did I know then and how? I was cross-examined on that key element showing the genuine mismarking and its genuine actors that shall also be found among the regulators actually:

IKSIL: Because Luis told me that finally they re-integrated the cushion into the P&L estimate....Q: Okay. So what you know is that Luis would come to you at the end of each year end, tell you that Finance had reintegrated your cushion back into the P&L....IKSIL: What I know is that Luis in 09 told me that Finance reintegrated the cushion. In 2010 the same question was raised because I wanted to keep this cushion for the same reason, to be able to unwind and have as reliable reporting as possible about the P&L estimate and the trading cost. In 2010 I don't remember who told me that, but I saw in 2011 that once again the cushion had disappeared. And in 2011 it's Julien who told me, I think, that we cannot keep the cushion after the events of American Airlines. It was not always the same person....Q: Okay. When you mentioned using this cushion column to Mr Artajo, what do you remember him saying to you in response, if anything?....IKSIL: I remember we had a discussion in late 09 because at one stage I told him "well, we are--we--we have--we had something like 600 million gain year to date and 300 million, and I told Javier about the fact that the cushion had reached up to 300 million, and he said “well, don't go over that....”

Thus, as much as all the regulators should have known since 2008 through their existing standard supervision of this huge synthetic “tranche book” of CIO, a reserve was missing. That was in direct connection to this “strategic hedge on liquidity reserves”, but applied to the firm as a whole. The NBIA proves that they had allegedly “heard of” this book at least. That the “hedge on liquidity reserve” needed itself a reserve was a bit unsettling for outsiders. However it was not at all surprising for any US regulator in 2006. The very existence of this “hedge on liquidity reserves” was itself a clue to that need. In 2006 the debate behind closed doors between bank chiefs and regulators chiefs was already bearing upon “hedge efficiency”. Only a liquid hedge could be efficient right? The reality was that no hedge in CDS could be deemed efficient really in mark to market terms. The letter of Jp Morgan to the SEC mentioning that the valuation process had been altered in late 2006 in relation to AFS 157 precisely to determine the “hedge efficiency”. This concern shows that a liquidity reserve was missing.

This miss on reserve is fully the fault of CFO as the story around the “cushion/ FO reserve” tells us above. This reserve was needed if only to account for execution costs related to this “tranche book” that was on permanent “reduction mode” since late 2007. One blatant fact was that, as the “reduction mode” had lasted at least a 18 months by the end of 2008, the “hedge on liquidity reserves” was NOT easy at all to “liquidate”. So it was il-liquid. Therefore it was NOT efficient, far from it. More there was a more widespread concentration reserve that should have been applied in 2008. As to the liquidity reserve held for “price uncertainty” totaling \$30-40 million, it existed since early 2009 proving that the “awareness” was there already. And it was clearly too small since then as the anecdote from the “cushion” and March 22nd 2012 shows:

IKSIL: I remember a conversation with Javier. He told me that he was about to communicate to Ina the number, that all this was taking a new dimension, that they wanted to--to elevate this all the way up. This was his expression "all the way up". And another expression he had is "a lot, a lot is going on.

I cannot tell you but a lot is going on." And I remember that he asked me once more what my projection was for the loss that he had to transmit to Ina because she would communicate the loss to budget for the book for the end of the quarter. And she would also elevate all the problems of the book. And I confirmed with him that **as of the 22nd** (*March 2012*), I still expected a total loss for the book of, say, 100 million for the estimate P&L alone, plus 300 for the divergence. So I told him "a total of 400"...Q: For the end of the quarter...IKSIL: By the end of the quarter, yes...Q: Okay, that would be 400 million more from March 22nd to the end of the quarter? When I mean more than had already been reported prior to March 22nd...IKSIL: Well there was 100 million more for the estimate P&L alone, plus the divergence, whatever...Q: Okay. And do you remember what that conversation was about?...IKSIL: We had--we had a conversation about a warning I had sent him really first time in the morning to tell--to tell him "as you communicate to Ina the total number, it's not anymore 400, it's at least 500 and I would rather call it 600 million"....Q: And when you say "the number", 500 to 600, are you talking about the same number we talked about a minute ago, which would be the divergence plus the---IKSIL: projected estimate P&L loss, yes...Q: to the end of the quarter?...IKSIL: Yes...Q: Okay. Do you remember anything more about that discussion?...IKSIL: Yes, I--I was extremely concerned, but I couldn't tell whether it was realized that a big loss would arrive no later than the 23rd itself. And we had the discussion about that and Javier told me in a very reassuring way, he said "yes, but you don't know everything. **You know, Ina She's going to elevate all this. There's a big problem with the Investment Bank. It's being elevated away from us, away from us. There's a problem with ICE.** So you will see in the course of the day, things--things are going to--to improve. They are going to settle down" he said "at least I hope"... Q: Just to clarify for the record, Mr Iksil, did you say that a big loss would arrive no later than the 23rd or the 24th?...IKSIL: No, it was a Friday, no later than that day... Q: And what were you basing your calculation on? What information?...IKSIL: A set of information that I used to call "my regression tools". It was based on looking just at a handful of prices rather than looking at all the positions all together in the book. Those indices and prices were, to my knowledge, the main drivers behind the P&L evolution, and what was comfortable for me is I didn't need Monster Truck. I just needed to have my own historical data, apply minimum judgment, and have a relatively good projection, not on a day to day basis. But on a weekly basis, but as of the 23rd in the morning, you are just 5 to 6 sessions until the end of the quarter and I saw a big number. So I just considered that, given that my uncertainty and the projection, like 300 million in the estimate P&L for 6 session, that was 50million on average, it was very possible that an even much bigger number could arrive on the 23rd or the day after, whenever... So that's the concern I conveyed to Javier, that no matter what, the number would be big every day in the P&L estimate, on top of this divergence...Q: Okay, So as I understand, your tool, your regression tool used as part of its input a handful of prices...IKSIL: Yes...Q: And these were prices that were coming from dealers runs?...IKSIL: Yes... Q: And these included dealer runs that you felt were unreliable at the time?...IKSIL: Yes...Q: And did you make it clear to Mr Artajo that your projections were based in part on these unreliable runs from the dealers?...IKSIL: Yes, that was clear....Q: Okay. And it was based on your assumption that the dealers would continue to successfully manipulate the market?...IKSIL: Yes... Q: And in that context, Mr Artajo responded to you that you didn't know everything that was happening, that there were big problems with the IB, and there were things happening that you didn't know about?... *(answer is yes)*

I also testified on the blatant lack of liquidity that had plagued this "tranche book" since 2007 for which almost no reserve had ever been taken all these years. This is the genuine mismarking that is still left in the shadow of the "whale" in 2018... Thus on April 16th 2012, 10 days after the bank had launched the "London whale" tale in the media, the bank senior management carved in stone with the Fed and the OCC very gross mischaracterizations of the liquidity of the IG9 positions in particular.

They would hide this missing reserve with the future fake restatement of July 2012. Here is what I truthfully testified on, a thing which every market player will confirm:

Q: Okay. And what does it mean when there's not a lot of liquidity in the index and tranche markets?...”other Q”: Objection as to the form...Q: okay. So with respect to the phrase **"No liquidity in the index and tranche markets"**, what were you referring to there?...IKSIL: I was referring to the fact that you could do one small trade, but the conditions were much, much worse than they had ever been. The only point of comparison I had in terms of lack of liquidity was the period of October to November 08. It felt to me in December 2011 it was quite comparable...Q: Okay. Why was there a lack of liquidity in the index and tranche markets in December 2011?...IKSIL: It was a combination of, in any view, 3 factors. First, it was--first of them, not the most important, it was the end of the year. And typically you didn't have a lot of liquidity in December. The most important factor now was the recent crisis in Europe that was really squeezing most of the European banks. And those European banks had remained very, very big players in the credit and index markets. They were forced out, and that removed a lot-- a lot of the liquidity that existed before. And the third factor was the general change in the regulation with regards to tranche products that was so penalizing for all the banks that my experience was that all the banks were just reducing their exposure to the tranche market all at the same time...Q: Now when you say "reducing their exposure to the tranche market", does that relate in any way to the demand that the banks have to invest in tranches?...”other Q”: objection to form of the question... “other Q”: Objection. Lack of foundation...Q: Okay. When you say "reducing"--let me ask a better question ...

IKSIL: Unwind the book, and if it ever happened, it would be at **very, very high cost, in several hundreds of millions**. And where it influenced me **is I realized that the trading costs were extremely high. They were for the first time really a multiple of the P&L that book could be expected to make in a year**. And so that convinced me that trading further and growing the notionals was a real problem...Q: Move to strike as "nonresponsive"...”other Q”: He addressed the objection...”other Q”: So that--There's no question pending Mr Iksil...Q: Sir, in december 2011, did you have a view as to whether the trading costs were extremely high?...IKSIL: yes...”other Q”: Objection to the form of the question. Vague "extremely"...IKSIL: My view was supported by—

So reserves were missing at least due to a salient lack of liquidity and a blatant concentration risk. More the book was structurally not “marked at mids” since 2007, notoriously so. That was precisely the case BECAUSE the bank and the regulators knew, in creating this “tranche book of CIO”, that the “hedge in liquidity reserves” would be itself il-liquid by design. I would be judged truthful in what follows, since it was true and wanted actually by the bank:

Q: Okay. And when you said, "to simplify, yes". Were there in fact occasions after 2007 in which positions in the core book were marked to the mids?...IKSIL: I assume you only talk about the estimate P&L here...Q: Correct...IKSIL: I would need to know what the mids are in your question, because there were many kinds of mids...Q: Okay. And so when Mr ZZZ asked you that question about marked to the mids, what was your understanding of the "mids" here?...IKSIL: "The mids" were the consensus fixings sent by the dealers on their own... **Q: Okay. And were there times after 2007 where positions into the tranche book were marked to the mids?...IKSIL: I don't remember any moment when they were marked like that...**Q: Okay. And you said, "it was to simplify, yes, correct. To simplify yes." What did you mean by that?...IKSIL: If I remember well, at that time , we were discussing about the instructions I received from Javier in March 2007. And I wanted to contrast the fact that before this instruction, **we tried to be close to the broker mids** that we saw on the runs. And I didn't want to develop a whole explanation as to what the mids could be, **because in the end of 2006**

already we received a request from the risk department to actually differ from the broker mids and apply some judgment, extremely limited, but apply some judgment...Q: And what did you understand the phrase--what did you mean by the phrase "extremely limited" there?...IKSIL: It was extremely limited because the positions in the core book were one of the most liquid you could find, and the credit index market was very liquid at the time. **So we had to apply judgment already, but on very liquid instruments for which we received pretty reliable prices.**

That change was done in late 2006: already we diverged from "mark to market accounting standards", diverged from the firm's policies on the matter, at the request of the risk department. All was known and quite sensibly instructed across the firm. But any difference should be small given the still good liquidity of the "tranche book" then, in late 2006. In late 2007, the book was concentrated and ill-liquid for good by choice of Mr Dimon and regulators. They targeted "subprime", "super-senior", "financials", "high yield" ahead of times but with strong compelling reasons. In 2008, as they had foreseen, the financial crisis would emerge from "subprime", "super-senior", "financials", "high yield". They had not needed a crystal ball to be 100% right on their focus. In late 2008, the book was even less liquid knowingly so and more concentrated then ever as the markets dwindled in size. In late 2009, the book could NOT be wound down much more than it had been. In June 2010, Ina Drew and Achilles Macris were just hoping to "land the plane", ie mostly wait for the natural extinction of the legacy exposures. In Late 2010, I simply could not wind down anything more.

In March 2011, I reported that all the dealers told me that they could not take any more of the positions of the book of CIO because they felt they could not even resell them to their other clients. The markets were almost dead. In September 2011, the dealers outright opted to stop quoting the IG9, the Itraxx S9 index and the Itraxx financial Sub indices among others. In late 2011, the book was very, very ill-liquid. Therefore, as to whether the top management was informed since January 2012 that the book was in a "liquidity trap", something which called for a \$300 million reserve increase on price uncertainty, an additional \$2 billion reserve for concentration risk, and another \$500 million reserve for "drawdown" risk altogether, "yes" top management was "aware"... surely so...That was a thing that the Federal Reserve was very well aware of since 2009 at least through its stress tests and its subsequent CCAR program checks of December 2011. I testified truthfully again that the answer was "Yes":

Q: Evan Kalimtgis?...IKSIL: Evan Kalimtgis has been recruited by Achilles Macris at the end of 2009 and Evan introduced himself to me at the time explaining that he had been brought by Achilles to CIO with a mission to analyze the core book in details for the purpose of shaping the book so that it was protection for CIO and the **firm against stress scenarios in very granular details**. He was a managing director that I understood reported to Achilles straight and discussed with Javier about this book...Q: Now do you see in **your email sent to Mr Kalimtgis** and cc'ing mr Grout and Mr Martin-Artajo, and the email is time stamped 17:05 (London), where you write **"since the beginning of the trading the book got caught in a liquidity trap"**?...IKSIL: Yes...Q: "It has reduced the outright disagreement with markets but has had a material increase in notionals"?...IKSIL: Yes...Q: When you say "it has reduced the outright disagreement with markets" what's the "it" there?...**IKSIL: The trading**...Q: And what did you mean by the phrase "material increase in notionals"?...IKSIL: A big increase in notionals...Q: Do you see the last statement of your email says **"this one I think should die"**?...IKSIL : Yes...Q: What did you mean by that?...IKSIL: I meant that the core hedging book, as it used to be, the one that Evan was shaping since he had arrived at CIO for Achilles with Javier, I thought that that one, core hedging book, should die, should disappear, be in run-off, whatever...Q: I'm

going to ask you now to look at another exhibit which we'll mark for identification purpose as exhibit xxx....

"this one I think should die"...That was clear enough in January 2012, wasn't it?... What was my "interest" in trading since then? One wonders...I would also specify that CIO management, CIO-VCG and Allistair Webster knew at least from me that some prices in the estimate P&L were "time disconnected", thus being in obvious breach of one other crucial US GAAP standard. The US GAAP standard requires a "defined closing time" and therefore "tightly synchronized prices" (as opposed to "time disconnected"). This would not raise any particular "curiosity" from any investigation team actually. But still I will be asked to explain what I meant by that:

IKSIL: I mentioned "time disconnected things where he had to extrapolate from older quotes. That's the ones I wanted him to look at, which was not his initial purpose... Q: Okay. And the older quotes you thought he should look at because those require even more judgment with respect to what the actual price levels should be. Is that right? Let me withdraw that. The older quotes you thought he should look at because they required more judgment in determining what a reasonable estimate would be for the position?...IKSIL: In my view yes...Q: Yesterday you testified that **it was your understanding that the daily P&L estimates that got sent out at the end of every day went to higher ups in the bank including the CEO Jamie Dimon. Is that right?....**IKSIL: Yes...

I would also point to some facts showing that actually Jason Hugues at CIO-VCG had NOT done "his job as usual" specifically for March 2012. I comment on the interview of Mr Hugues with the FCA- done in 2013- that I had read in 2015:

IKSIL: What was really puzzling me is when he said he had not communicated the initial difference he had found through his check for March 30th. There's a point where he's questioned by the FCA about what he did when he received broker quotes from Julien, the prices from Julien. He compared to MarkIT. he --whatever he had--it turned out there was a big difference. And he--he left the impression to me that actually he had not elevated this to anyone...Q: Okay. So it was your understanding from his testimony that during his review of the March 30 marks, he had found a big difference between the front office's marks and whatever other benchmarks he was looking at?...IKSIL: I didn't ...Q: And that you thought he then testified that he had not elevated that big difference to anybody?...IKSIL: Yes...Q: Okay. And that gave you--you were not comfortable with that part of his testimony?...IKSIL: Well, I didn't know how he had operated. But in this testimony he described how he operated. **And I couldn't see how on earth he was not doing the job that he was expected to do every month. Precisely for that month...** Q: Okay. And were there any other aspects of his testimony that you thought were untruthful?...IKSIL: I'm not saying he was untruthful. I just did not believe what he said was right...Q: Okay.. IKSIL: I mean. It made no --it was not consistent to me. His account was inconsistent...Q: Okay...IKSIL: That's the main thing I recall

The cross examination then started linking quite spontaneously the "spreadsheet" that I discovered in the course of the deposition and that showed that the difference in prices had existed at least since September 2011 AND the fact that Jason Hugues at CIO-VCG had NOT done his job as usual in March 2012. Naturally the questioners wonder what Mr Hugues at CIO-VCG saw in December 2011 when 2 year end closings would be processed strangely enough:

Q: And what is it that he didn't mention? Do you think he was aware of that spreadsheet in December 2011?... IKSIL: No. But this spreadsheet is strongly suggesting that Jason in his price check saw a big difference. And usually when he saw a big difference, the first thing he did is he came to Julien to ask

why there was such a big difference. So I assume today that Jason came to tell Julien that there was, I don't know, 200-300 million difference. And Julien never mentioned that to me while in the past he kept me updated when such a big thing was happening...Q: I see. So if Mr Hugues in reviewing the year end 2011 had not gone to Mr Grout and said there is this 300 million difference, would that change your view as to whether Mr Grout has been lying to you starting the first business day of 2012?...

I will reply that it would remove one suspicion but not the other grounds on which I would still suspect Mr Grout anyways. The fact simply is that Mr Artajo must have told Mr Grout of this difference as he usually did. Mr Artajo had every reason to come and talk to Mr Grout on the matter. This issue was already in its fourth consecutive month of elevation inside the firm down to Mr Artajo's level. This spreadsheet- showing that the future restatement of July 2012 should have been done by October 2011 already in fact- was intriguing and the questioners would come back to it and hammer the point:

Q: can you tell me what it is that you learned recently that made you think there was a problem with the December 2011 profit and loss?...IKSIL: Well i can tell you. It's in one document that you showed me, I think...Q: Oh the big spreadsheet?...IKSIL: Yes, I'm not sure of the number...Q: 336 million?...IKSIL: It's--I don't know. It's XYZ I think... Q: Okay. That was the spreadsheet that showed the difference between the front office value and what the value of the positions would have been had other benchmarks been used at December 31? It's--..."other Q": Objection. Objecting to the foundation...Q: It's an email from Jean franois Bessin dated May 3rd, subject CIO price variance analysis September 11, April 12. And for me , and for me, I saw the numbers. I saw that there were more than 300 million difference between totem ICE and credit hybrids. So I could imagine that CIO had big difference with credit hybrids given my own experience with the credit hybrids guys. But I thought, from what Julien told me, what Javier did not tell me, and from the report of Jason Hugues that I saw, having heard of nothing, 300 million difference against ICE-Totem, I thought I would have heard of that. I would have been told. And no one told me anything. And then I reconciled with things I read in the senate report. And I said "okay, there was a problem in December (2011) for sure. for sure"....Q: Okay...IKSIL: And then I heard several times, you know, the typical question, "what--what kind of 300 million you're talking about? Is it your slides? Is it divergence? Is it my slides, my first presentation, is it divergence? Is it year to date? What is it exactly?" And suddenly I remembered that Julien had told me the first day that when I arrived he had initial metric of 250 million.

this initial metric of \$250 million was what Mr Grout would announce on January 4th 2012 the first day when I would come back to the office while Jason Hugues at CIO-VCG had applied no adjustment and had used "tolerances" for which he had had no commensurate reserve in place... Mr Grout would NOT tell me what he knew here. He would withhold a lot more in the future. This is why my suspicion on him will not change irrespective of whether Mr Hugues talked to him or not on that \$300 million standing difference with the IB.

This is how the year 2012 started, ie with a mismarking at Jp Morgan that Mr Grout was aware of and concealed from me following in that specific instructions from Mr Artajo....And Mr Artajo himself followed specific orders here... Who told them to act like this towards me? It is now time to move from the deceptive tale that fed the media to what the regulators actually knew all along...Their role will show more clearly: they were among the actual "traders" on this "tranche book of CIO" that would become the "London Whale" book in 2012....They big stakes at play behind the P&L....

The issues that authorities knew and would hide from the front stage

Thus the media would be misled in a well coordinated manner. Thanks to this “London whale” myth, there would be a never ending suspicion that some “prop trading scheme” had been undertaken under the cover of an otherwise respectable hedging mandate. The suspicion would just never be proved, the bank being unable to document it and the authorities being unable to finalize their case on a similar line.... They would try hard however to accredit their tale with “millions of documents” and “market experts”. The bank would ultimately admit its failure as a corporate. “The buck stops at me” repeats the CEO... He moved on as we should all. Really? Heads would roll at the top of some regulators in 2012... The charges against my close colleagues would be dismissed and Mr Macris would “settle” with the FCA against a big fine...Only Mr Macris would “settle” on a personal stand still without ever being compelled by the FCA to answer questions in fact... The bank would fight next the publication of my testimony in 2016 and 2017. Mr Dimon stated at the same time on CNBC- but “unofficially”- that I was not the one to blame. He added misleadingly that I had done what I had been “asked” to do and that “presumably” I had tried to “do something about it”. The authorities while recognizing my truthfulness under confidentiality treatment would whisper “off the record” that they had not had “enough evidence”. This ultimate imbroglio sketched above seemed – on the record- due to my “recent statements and writings”. They must have referred to my website published in June 2017...

Yet it sounded quite convincing in the media: “the parochial trader had done it again in the big bank run by good people that still are a bit greedy themselves. Ah yes, they make mistakes at times like we all do human beings in running our business...don’t we?”... As per the myth in fashion ultimately, a couple of “traders” were still “at the center of all this” covered by their direct managers. No one was fooled even if the evidence was found missing, right? They the “traders” had layered additional risks over the ones that they had been instructed to take from the very top of the firm... Because they were just gamblers betting in what they perceived as a casino... They hoped, with this layering of risks, anyway, to look better than they were, or else just for the money...Who knows what crosses a “trader’s mind” especially if he is a casino “whale”.... Stereotypes... Stereotypes... And more stereotypes....There is more than meets the eye.

Surely this shadowy layering of risks was a means for them the “traders” to expect higher compensation or recognition among the market players. With that cliché in mind everyone agreed on what would follow... Things had turned bad in 2012 all of a sudden. They subsequently had “doubled down” like typical casino “whales”. It did not work as they could see. They may have tried to conceal part of their losses on the way, hoping that time would heal their wounds. They may have tried to pressure market prices with the aim of delaying in time the recognition of their loss. They “may” have indeed tried to conceal part of this loss when they realized it would show anyway...The suspicion is here to stay... They must have made some false reporting at some stage right?... And “who” did that?

Ironically enough the story so far is not so wrong once one understands that the “traders” were Mr Dimon, Mrs Drew and some higher ups among the top regulators. They were long time cognizant of their wrongdoings. They had planned to find “CIO London traders” who would take the fall for them. That was me. They made a genuine mistake here. This is where the story tellers faced an issue with my future testimony. I was blameless. My answers would show who the “traders” were in that

case.... People would see that there was really little improvisation or candor on their side. Clearly Mr Dimon had been instructing all this scandal ahead of time and through the media manipulations. Regulators, far from being unaware, were quite hands on.

Bearing that picture in mind now, one understands why the bank fiercely resisted providing my contemporaneous emails and presentations in August 2012 after I had indicated their existence to the US authorities. One may understand also why no regulators could try really to force the bank to change its mind on the matter. Only the very top of the US Senate finance commission reacted here and efficiently pressured the bank to surrender the documents that I had mentioned. The senators must have found "arguments" that the watchdogs or the FBI could not have had...

As far as I was concerned, IF I had ever been the "trader" or even close to the "trader", this tale above was going counter to the facts and evidence of the time as I have been testifying under oath since 2013. My story has not changed. The real "traders" were Mrs Drew on behalf "of Jamie" inside CIO. That is what I knew at the time. I was not close to them. I was sidelined by them. They used as a screen and more. They were here operating a catharsis for themselves and for their watchdogs about the genuine mismarking that had lasted since 2007 in relation to this "tranche book" of CIO. This is what I would learn starting in July 2012. They then printed a false mismarking that had to conceal a real one. Why were they doing that? Otherwise all this public gesturing, all this entertained "suspicion" was have been useless at best. They had a lot to hide. The footprints indeed were visible for an insider like me after the facts reading the official reports...

The bank had clearly made illegal action when I read my termination letter on July 12th 2012. Here the bank had given me a totally fictitious role. It should never have done that. What had it done illegally? I could not tell exactly then. The real mismarking became obvious in my eyes at least in 2013 when I read the Task Force Report. It became crystal clear to any outside investigator onwards thanks to my testimony. The real mismarking had very little to do with the actual "restatement of July 2012" or with the brand new decoy mismarking that was expected to "document" the fake restatement. The real mismarking was much, much bigger than that \$600 million. It was rather worth of \$50 billion. It had not originated in 2012. It was much, much older. Its visible part dated back to late 2006 when the FAS 157 was being implemented at JP Morgan under the regulators close watch. It had become crystal clear for the watchdogs and the bank executives by November 2007 when the internal auditors of Jp Morgan had checked on CIO and its "strategic hedging tranche book". The controls were all in place. They were bypassed already. It was entirely related to 'fair value adjustments' that were coming after the selection of mid-market marks. It was occurring away from the CIO's area of control.

Already in late 2007, this real mismarking on reserves had involved for years the bank senior management and the watchdogs altogether. It dated back to January 2004 in fact...probably when, already, the watchdogs and gate-keepers had reviewed the question "who sets the price?"...The sudden jump of \$42 billion in intangible capital (over a total capital of \$105 billion) should have been provisioned at once. It was a huge miss on liquidity reserves that had had huge consequences for the rest of the planet given the sheer size of Jp Morgan itself... This \$50 billion "miss" allowed CIO to be over-invested for many years. It made Jp Morgan look good in 2008 misleadingly so. That consequence was damn good from that standpoint.... Jp Morgan was really too big to fail at that time!

This miss has had other many consequences on the markets between 2007 and 2012. It hurt Bear Stearns and Lehman Brothers among others I believe. My suspicion here is linked to my experience of the time and what I would discover in late 2013 through my deposition in the case “Lehman Brothers Vs Jp Morgan”. All this was tied to missing reserves at Jp Morgan, reserves which appeared to be missing in plain light because of the very existence of this “tranche book of CIO”. It remains to establish who was in charge at JP Morgan and among the regulators to set the reserves for the bank. The answer is close to the one that addresses the question “who sets the price for this strategic hedge of CIO?”

How to prove it now from my own testimony since “this was NOT my job”? It was the job of CFO the the job of regulators on paper. But none of them thought appropriate to talk to me on the matter ever before April 2013. So my answers as such may not provide much clue to that miss.... Well one first clue is to be found among the investigating bodies in their genuine obsession with tainting my credibility all these years on the public stage. There, in public, they issued doubts about the fact that they could not any longer “rely on my testimony”. They mentioned also that “one may not say that I was exempt of reproach”... Or they referred to my “recent statements and writing” as if they had learnt something new here.... They entertained the myth that I had signed this cooperation agreement in the US, “in order to avoid charges”...That is the typical scenario that people watch on TV series. That looked so credible...

Except that the officials at the FBI, at the DOJ, at the SEC, at the CFTC, at the FCA, all knew that they were NOT suggesting the truth on the public stage (see for that purpose “2013 the morphing tales final. PDF” on this website). Facing the media, they were not saying it outright. They were quite careful. They would make whispers “off the record”. They would not elaborate with good reason since actually they all were acknowledging my truthfulness under confidential seals. Doing so, they saw that I was totally blameless no matter what their criteria of integrity were. They would systematically silence this fact on the public stage. Their case was an illusion as they knew when they chose their words so thoughtfully. Their subsequent report just tried to carve in stone the illusion that they were participating in. This is what this part will show.

The authorities at their respective top executive headquarters were well aware of that genuine mismarking on reserves as they had me being questioned at their convenience. It was even more blatant when they had reviewed my evidence by mid 2013 already. They knew what the fraud had been even before hearing my answers to their carefully crafted questions. Still they would settle with the bank in late 2013 and they would keep supporting all the gross misrepresentations that the bank would convey through its self-inflicted legend called the “London whale”. Were the authorities just covering up for the sake of preserving the prestigious bank in 2013? The answer is “no”. They were covering their own mistakes here that dated back to 2007 at the latest. It is their choice of questions that uncovered the truth, completing so well their public duplicity. Indeed my answers showed as well the issues that no authority could have ignored between 2007 and early 2012 since it was THEIR job to address them by official public mandate. This is the second clue. The issues that had been known since 2007 and quite closely monitored were:

- a- ‘Who sets the prices?’: the watchdogs since 1992 had tasked themselves with securing this answer; remember here the comments above about the fact that CIO was a “newcomer” in CDS markets*

- b- **“illiquidity”**: the watchdogs since the bond market crash (1994) had tasked themselves with ensuring that the sole VaR measure was completed by measures of the “expected shortfall” in capital terms that would result from markets ill-liquidity. This would lead to Basel II, Basel 2.5 and Basel III standards among other reforms like the creation of ICE
- c- **“split”**: from the Russia-LTCM event (1998) through BISTRO (2000) and ENRON (2002), the watchdogs had tasked themselves with monitoring closely any “run-off”, “defeasance scheme”, “off-shoring”, “externalization” operation. There had to be a third party involved in any “off-shoring” transaction. Since 2010 they were closely supervising the fate of this “tranche book of CIO” in that known context. And the Sarbanes-Oxley laws (2003) had provided them with plentiful of means and motives after ENRON.
- d- **“Reserves”**: since 2005 and especially after the last financial crisis (2008), the watchdogs were given extra jurisdiction to enforce precautionary rules in provision terms. Reserves had to be increased as per several criteria expressed through the Dodd-Frank laws (2009), the new IAS and FAS accounting standards (especially AFS 157 and topic 820). Banking regulation with Basel III and the LCR provision were also hammering the point
- e- **“fight”**: the watchdogs had also equipped themselves after a long fight with the banking industry on CDS to have some more transparency. They had thus introduced ICE (2010), a global clearing agent, which de facto set the “mid market” marks for margin call purposes as a central clearer. They had also reviewed (2010 too) in depth the shortfalls of the “consensus mids” offered by MarkIT or Totem since these “benchmarks” had proved unreliable during the last financial crisis of 2008. They had also enforced the “off the run” rules that would be applied on paper at Jp Morgan in June 2010 but that would visibly NOT be enforced in fact.
- f- **“ICE spying”**: regulators expected to receive reports from ICE and they did. Thus in 2011 and early 2012 they would receive reports from the global central clearer elevating standing initial price differences inside Jp Morgan between CIO and the IB of Jp Morgan. ICE would as a mere application of standard precautionary policies request Jp Morgan to post more “initial collateral” to precisely address a visible uncertainty on prices. ICE was expected to report these issues to watchdogs as part of its mandate. It would be also established by Compliance at Jp Morgan by the end of March 2012 that the IB staff spied on CIO’s trades through the ICE bookings and acted in the markets on the follow. This activity had been reported to CIO and elevated internally as early as January 2012. All the watchdogs would hear me testify on that reading evidence of the time that confirmed it.
- g- **“lag-drift-loss”**: the watchdogs in 2011 were mandated to enforce provisions in case a predictable “drawdown” was expected, whatever its description. That was exactly the case that I had elevated to Mr Macris and Mr Drew face to face in late January 2012. They were concerned and had demoted Mr Artajo on the follow involving HR at JPM. The “drawdown” rule in question was advertized by PWC, ie the very external accountants that validated the public filings of Jp Morgan, since October 2011 (see the website “PWC financial Institute” for that purpose). They were also promoting themselves the policies for transfers of positions to hedge funds or so called “third party managers” at the same time in late 2011....
- h- **“mismarking”**: for the aspects mentioned above the watchdogs had been mandated since 1992 to avoid a mismarking by securing a “mark to market” process that involved all the aspects listed before. That was one of the cornerstones of their supervision all these years since 1992. They had powerful means to enforce new reserves since 2009. And the OCC

actually proposed that in early March 2012 at least (see the US Senate Report on the “ambush” meeting gathering the OCC and the top risk controllers of Jp Morgan)

So with all these reasons to monitor, supervise and enforce, the regulators had all the means and reasons to see what was happening in this “tranche book” of CIO. And they surely did not need to talk to me. The bank would claim publicly that it had never left the regulators unaware of the planned fate of this book. The authorities would never claim otherwise, only complaining about the “full extent of the loss that was coming in this book of CIO”. Why did no authority clearly say that the bank had understated its reserves on this book of CIO? The short technical answer is: through their statutory close monitoring of the “projected performance”, the regulators had had to enforce new reserves on this “tranche book of CIO” since 2007 and they had never done their job appropriately since then, covering up the own mismarking of this “too big to fail bank”. This had lasted too many years crossing the financial crisis itself in 2008....That was a big issue given the predominance that the same authorities would grant Jp Morgan through this crisis.

In the extracts that will follow of my FCA interview (July 2013) and my SEC deposition (Sept 2016), one will see the consistent thread that dismisses all the future claims of the authorities that they had been caught “unaware”. That was a very gross misrepresentation of theirs. One should pay attention in particular to the almost complete absence of surprise displayed by the questioners whoever they are when I hinted at the items listed above. The short summary above was meant to explain “why” they would not even try to pretend being “surprised” in front of me when I diverged visibly from their own public story...knowing as well for years that for all the points listed above “it was NOT my job” and it was THEIRS. .

The aim here will be to show their spontaneous familiarity with all the issues way before the very birth of the “London whale book”...They had not done the job that they were expected to do....This part will review the points listed above, one by one. Each time I will provide extracts that showed the close presence of the regulators all along since 2006...

who sets the prices

The very first regulation Act appeared in the UK in 1697. It was about securing that prices were not manipulated among other matters be that in the market place or in the accounting ledgers. The refinancing of the Kingdom depended upon that already. The anecdote is just here to show how old and predominant this concern about “who sets the prices” was for regulators. Knowing how the prices were chosen to value positions was a long time priority. The FCA had done its job in 2007 in answering this question for itself about CIO at Jp Morgan. The FCA was well aware that the CIO-London estimate P&L was quite a “subjective judgment”, ie in plain fundamental violation of the “mark to market” principle in force since 1992...That was known and understood. That was instructed to be so. And that was quite a sensible move actually. The controls were in place even before the divergence of the “estimate P&L” from “mark to market” standards had started. All was done in “New York” for this “big hedging book of CIO”. The FCA knew as well why it made total sense actually to process the valuation of this “strategic tail hedging book” like this in London-CIO first and then override the whole “estimate P&L” with IB prices. It is worth explaining what all the regulators knew on the matter....

Here, in the coming extract, the FCA acknowledges in full the very existence of a “subjective judgment”....by the way can a “judgment” be other than “subjective”? ... Is subjectivity a good way to

measure performance? In principle it was not a good idea to be subjective ie to place some individual judgment in a price selection. The consensus looked a much better choice anyway. Well the FCA, like all the regulators, knew since 2005 that “consensus mids” were unreliable in times of stress. No one would trade on them in practice. Therefore, although they could be deemed “objective” to some extent, the consensus prices were unreliable in crucial moments for the purpose of actually exiting positions. Thus someone at the firm Jp Morgan in 2006 onwards had to apply necessarily a subjective judgment on the reliability of these “consensus mids”. CIO London staff was transparent: it provided its price and could at any time provide an audit track of its selection including the reference bid, the reference offer, the timestamp and source of the quote. And who would be better positioned for that than a couple of guys handling a “strategic hedge for the firm against extreme scenarios”? One may say : “Nobody else than CIO London guys trading on this hedge”, right?

This was not quite the right solution yet however.... The “CIO London traders” here were not typical “risk takers” by mandate. Thus they may actually have been a bit reckless in their judgmental process. Why would they care after all since these were NOT their position? All had been clearly explained to them: it was not their book in any manner. They were therefore ideally placed to issue a “subjective judgment” on a hedge that was NOT their book anyway. Their compensation would NOT depend on the performance of this huge “hedging tranche book”. They were the ideal persons to communicate their judgment inside the firm in the first place. But that was not so simple after that stage, was it? ...They did not have the big picture.... Their judgment might well be misplaced or simply not sharp enough. And they would not have the big picture ever so that their “subjectivity” remained quite contained to a pure price selection. They were thus blind executioners, providing in fact a blind judgment with regards to the “big plan for the firm” that this strategic hedge was deploying.

There was a good part and a bad part in that conclusion. The price providers were neutral but dumb by essence. The genuine “risk takers” were smart, but maybe too smart in that instance. The usual “risk takers” were biased by their spontaneous inclination to defend their own views. That was notorious and so human after all. Their compensation was at stake right? I speak here of Mrs Drew, Mr Macris, Mr Dimon and a couple of other high level executives. It was very naïve, at best, to hope that they were not human beings first. The “managers” controlling these “risk takers” were not market participants and therefore could be “neutral” but only on paper. The “gate keepers” were actually paid and reviewed by the “risk takers”, ie the genuine “traders”. And they really had no strong arguments to oppose. The ‘risk takers’ above indeed operated for the sake of the firm at the very top, ie they were the very employer of these “controllers” looking forward. No doubt about that right? Thus they the “controllers” and the “risk takers” both crucially lacked any ability to apply “judgment” on the prices themselves. So the “managers” were ALSO the “risk takers” and the “traders” altogether. As to the “controllers” they became somewhat useless at some stage.

Still for this “strategic hedge” the “risk takers” were the ones who had to have a view on the prices so that they had a full understanding of the performance of this crucial protection for the firm. They here depended on the information that the “CIO London traders” would provide in the estimate P&L, in the comments that they would add AND in the possibility to provide the full reference price source. Thus at CIO the issue for this hedge ultimately was the same than for any other book elsewhere: the “traders subjectivity” had to be overridden. But it had to be overridden this time in a more complex way. It could not be done by “consensus data”. I would be tainted by the subjectivity of the top “managers” of the bank ie the genuine “risk takers” here. And the typical “controllers” may be

bypassed whenever the stakes had gone too high for the firm. That had been clearly understood by all the regulators in late 2006 already.

This is how one was left with these quite hypothetical persons who would operate in the markets with a hedging function focused on “rare and extreme scenarios”. These persons in practice was a group gathering “ CIO London Traders”, London Managers, London controllers, New York executives, New York “gate keepers” of all kinds... As Mr Artajo coined it: it was a collective effort across the hierarchy of Jp Morgan.

These persons were hypothetical in fact since this “subjective judgment” involved the actual executioners as much as their managers throughout just all the hierarchical ranks at Jp Morgan. It likely did NOT stop at the walls of the “fortress balance sheet” in fact. It was one subjectivity against another, ignoring “consensus data” for sure. The latter were of no use indeed. The genuine “risk takers” on this strategic hedge were the top managers themselves at the bank helped in that by the “controllers” actually. Thus the “ultimate risk takers”, ie the top managers, were providing their “subjective judgment”. But this judgment of theirs was not done in the first place. They could not be “other risk takers going sideways”, ie just other “traders”. And they could technically neither be “risk takers”, nor be “controllers”, nor be “managers” for themselves in full here.

The hypothetical persons had thus to be a blend of all these roles, all lined up on one view of the markets day to day. Mr Artajo testified that it was a “collective effort”. He was right. This is also what the IB controller Allistair Webster would confirm with Mr Artajo on a recorded phone call on May 8th or 9th 2012, ie before the bank issued the 10-Q report of May 10th 2012 that would restated in July 2012.... The Chief Risk officers like Ashley Bacon of Jp Morgan were involved. The treasurer was involved. The CFO was involved. The controllers were involved. The IB chiefs were involved....Their input prevailed at times...Mostly at critical times by essence of the process described above... At the end of the day the “performance” of the strategic hedge for the firm expressed the “subjective judgment” of the top management of Jp Morgan. This objective was probably what the estimate P&L was understood, ie as the very early stage of the “collective effort” process, to achieve day after day for “senior management” and for all the regulators involved as well. They would all have to “judge” by themselves collectively thereafter: “managers” and “controllers” all the same. That mandated an adjustment on their part, every single day potentially, as they knew.

So the “subjective judgment” that the FCA hinted at was well known for what it had always been, ie quite a piece of judgment layered through “controllers”, “managers”, “traders”, and “regulators”. There was quite a lot of “subjectivity” that had piled up. The FCA thus in July 2013 clearly had sketched for me the sequence: first, try to find a proper “mid” and NEXT override it with a judgment that is NOT quantified as such but that still has a clear strategic purpose.

*....FCA Yes. So let me just be clear then. So we talked about the process of calculating the metric and the process of calculating the P&L estimates, and **before you can exercise your subjective judgment, you have to work out what the mid is.** In respect of that, were you aware that Julien was calculating the mid for the IG9 positions in the same way that he was calculating for everything else? Or is that not something you are aware of? ...IKSIL: Well, I don't know exactly how he calculated the mids, right? He had this group of broker runs, he was selecting best bid, best ask and because the prices were very often unreliable, I mean some dealers were sending, you know, runs, quotes that were generally not reliable so he had to remove some of them. So I don't know exactly how he did that but*

what he had is, say, the mids on the different indices, including the IG9 as he showed them to me, and he had the prices, he had for the estimate from the day before as he showed them to me also in this chat. _FCA Okay, and can I take away from that, then, that in relation to this spreadsheet behind tab xxx, which records the distance between the crude mids and where the position was, that you assume that the crude mids have been calculated in the same way for each of those indices itemized on that spreadsheet? IKSIL: Well, Yes, I would assume, yes. FCA (*talking to an FCA colleague*) Okay, thank you. Does that get where you were going?

Was the FCA asking me the question or asking it for itself here? They at the FCA wanted to go "somewhere" indeed... probably between the "mids" and the ultimate "subjective judgment", hoping that I was involved "enough".... The FCA formulated its questions as if Mr Grout was expected, since he started himself from some "mids" to end up sending "mids" still across the firm from his seat In CIO London... subjectively so, but in a way that I was supposedly aware of "enough"... That was far from the truth in fact... The Task Force Report of Jp Morgan itself (January 2013) had not dared going down that road, anchoring itself in ambiguous sentences mixed with obscure footnotes on the matter. In the Task Force Report it was all about "expectations" inside the firm of what CIO was supposed to provide: it repeated misleadingly what the controller Allistair Webster had himself misleadingly written on May 10th 2012. Both Mr Webster and the Task Force report could have been crystal clear, ie like my answers, and they were NOT.

Another wording, done by Mr Webster, was that CIO had provided supposedly its "business specific mids" and it had been "assumed" in the bank that it was as good as "mark to market mid prices"... On which grounds did the bank make its "assumption"? When? No one would ever know! The evidence and my testimony among many others proved that it was untrue. The NBIA of 2006 disproved this ambiguity. Jason Hugues at CIO VCG had been very clear too. It was known that CIO did not communicate "mids" in the estimate P&L... even though it was close to mids... The bank never proved that CIO had withheld information on its price selection. Therefore this "assumption" of the bank was just an ambiguous excuse invented "in hindsight" for sure. The fact is that the bank ALSO could not prove it ever missed any information. Thus CIO did not withhold information. And the bank did not miss any information. Not a single investigation report could prove otherwise despite the public statements.

And my testimony proved the very opposite actually. The bank had had all the information needed. It had been alerted "all the way up" in fact in due time. Here, 6 months after the Task Force Report, ie in July 2013, the FCA remained ambiguous in its own fashion. Where did it want to go with its "subjective judgment erasing mids"?

Right on the follow in this compelled interview for me to provide truthful answers, the FCA slips in "to keep to our system" and manufactures a false document in plain awareness of that....The FCA has just acknowledged its awareness that the estimate P&L from CIO London was by design "subjective". What kind of "subjectivity" could ever give way to a "system"? A "system" is supposed to be a sort of machinery, even when it is a fraudulent one. The machine maintains predictable links between "causes" and "consequences" by design of its built-in "system". Whatever "system" the FCA had in mind when manufacturing this false transcript, it had recognized that the estimate P&L was driven by "subjective" "business specific" judgments. And therefore this known "subjectivity" required an adjustment by the bank so that to comply with the accounting standards of Mark-To-Market in force at the bank since 1993.... Thus the FCA has just recognized- but only implicitly when creating this

fictional “system” in evidence- that the restatement of July 2012 was another misrepresentation of the bank and all the regulators involved. The FCA for sure had needed to artificially include this “to keep to our system, all right?” sentence in my mouth to support its future official story. As to me I left no ambiguity in my answers: this estimate P&L started from “mids” but did not target “mids” thereafter, this estimate P&L did not target accounting “fair value”, this estimate P&L did not follow standard “mark to market procedures”...Still the estimate P&L targeted a reasonable measure of the performance. Why would I call it a “system”? Why would any regulator see in this “subjective judgment” a “system” in hindsight?

Now, rather than challenge my quite truthful and corroborated account in an upfront manner, the FCA tries actively to paint the tape by inducing me to recognize a terminology that the FCA made up in whole. That sequence of words “to keep to our system, all right?” would obviously establish an intent to deceive on the parts of the “traders” anyway...all right?... whatever the “optics” that one has on the case... with this “to keep to our system, all right?” expression the FCA had a goal...As if the “traders” had had a “system” that they were in charge of maintaining for this book in THEIR interest? The UK regulator thus slid in this expression that may even mean nothing in English. What mattered obviously was the word “system”... right?... It was likely expected to be associated with this known “subjective judgment” in order to just suggest an “intent to deceive” since the association is a contradiction in the terms.

If the link had been made on the record, the FCA could have argued that “traders in CIO London” had systematically biased their marks with their subjectivity on purpose. And, the FCA actually tried its chance with that many times between 2013 and 2015. It knew what it was doing with this fiction. Given the subsequent scandal, everyone would have been ready to believe that this had been a fraud...All right? The “traders” had their “system” here, all right? We will never know for sure whether that was the plan of the FCA when it made this false transcript, sliding this fiction of a “system” in my words. One sure thing is that this “FCA expression” appeared to be fully at odds with the content of the call and at odds with what I actually said. The UK regulator would NOT look for the facts here beyond what I would say. The UK regulator only wanted to superimpose its expression over my account. It tried repeatedly to override the contents of the call with a “system that had to be kept”. That was odd to try that when I described the very opposite in the call itself: the book was dead, all was changing, I knew almost nothing of the next step...

The FCA will be disappointed, once, twice, thrice... And the FCA shall ignore in full my replies later on here especially in the writing of its PIR of 2015 and in the writing of its own public misrepresentations of September-October 2013....

The following part around “to keep to our system” was actually stated as “crucial” by the FCA staff itself ahead of this interview of July 2013. A debate had already been started through my lawyers with the FCA on this matter. The UK regulator had been told already, ahead of the compelled interview, that its expression “to keep to our system” was nonsense at best. Here is what the FCA will say in early July 2013:

*FCA: Yes, that's fine, thank you. And we'll come back to tab xxx in a moment, but let's just go back to tab zzz if that's okay. If you go to page x, line xx. ' “What I am trying to explain to you is that if we prepare for the month end **we are going to execute a very large number of trades, so to keep to our system, all right?”** So why were you going to be executing a large number of trades at March month*

end? IKSIL That's -- that was one of the options that Javier mentioned to me, that CIO might decide to deploy capital to fight against the market move here and to add to some positions. FCA: How would deploying capital fight against the market? IKSIL: Well, it was Javier's wording so he would better give you an explanation, but... FCA But as you're the one who would be doing the trading on behalf of Javier, what was your understanding?

The fact is that the FCA will NOT secure with Mr Artajo what Mr Macris and Mrs Drew meant by that "fight" or that "large number of trades" at all. They were not the ones ordering to keep trading, were they? Had they not been the genuine "traders" who had channeled the trading instructions to me and thus determined 100% of the growth of the book in 2011 and 2012, it would have been so easy for the FCA to prove me wrong. The UK regulator just had to ask them all what I meant by "we are going to execute a large number of trades". They would have denied knowing what I meant by that. And the FCA could have proved my untruthfulness when I stated in July 2013 that personally I did all I could to avoid trading or when I stated that I did not want to trade. I had been forced to by my managers.... But the FCA will not even try that... The evidence was abundant that corroborated my answers. It went against the future stories of the UK regulator. The FCA instead was obsessed with its "system, all right?" The FCA instead slid its invention here "so to keep to our system, all right?" and actually it did not question me in an upfront manner on this. It just tried to make me speak of the rest and progressively have me endorse in my responses the invention itself.

The aim of the UK regulator was not to investigate the facts. The FCA focused on me but did not run any cross-examination while I stated clearly that the trades were the one of Mrs Drew and the trading strategy was the one of Mrs Drew. Actually in one of his interview with Mr Artajo, the FCA only diverted him when he mentioned that direct influence of Mrs Drew. Instead the FCA shall force Mr Artajo to exclusively focus on me again and again... despite that Mr Artajo would manage to confirm that his orders to me had come from the top of CIO, not me obviously.... Thus the FCA will refuse investigating who had sent the orders to Mr Artajo despite Mr Artajo's own hints at that. Still, as the next extract shows the FCA shall have to hear this:

IKSIL: My understanding was that, that was my experience when this subprime position was ramped up (back in 2007 upon repeated orders of Mr Dimon "for regulators" as I was told then by Mrs Drew and Mr Macris), the high yield was ramped up (again in 2007 as per Mr Dimon repeated query as I was told then by Mr Artajo and Mr Macris), which is to say if the market is setting a position at a loss that you can conclude that it's added the economic value of the trade on a forward looking basis. Then there is a disagreement between what the CIO views and what the market views because the market's going to maximize its profit on the short term. **So the fight would be that the CIO would deploy capital and fight the market view that this position should lose money.** And that meant, you know, like "go ahead", big trade, big risk and further capital allocated to it.

The CIO ran the fight, neither me nor Mr Artajo anyway. A bit later on the FCA came back to the "system" it wanted to put in my mouth alone. The FCA shall hear that Mr Grout was selecting the marks of the estimate P&L itself, not me, based on a document of the time. The FCA was manipulating the record with its "system" expression and I stated "it does not add up to me". Then the FCA was losing me in confusing references. I will not be fooled and the FCA "gets it":

FCA: Okay. If you turn over the page, please. So... It's page x of the ...FCA Yes. FCA: Page x. Of tab z. And the specific passage is at line y. Sorry, yy. Let's go from yyy, sorry, "Actually we have to leave everything -- absolutely everything is on IG9 10 years. That means that at the month-end when I need

to see what has to be done I'm going to be blind. **Technically, the only thing to do is to sell the IG9 10 years, which isn't really what we want to do, you see. On the contrary, we have to be able to avoid it as far as possible.** I know we will have to do it but we do not want to do it for the maximum amount. We can't really do it." IKSIL: So I'm not sure where, on your translation... **Yes, I'm very sorry. You know, I listened to it. I know -- I know what I say** -- what I thought, you know, and I -- **there are slight -- it doesn't add up to me. FCA So I need to review our own.** Okay. If you review your translation IKSIL: Yeah, yeah. FCA: ...and then tell me what you think you were saying there. So you're interested from yyy. **Iksil: Yes, but I need to know exactly where -- where do you want me to start?** FCA: So... So if you look at page -- of your translation, if you look at page x, line aaa... IKSIL: - Line aaa.FCA: ...that's where that passage begins and the particular section that J--- has just asked you about begins halfway through line zz. IKSIL: Mm hmm. [pause to read papers] Mm hmm. FCA: So I think the language is similar to the extent that you say, "There is only one thing to do and that is to sell IG9 10 years.". IKSIL: Mm hmm. FCA So why was that the only thing to do? IKSIL I say it at the start of line aaa, you know. Now "it's everything to 270 million..." [Iksil coughing] Sorry. "...out of the 280 distance, it's coming from the IG9." So if there is any opportunity to capture from this distance and what I tell Julien, to simplify things: "Forget about the P&L estimate, forget about the loss," you know. Imagine... just to simpli... -- just for him to understand what's in the background of all of this, this distance spreadsheet and the instruction he has. Imagine between 15th of March and 30th of March. That's why I'm explaining you, right. Nothing happens but the drift. And the drift is a bit everywhere in the book. And there is this distance and we are going to report to Javier and CIO management, "Here's where we see the impact of the price drifts". It's a bit the same problem as the second half of February. You do see this distance. You want to trade but if the gain, that you have is lost in the trading execution, it's not really an opportunity. **So I tell him to try to picture that and when you apply the repartition on the distance, say this much in i-Traxx, this much in IG, this much in High Yield, this much on tranches. You need to have in mind what kind of decision is going to be taken out of that. They can be many, but one I am concerned** with specifically on this — and that's what I want to highlight - is that, if he's saying that the whole distance is coming from IG9 10 year, at the end of the day we are just going to add to the IG9 10 year. And I don't think that's reasonable.

There was no such "system" then: the top managers had been overwhelming everything in this "tranche book" since March 2011. And I did not know what would happen next. I explained that to Mr Grout. This is this ignorance of what would happen next that shaped my advice to Mr Grout as the call shows. That distance spreadsheet was not a "shadow P&L document" against what Mrs Drew alleged. That was instead a tool to secure a complete transparency from CIO London at a time when nothing was working as it used to. What I told Mr Grout then made total sense to any outside observer through the many subsequent investigations. That was what Mr Grout told me he would do since that was the sensible thing to do indeed. Still, unbeknownst to me, Julien Group will select the price and will maintain in his estimate P&L marks, in a way that went against what he told me he would do. As a result Mr Grout would keep this big difference on the IG9 10yr misleadingly so. He likely was obeying his boss instruction here, namely Mr Artajo. He will thus lie to me and deceive me all along starting on March 13th 2012 actually and onwards on this matter. It is only in early 2016 that I will discover that a bit by chance actually. This is however a thing that the FCA saw in early 2013 already, ie way before me, like all the investigation teams did with the documents of the time. They will check the facts with me. And confronting next Mr grout with my answers, they will all hear Mr Grout's subsequent reversals under oath. But this was of no importance for the FCA that Mr Grout

changed his story right after being confronted by the FCA with my answers. The FCA plays with the "you" and "we" instead on and on:

-FCA: And to address the distance by adding to IG9 10 year, is that something you could do at mid—month? So on 15th March would that -- would that be something you could do to address that issue? IKSIL: Well, Javier wanted me to do that but I didn't want to. FCA: And can you explain — was there a specific conversation you have in mind? IKSIL: Early in March I told him I didn't want to add to IG9 and he said, **"Okay, let's wait. Let's wait. We will see. CIO will make a decision out of it. There are many things that are happening.** We have this You know, ' and then later he said, **"There is this Ashley Bacon meeting, there is talks with the IB** but, you know what, maybe CIO will decide hey to increase on some positions". And there was one instance where I said, "Well, you know, IG9 is already big. If there is a drift to capture, maybe we could trade on S9 or High Yield". **He said, "What are you talking about? IG9, I'm -- I only care about IG9"**. I don't remember exactly when but it was clear to me that he was really obsessed with IG9. So, I wanted to be extremely careful about what we would report. And definitely, you see, Julien was not doing the thing — he was not staying close to the market when he was doing that. So that was not good. FCA: Okay. If you could just look to the next paragraph and I'm happy to look at both versions. IKSIL: Mm hmm.FCA; On our translation it starts at line bbb. I'll just go from the beginning of that paragraph. I think that will be easier actually, so line ccc, "There was an ambiguity and told you, 'Let's ignore that. Go on, let's do it. We'll stick with the thing. We'll measure it after. We have to be able to measure it across the whole spectrum. We identified it. We see things, you see, which — which are the main drivers. It's the HY, the IG9 and the S9. Okay, at the end of the month we'll hit to try to correct the thing." And in your translation... It's page d. It starts at line xxx. Mm. So please just take a moment to read that version. [pause to read papers] IKSIL: Mm hmm. FCA So I think the bit that I wanted to ask you about in your version is at line zz on page zz, **"At the end of the month we are going to [not audible] in order to try to correct this thing,** but from the breakdown it would seem to me that everything is on the IG9 10 years and I'm not sure that this true in fact." **So I appreciate you have a "not audible"...** IKSIL: Mm hmm. FCA ...but could you do your best to explain to us what you meant? -IKSIL: I think I'm going.... "We are going to trade in order to try to correct the thing". FCA: And how would you correct the thing by trading? IKSIL: ' Well, we have this uncertainty, right, and we have this ambiguity as to where we think, you know -- the ambiguity in question is that, on the one hand I tell Julien to ignore the drift, and so, to sort of focus on the areas where we should ignore the drift, and, of course, his natural reaction is to put everything on the IG9 because this is the subject, you know, of every day. And the ambiguity is that, of course, the focus was on the IG9 but I also told him to look at the whole spectrum of positions that were in the book. So the ambiguity was that on the one hand, implicitly I told him to focus on IG9, of the disagreement, but on the other hand with the spreadsheet, I asked him to look at all the other positions at the same time. So here I want to clarify with him what he should really consider, with the disagreement, everything. **Then when I say, "At the end of the month we are going to trade in order to try to correct this distance that we have."** So, we are going to trade only on the positions that make sense for CIO and CIO will decide on this.

This is the genuine context of the call. There is this distance that is the result of manipulations that occur in dead markets. If CIO resumed trading, many differences would vanish and this likely would reduce the distance as a result. But I just do not know how the many prices would drift away. This is what Mr Grout agreed to record and to communicate daily with the distance spreadsheet. There was no such "system" that had to be kept...it was a sanity check, a monitoring tool that was a bit imperfect. The FCA heard it: I remembered very well what I meant to convey here to Mr Grout. And I had been assertive that this "to keep to our system all right?" did not add up to the rest of the call.

There was no fundamental issue with the fact that the estimate P&L was diverging from "mids". The differences were caught mechanically and adjusted. What mattered with this distance spreadsheet was that we "the execution guys" we fully documented how we differed from the "mids" that we observed. At some other point in time the FCA had clarified that the estimate P&L was a separate process than "mark to market" anyway (it was a "business specific subjective judgment with no closing time"). In the extract below the FCA wanted to have my opinion of course on whether this lasting difference, this distance, was a "real loss". Was this cross-examination? Maybe it was. If that was a genuine cross-examination then, the purpose of the FCA was solely to judge on my integrity. That was not investigating the mismarking as such that had been placated by the bank in July 2012:

FCA: I just want to think back to something that you said this morning, which was that by 15th March you were satisfied that the distance was actually a real loss. Can you explain to me how that sits with the explanation you've just given, which is that in fact the loss wasn't a real.. IKSIL: Well.. FCA: a real loss? **IKSIL: Okay. You put words in a different context. Right. FCA Yes. So I need you to explain why I'm wrong.** IKSIL: I didn't know how we would end at the end of the month but what — - I knew at the time, that the distance was not shrinking back, that here we had a real loss due to the change of the method and just -- and, as I said at the time too. I said my concern, as far as I was involved, was that there was some consistency maintained between the former method and the new method. And what I reported to Javier was that there was an impact on the year—to-date that amounted to something, I reckon, 300 million. And I reported to Javier and I insisted, you know, "I don't know how to deal with it. **Maybe we should do a one-off so that we keep the same method but we keep the consistency on the year-to- date, or we put the cushion or we put a liquidity reserve, whatever**". That's why I say, you know, it had to be accounted in some way of form. To me it was real, from a technical standpoint, that the method had changed and I could be assertive on the fact that it triggered a 300 million difference on the year—to-date and, to me, **that was the continuity. Nothing to do with accounting fair value or whatever.** It was just a change and I reported on the impact of the change. Right? And to your point now, I didn't know for sure, right, that, that would be still the case towards the end of the month, especially if we traded. **But the fact was that the change triggered this, and that was a liquidity reserve in any case because that was price uncertainty.** But that was just my knowledge of things, my understanding of things.

A bit later, the FCA shall see how the whole process was governed from New-York by the senior management of the bank actually:

FCA If you could turn to page x of our translation first and then we'll find the corresponding page. It's right -- the paragraph right at the bottom. "We have to" — and this is — sorry, this is the last point on this document._ Then I'll have one further question and then we can take a short break and reconvene. So the last paragraph, "We have to refine the thing a bit. We have to develop around the little tool which we use every day, the BPs which I take to mean basis points? the P&L breakdown, so that we can see a bit more precisely in greater detail what we could do, you see." Now if we go to your translation. I think it's at page y, line z, "Indeed we have to work on this in more detail", I think... and we have to develop around the little tool that you update every day, like the basis points, the P&L breakdown, in order to see what we can do in more detail." So could you explain to us. IKSIL: Yes. Let me read what Julien just said because it's a reply from what he said. Mm hmm. [pause to read papers] Mm hmm. FCA: So I suppose my first question is: is the little tool the spreadsheet that we've been looking at in tab x IKSIL: Yes, let FCA: or the bigger spreadsheet? **IKSIL: I'm reading it right now.** [pause to read papers] (*the FCA does NOT let me read actually*) Mm hmm. Yes, I think so. FCA And how does that help you see what you can do? **IKSIL: Provided Julien stays in the bid/offer,**

applies judgment, right? He keeps consistency with the market moves and at the margin, right so he's within the bid/offer spreads. FCA: Sorry, can you repeat that? There was a cough. IKSIL: He's within the bid/offer spreads. And he's — he has some distance to the mids...FCA: Mm hmm. IKSIL ...right, that are a sort of anchor to judge on the opportunity and the judgment that he's applied. And all these price selections are going to feed — to impact the P&L of all the strategies that everyone knows already. They have all been approved and monitored by risk, CIO executives for years. So, you know, all the strategies have a history already. They have instruments, they serve a purpose, a specific purpose; answer specific queries from CIO management. So at the end of the month you will see, throughout the different strategies on avail, where you have the bigger distance and if you translate it in price changes, in basis points FCA: Mm hmm. IKSIL: you compare them to the actual quotes. FCA Mm hmm. IKSIL: You might say, "Okay, maybe it's worth adding to that one", and for another strategy that is losing money and shows no distance, well, that's a losing part. It should be unwound. **FCA Okay. Okay**. Do you want to go through the columns in tab x before we leave this area? FCA: Yes, why don't we do that. We -- if we can just talk through one example on the spreadsheet in tab x and you can explain to me...FCA: Yes. Tab x. Just sort of elaborate on the last comment that you made. That would be helpful. IKSIL: Tab x, yes. So if we take, let's say, this CDX IG9 10 year on 15th March. FCA: Yes. If you could just explain what you're seeing here. IKSIL: Yes. That's the purpose -- I mean, you know, it's an executive summary that's for Javier. FCA Mm hmm. IKSIL: For him to be updated just every day to see that here is the distance, here is the evolution of the distance bucket by bucket and here is the basis point equivalent behind the gain. Right? Because, you know, I think the book has 35 million value for one basis point in i—Traxx and 70 million for one basis point value in IG9. **FCA: Yes**. IKSIL: So you may see a big number and it's not such a big change. And I think that, to some extent, that's what you see, right, on the -- if you read on the 15 you see that the distance is 292. **FCA: Yes**. IKSIL: Yes. The main bulk, right, is 181. So you might say, "Ah, this is the IG". **FCA: Yes. But So, just to clarify** for the purposes of the recording, there's a number of columns on this spreadsheet, the first being date, the second being distance and in this example it's minus 292. And then there's a breakdown by value in different instruments. IKSIL: Yes. So we have i-Traxx, CDX IG and CDX HY and i-Traxx Main. So we're just looking at the CDX IG column and the relevant figure on 15th March is minus 181. **FCA: Mm hmm**. IKSIL: So you see minus 181 out of 292. You might say, "Okay, we have a distance and really most of it is in IG. Great". And say CIO, Javier, whoever, wants to add to IG9 10 year. This distance is just four basis points equivalent. It's a bit more than a bid/offer run. FCA: And so what does the -- but what does the four basis points tell you? IKSIL: It's just the -- I'm not sure about that. FCA Well, what -- how does that help you make the decision? IKSIL: Well, now if you look at i-Traxx, right? FCA: Mm hmm. IKSIL: i-Traxx distance is only 83 million. So you might say, "Okay, it's a small difference but in fact it's four basis points, too". FCA: So what would the decision be? IKSIL: **So if CIO said, "Oh, we have 180 million that we may capture by trading more IG9", I would say, "Ffff... Well, think of it because you have exactly the same sort of magnitude on i-Traxx and you have a smaller position**. So, for choice, if you want to avoid visibility issues, concentration issues, you know, if you want to capture something, it's maybe smaller but it's much safer and, in any case, four basis points is nothing". **FCA: So you would be deciding to trade on the IG9?** IKSIL: **No. I would say....** **FCA: No** [overspeaking] IKSIL: I would say for choice I would not because it's already huge. It's already visible. I would say, you know, for choice, iTraxx is as good and it's only four basis points, assuming that by just trading on the sole IG9 10 year you're going to capture it. But in fact the position is IG9 10 year, IG9 7 year, IG9 5 year. Tranches — equity tranches on 5, 7, 10; super senior tranches on 5, 7, 10; mezzanine tranches to do the forward spread investments. So you have many legs. You are going to pay on every leg. Otherwise you're doing something stupid because you're not maintaining the strategy as was approved in '11. **So here I say, "Four basis points, forget it."** You're just going to

pay trading costs which you don't necessarily see with the big 180 number. You say, "Oh, whoa! That's a big number". Well, actually no because the position is huge and very illiquid. So that's the interest of these basis points here. And further on the right side... **FCA Yes.** IKSIL: you have columns and here, again, **the purpose is to provide some intuition to CIO management in a different form.** You know, pointless to say as I said in February, you know, you have 70 million a basis point. No one reads it apparently. But here you see year-to-date, you know, with the distance minus 516, "Wow, that's a big number", right? But split between IG9 10 year and i-Traxx S9-10 it's just eight basis points. It's really small, which means that you can recover that like [clicking fingers]. It's just for the market to mean revert and that's why I want to show them. This is a big number but if they want to trade that, they should think in price terms really... **FCA Yes.** IKSIL: ...and price moves. **FCA: Okay. IKSIL: All right? FCA Yes.** FCA: So why don't we take a break. If you could give us a precise time for when we need to finish and **then we can just re-order our questions**, but we can discuss once we turn the machine off.

The FCA said "yes" or "Okay" and needed a "break" to "re-order" its questions. As Mr Grout will state one week later: a lay person could understand it. That was clear, easy to grasp. What was not easy to figure however was how the expression "so to keep to our system, all right"? was fitting in the picture... That was no basis for it to fit actually. To be sure about the "cause" of this false transcript where the FCA had placed "to keep to our system" while in mine I had "[inaudible]", it is easy to figure when one can hear the tape of the call actually. I was in the Eurostar train then- at the time of the call-, commuting from London to Paris, and right then a Eurostar speaker started making a loud announcement. Doing so his voice was overriding my words on my blackberry. Thus there was no mystery at all as to why the record was "inaudible". It just was really blurred and the FCA should have stated the facts here. The FCA did not. Instead it slid in sneakily a wording that made no sense in the context but was so conveniently "suggestive".

So the trick had failed. Yes, the UK regulator definitely had to "re-order" its questions. The message from me is clear indeed. The FCA cannot doubt that Ina Drew is focusing on the matter since early February 2012 and everything is transparent, easy to read, expressed in layman's words. The FCA has no question and fully understands what I am discussing with Mr Grout here. How then could the FCA ignore my interview in full through the Bank Final Notice of 2013 and through the PIR still in 2015 still? Well it did that and still does in 2018. They definitely missed hard evidence of their story. It was a bit worse than that actually...

The FCA next moves on to the 23rd March with another falsified document: this is a transcript from a call in English and the error is very, very gross once again. Still, betraying its own background knowledge, the FCA does make the connection with the description that I just made, namely that Ina Drew was on the command from New-York all along week after week overriding my advices and alerts:

FCA: Thank you. So the first document we wanted to look at was in tab xx. This is a transcript of a telephone conversation between Javier Martin- Artajo and Bruno Iksil dated 23rd March 2012 and the Bates number [redacted]. I'm just going to read the passages that I am interested in. So on page -- with the number z at the top, line a and b, **you speak and you say to Javier** "Yeah, I call you back because you left for me Julien told me-- you asked HIM " – asked HIM to make simulations if we added IG9. But we just can't do that, you know. We have too much constraint."

The FCA reads my version here. I emphasize the “HIM” in this transcript with a reason here....In its own version, the FCA had here placed “ME” instead while the record was crystal clear this time- that “swap” from “him” to “me” could only be the result of a manipulation of the FCA since the very content of the call- crystal clear then- dismissed the FCA here. Thus the FCA had made me say “you asked ME” as if Mr Artajo had told me again what I should instruct Mr Grout to do. That was against at odds with the very context of my call to Mr Artajo. Indeed I called Mr Artajo precisely BECAUSE Mr Artajo had told Mr Grout to do one thing to bothered me and upset me. Thus Mr Artajo had NOT “asked me” anything. Worse he had NOT even TOLD me! This new magic trick of the FCA echoed the manipulation around “to keep to our system, all right?” Although fully in contradiction with what was said in the document itself, the swap from “HIM” to “ME” done by the FCA, gave again the “intuition” that I was the one giving the orders. And I had picked this error ahead of the interview itself as a big issue. The FCA goes on using my transcript that was accurate. It had not corrected his as the interview record shows:

FCA: ...And the second part is just over the page. So the conversation continues and then Javier says, “I was just making sure that we understood what the plan is because we don't have many...” -- sorry — “...because we don't have that many days here, right?” So before we go on, could you just put this conversation into context for me? **IKSIL: Yes. First, actually I think on the translation, something is very wrong. Lawyer: It's not a translation actually. It's a transcript. FCA: Okay.** IKSIL: As you know, it was an English [over speaking] Yes, so x-th line when I say, A “Yes, I call you back because Julien told me you asked him to make simulations , FCA: Okay, so it's Julien making the simulations, rather than yourself?

The issue for the FCA is NOT about “who” is doing the simulations but “who makes the orders to whom”... The issue for any outsider should be: “but who was telling Mr Artajo to keep considering growing this IG9 position then?!” The FCA ignores here a key fact: Mr Grout received his orders from Mr Artajo, not from me. Which boss of Mr Artajo, freshly demoted a month before, allowed him to consider such increase at this time? The FCA shall NEVER investigate. It was NOT Mr Macris....It was Not me for sure. That the FCA would not even try to argue on that. More I was NOT Mr Grout's boss. Even Mr Grout shall never pretend otherwise: instead he would always allege that I was a sort of mentor to him. He would also claim that He followed what I told him to do, always...And he would backtrack before the FCA and before the SEC on that point when faced with the evidence of the time. Against his pretence conveyed in his defense, Mr Grout was NOT reporting to me AND he would NOT respect my advice at critical times. I was NOT even his mentor. I would claim truthfully so that I was just more senior than him in some specific areas. I had nothing to do with the valuation or the risk analysis as such. But I was instrumental sometimes in helping the guys who were in charge. My expertise was in the original design of trades and my knowledge of the mandate for this book as to how address the queries of the top executives. In the context of this call, Mr Artajo had completely sidelined me, not even telling me about his instructions to Mr Grout while he knew I would argue against his idea:

IKSIL: And he told me -- he told me, Julien, that Javier asked him straight, without telling me, to make simulations about adding the IG9... FCA Uh-huh. IKSIL: ...the book on a roll basis. And Julien makes a reference into a Bloomberg chat that you may have on that tab, I don't know... FCA: Yes, I think it's in this bundle actually so... **IKSIL; Yes, it's just the consistency that's checkable.** FCA So that sort of cross—refers, and what was the purpose of the simulations, did you understand?

Well this extract above “cross-refers” the fact that the FCA produced flawed evidence. The FCA shall obtain clarity as to when I would learn that Mr Grout had deceived me on his selection of prices. Notably he repeatedly agreed with me that he should remain within the bid-offer quotes. But he would actually do otherwise leaving me unaware of that, most likely as per what Mr Artajo had ordered him to do:

lawyer:” I think it's really important to make clear when you realized.” IKSIL: “Oh, much later, when we reviewed the documents.” FCA “Okay. And are there any other days in March 2012 on which the book was priced outside the bid offer spread?” IKSIL “After the fact, as I said, especially for the 30th of March, there was, I think, price on IG14 that was out. Maybe another one from a conversation I had with Alistair Webster on May 6th. (2012)” FCA: “But just those two occasions? IKSIL: “Yes. I was not checking the prices...” FCA: “Okay.” IKSIL: “...in late March.” FCA: “When did you stop checking the prices? You said you weren't checking the prices in late March. When did you stop checking them?” IKSIL: “As I described, to provide guidance, right? One, when I was trading actively, **I could tell very finely, you know, where I thought the prices should be, from the trades I did.** But in March, I was not trading actively and for the few trades, that I did, that was really to suggest to Julien how he should do it.” FCA: “Was there a point in time where you stopped providing guidance?” IKSIL: “I think I stopped um very soon after the 20th “ FCA: “All right. That’s helpful, thank you.”

Right then, from the 19th to the 20th March 2012, Mr Grout stopped maintaining for good the distance spreadsheet and stopped updating Mr Artajo on the distance. But Mr Grout would tell me that still he did when I asked him then. I had stressed on the fact that I was not even able to help him from now on. Thus his maintaining this toll for himself was critical for his own job. Mr Grout fully concurred with my analysis and committed aloud in front of me to keep maintaining the distance spreadsheet and keep communicating it. But then he was already deceiving me by swearing that he was doing it. He was not... It is only in June 2012 that Mr Grout would confess to me some aspects, not all of them. He still selected the bits he wanted me to know... Thus Mr Grout had deceived me, his “mentor” on what he considered himself as “totally sensible” for his own sake. More he did that in my back, maintaining my ignorance even when I asked him to clarify things for me. The picture still was almost complete for the UK regulator to see how the “market guys” were organizing their “subjective judgment” for the estimate P&L that was NOT a mark to market on purpose.

The FCA heard also how the other people involved in this “subjective judgment” that was a “collective effort” involved “managers” and “controllers” at a later stage. For example Mr Artajo was the one telling Mr Grout what the estimate P&L figure should be, not me. And the New York based risk control teams had their say as well, while I was out of the loop most of the time. I describe a scene on April 10th 2012 where Mr Artajo and Venkat (head of QR New York, reporting to Mr Hogan the firm-wide CRO) had just decided what the estimate P&L figure would be for the day. It was very first “open” day in London and New York AFTER the “London whale” articles had gone to press. That day mattered a lot as it would measure the immediate effect of these seminal articles on the book of CIO. I start explaining in the extract below that on the 9th April 2012, since New York was open, that the CIO should expect at least a loss of \$200-300 million for the 10th April 2012 when London would re-open too :

-IKSIL: “I was working from home in France but, you know, I could access remotely to my computers in London, so I could access to my Bloomberg terminal and look at what the market moves were. And

thanks to the tools I had, but those were, relatively, reliable in projecting, I sent an email to Javier saying, **"Well, you know, from what I see on the sole IG9, you know, I reckon the loss is going to be \$200, \$300 million", so that was sent the 9th (April 2012).** It matters because when I arrived in the office on the 10th, Julien is doing his estimate and he comes up with a first number, so **I ask him. He says it's \$700 million (loss for the day of April 10th 2012 from April 6th 2012- that was the Easter week-end following the publication of the co-authored seminal "London whale" articles).** **So I want to go and tell Javier but I cannot find Javier and Achilles is there.** You know, they were sitting in the open space, they were sitting and Achilles was there, so Achilles says, you know, "How do you feel?" and so on. I said, "That's okay, I survive". I said, "You know how much we take through the weekend?" He says, "No, how much?" I say, "700". He says, "700? you mean that's the year-to-date?" I said, "No, no, no. It's in addition to the year—to—date" and then Achilles blows up and says, **"Hey, Javier, come here" and then Achilles says, "Javier, you made me lose all my credibility in one weekend. I won't forgive you, I won't cover you for that, you know, you'll pay for that".** And what's happened next, so I didn't have any other discussion with Achilles that day." FCA: "Can I just pause you before you get on to what happened next? The \$700 million figure, that is excluding the \$300 million distance." IKSIL: "Still. It's just estimate." FCA "Okay, thanks. It's just always important to make sure what numbers represent what. Thank you. Okay, so please, carry on." IKSIL "So then, you know, I'm devoted to other tasks than monitoring the markets... frankly, I don't want to look at it, I'm totally destroyed by all this morally and so I come back. So I still focus on my duties that Javier is giving me and I come back later. **I come back later to the desk and then Julien tells me that he's going to send "down five" and then I say, "Look, it's not possible". And then, you know, I react strongly and I say, "No, no, it's not going to be that" and I remember Javier is a bit away but he probably sees me standing up and he's coming to us and, over my shoulder, he tells Julien "we are going to send the 400."** Then I ask Julien, "Julien, you told me it was 700 this morning. Is this correct, this 400?" He says, "Yes, yes, it's improved over the day. It's 400". And so Julien is sending — he's going to send the 400 and he looks like, you know, a bit annoyed and I say, "What's wrong?" **He says, "I already sent the \$5 million loss". I said, "Why did you do that?"** because apparently it was not decided yet and then I don't remember exactly the explanation he gave me but he told me that he had two something like -- I'm not sure, right, that he had two Monster Trucks open or he said he clicked on the wrong button to process the P&L estimate. I told him, **"Well, look, you know, if it's 400, and ultimately that's your number, that's okay".**" FCA : "In any of your conversations with Javier that day, was the \$700 million figure discussed?" IKSIL "No. No because what happened is I reported the number straight to Achilles because, you know, I thought it mattered for the occasion to go direct to Achilles and I think they had words, right because Achilles was really shouting and very, very upset with Javier and it won't improve in the coming days. For example, he will tell Javier, "Javier, I don't want to see you next to me. You're going to sit there" you know, and "there" was where we were sitting." FCA: "But he didn't mention the figure of \$700 million." IKSIL: "To me?" FCA: "To Javier." IKSIL: "Well, I think he mentioned it because the first blow happened when soon after I had announced the number, so I think he told Javier about the 700 but I don't -- I remember only his reaction."

FCA: "Okay. Thank you. And the 400 million figure that was eventually circulated, do you know whether that was based on the pricing of the book within the bid-ask spread?" IKSIL: "I don't know for sure." FCA "Do you know with certainty that it was not a figure based on pricing the book to the midpoint?" IKSIL: "I don't know for sure that 400 million loss was to the mids but my suspicion is that Julien was still not on the mids because he mentioned it to me in the days after that he was not at mids." FCA: "Okay. Do you have anything else on the 10th of April?" FCA: **"Were you party to any conversation with CS Venkatakrishnan, I think he's known as Venkat, on the 10th of April?"** (

the FCA is aware of a conversation including Venkat New York QR chief about this estimate P&L. He had a say too! That really was a collective effort inside the firm that involved people who were NOT CIO employees...) IKSIL: "I don't remember but I had some discussions with Venkat. I don't remember very well when." FCA: "Okay. Did you have any discussions with Venkat about...?" IKSIL: "Ah, no. I had an interaction with Venkat at the time when the \$400 million was sent. He talked with Javier about the fact that they would send the \$400 million." FCA: "Okay. Can you just give me the detail of that conversation then, please?" IKSIL: "All I remember, and it's sort of flash, that when Javier told Julien to send the \$400, Venkat was very close, I stood up, he was up and Venkat was up, and Javier was actually talking to Venkat." FCA: "And did you hear what Venkat and Javier were saying to each other or was that not something that you were party to?" IKSIL: "No. I-- they " FCA: "I don't want you to guess, so if you didn't hear or you can't remember, please just tell me." IKSIL: "No, I'm not sure, I cannot — I just, Yes, they were talking and I was about to say it feels to me, from the image I have that they were finishing the discussion they already had before Javier came, you see, but I don't remember exactly what was said but it was very short in any case, right, it went fast. Javier gave the instruction, you know, and Julien, executed and it's like between..."

My memory will recover later on this anecdote here: Mr Artajo told Mr Venkatakrishnan "we are going to send 400 today. Is that ok with you?". And Venkat replied on the line of "that is ok. No hard feeling. Let it flow... Let it flow". Venkat repeated "let it flow".... The FCA had plain clarity on my role, on the estimate P&L role, a thing which the UK regulator always knew actually. And this is why the FCA never deemed "useful" to speak to me between 2010 and July 2012. This is why the FCA would not try again to talk to me after July 2013. On the extract below, one can get a confirmation of that longstanding awareness when I answered a question relating to July 2007 :

IKSIL: "And then Javier and... a request came from the top, **"Explain the loss"**. So I tried to explain, you know, "There was this carry, this – these execution costs" and the conclusion was that all -- the position was working but the trading cost was making the position at a loss." FCA: "Okay." IKSIL: "And to give you an order of magnitude, I think the loss was 50 million something." FCA: "And so what did Javier say to you about marking to mids at that point?" IKSIL: "And then — and then we had this very important clarification, that **he said, "Look, you trade here. That's where the market is. You happen to be the market, you trade here, that's where you mark your positions"**" FCA: "And in terms of your process for marking, how did that change based on Javier's clarification?" LAWYER: "Could I just interject? I think it would be helpful, it -- I think Bruno said it would be important for you make clear the distinction between preparing the estimate and the actual marking of the book. And break that down as to how that was done and who did it." IKSIL: "Yes." LAWYER: "Because I think it might be a little bit unclear otherwise." IKSIL: "I am — I am only talking about the estimate, not marking the book. There was a full process that I have not described where the estimate was used typically by back office, middle office and the systems downstream. And you had a liquidity reserve that was, I think, first set in 08. Exactly when, I don't know. But the fact is that VCG process checks, normally on a monthly basis, not only to check the prices and the estimate but — but aussi [French] to assess the liquidity."

Thus as to "who set the prices?" the answer was already very clear. As far as the "estimate P&L" was concerned, the guy in charge was Mr Grout. Still he was not the one who would decide on the ultimate P&L figure of CIO London, knowing that anyway it was NOT a mark to market first estimate. It conveyed indeed a "subjective judgment" in the very words of the FCA, realized by "hypothetical" persons who turned to be a group of different people in the firm. The estimate P&L did not even target "mids" that were picked independently of "consensus data" at a specific time of the day. That

"time of the day" was NOT defined in advance for example. The estimate P&L prices of CIO London generally had to remain simply "within the bid-offer", full stop. They resulted from a collective effort involving, "traders", "middle office", "risk", "CFO", the IB of Jp Morgan, the senior management of CIO and firm-wide controllers at times. Another document written by the controller Allistair Webster (May 10th 2012) and one more written by Jason Hugues at CIO-VCG will by the way "clarify" further that "collective effort". They can be found among the exhibits attached to the US Senate Report. Some evidence for example showed that should a price be found unduly "outside of the bid-offer", it would be adjusted in the estimate P&L but only to the closest "boundary" of the "bid-offer, NOT the "mid" in any event. It definitely was NOT a "mid". More it would be moved to the "most favorable" bound in performance terms. Thus after VCG, the prices STILL were not any kind of "mids". It was therefore the IB, or "CFO" or "controllers" who anyway defined what the "mids" would be for the "tranche book" of CIO.

The "traders" or CIO-VCG had thus no such "system" anyway to set the prices despite the manipulative efforts of the FCA to paint the tape on this matter. But they had received quite specific instructions as to how to select the prices so subjectively and allow the subsequent reconciliations to be performed properly. The instructions came alternatively from the firm risk control department or the senior management of CIO all sitting in New York at Jp Morgan. As to my personal input, it was quite limited and actually little considered at times. The SEC deposition in New York will hammer the point as the next extracts will show....

First I described how Mr Grout in practice selected prices all day long actually irrespective of whether I was in the office, or NOT in the office, irrespective of whether I was trading or not trading....These prices would be adjusted by Back-office Middle-office daily controls. These prices would also be adjusted by CIO-VCG, by CFO and controllers on key reporting dates and STILL would not be "mids" as far as CIO London was concerned for its performance reports inside Jp Morgan. At the very early stages of this "estimate P&L", I described below how I may have had an input at the request of Mr Grout while he had NOT yet produced his own marks for CIO London, and before he had asked Mr Artajo for approval to send to CIO New York. To be sure, once Mr Artajo would have approved, CIO Back Office and CIO Middle Office would add adjustments that we would see only the morning after as a fact :

"IKSIL: he's done his refinements independently of me *(already Mr Grout had run an estimate with his prices before he would ask me eventually for advice. That was HIS job to proceed like this for Mr Artajo)....Q: It's actually 2 hours isn't it?....IKSIL: Yes It's 2 hours (ie 2PM London time, the moment when Mr Grout reported his first estimate P&L to Mr Artajo usually, not me)...Q: Right...IKSIL: So there's a lapse of time where he's done his refinements. So I agree. There is my input where I expect at first that should be a gain... Q: Right...IKSIL: Then there are the many prices he's going to get, plus my trades that he's going to review, plus my input at that moment, which is a bit later still where I say "actually it's not a gain, take a ballpark number down 1 million". Then he does again his own refinements and he arrives at, you might say it's "wow, it's 100% bigger" than the number I said, right. But actually it's just actually a ballpark number still...Q: Right...."*

I am cross-examined based upon my own vocabulary of the time. Why is the questioner focusing on the vocabulary, not the facts here? All the myth is based on a play of words that allows to build the smoking mirrors and the misrepresentations. Why would my word "shoot" have any material

meaning in a casual talk? Aren't there otherwise convincing hard evidences? I make the point, saying "interesting":

"Q: So its' a meaningless word at that point? What does it mean when you say "shoot"? What's the purpose of saying that?...IKSIL: Interesting. The purpose of me saying "shoot" is to finish the interaction we've had for quite a while, while I was commuting and getting back home crossing information. As you said rightly so, I was assisting Julien in this estimate. I was helping him refine the view that he had on the prices at one stage. I have nothing to add. So I tell him I have nothing to add. That's why I said that, so that he's not on the hook. ...Q: Okay.

I was cross-examined as well as to why Mr Artajo would have the "last say" if Mr Grout was selecting the prices and I was executing the trades. How did it work in practical terms? I answered:

Q: And when you had that discussion with Mr Artajo, did you think it was inappropriate or improper to ignore manipulated, framed dealer information in-- in March 07?...IKSIL: We had a different discussion than in March 6th indeed. Not that I thought it was inappropriate, but technically ignoring a price that you receive when you have no model....Q: When you have no what?...IKSIL: No model to supply for prices. If you ignore the dealer quotes, that becomes an impossible mission. You have to put the price ignoring the only price that you have, it doesn't work. But he said then---I mean not saying "wow it's improper!" -- I just remember saying " how do we do that then?" **He said "Look, the markets are dislocated. You trade and if you come here to the CIO, you guys, it's to use your judgment and that's what they need here at the bank."**

The SEC deposition did NOT investigate so much the question of "who sets the prices" actually as it had been quite clear in New York in June 2013 already when I had first testified before the DOJ, the SEC, the FBI and the CFTC. It had been as clear through the FCA July 2013 compelled interview ultimate transcript. All the parties had had a close look at it! The defense lawyers had had a very similar description anyway from their clients in preparation for the SEC deposition. This "silence" betrayed a real consensus on this matter of "who chose the prices" in fact. The records of the FCA interviews had been shared indeed with the US authorities since 2013 and corroborated this consensus... The reversals of Mr Grout, the answers of Mr Artajo or the answers of Mr Webster had made the picture even clearer on the matter. The defendants' lawyers did not challenge me at all. There was no hope in that direction. The point was more, as one can guess, to find a flaw in my deposition, whatever it could be. There was no point indeed in securing that this new-coming book on CDS in a CIO in 2006 that had never traded CDS before would NOT be allowed to control its "mark to market". That was a given from the start. And the fundamental reason was the notorious lack of depth and lack of transparence in this CDS market that the regulators were already highly concerned about in 2005. People commonly group this concern under the term "illiquidity" or "structural lack of liquidity in CDS positions" or "basis risk". This theme shall be very repeatedly covered by the investigations but superficially only because Mr Grout, Mr Artajo, Mr Macris, Mr Hugues, and myself described it as genuinely central quite consistently...Strangely Mrs Drew and the other executives of New York were rather dismissive on this matter while it was their job to address that matter: "who sets the prices". Answering that question would have uncovered the "collective effort", the "subjectivity" and therefore the need for reserves. They were determined by the same people who actually were setting the ultimate "mids" for this "hedging book of CIO". That simply could not be otherwise since the "hedge efficiency" had to be assessed under the FAS157. That was not my job to address liquidity reserves once the "mids" had been set for this "tranche book of CIO", was it?

Illiquidity

Thus there was NO need to clarify on the record that I was truthful about “who sets the prices?” Yet I was going counter to all the future morphing official stories of the bank and of the authorities, be they UK or US ones. Where was I getting so much credibility when I stated that we were ordered to no target “mids” and that it had ultimately look quite sensible indeed for this strategic hedge against liquidity crisis? Well it came from the notorious il-liquidity of CDS markets. Numerous extracts are going to be displayed here. They are many not because there was a lot to say. They are many because my answers showed many times that il-liquidity drove the valuation process in full and the trading strategy as well. The extracts are many because the “investigations” came across that evidence and systematically moved away. Still they crossed the path of “il-liquidity” often times. There was such a simple and well known reason for that.

The message that I will convey will be hammered by Mr Grout as well: the positions were NOT liquid and the prices were quite uncertain. Mr Artajo would be much less explicit. Actually every management rank above my head and Mr Grout’s head shall try to conceal the fact, surrendering less and less acknowledgement about the very phenomenon that had caused the last financial crisis to date in 2008. Thus the “investigations”, relying on the former misleading answers if “management” to discredit me- that was the aim of having me testify-, felt forced to review with me these untruthful answers of the chiefs. This is how so many references to “il-liquidity” came up in my testimony. Whenever I spelled the word, the authorities did not need more explanation. That was crystal clear.

That lack of liquidity historically was well identified: regulators like the OCC called it the “basis risk”, lawyers called it “documentation risk”, CDS traders knew it as the “skew risk”. How paradoxical and telling all the same! The investigation teams will just “verify” that we said “il-liquid” rather than “liquid”. And they will “move on” rather systematically. There was no need to check the meaning of “no man’s land” (dixit Mr Grout) or “liquidity trap” (my own words). We were not fantasizing for sure. The financial crisis of 2008 was enough of a “proof” that indeed CDS positions required massive liquidity reserves that had been constantly understated. A battery of reforms had appeared through the IASC, through the Basel Committee, through the US Congress since 2009. They all addressed first and foremost the same issue: the il-liquidity inherent to CDS markets.

And thus one wonders why on earth the top management of Jp Morgan on April 16th 2012, along with the FED and the OCC, did “validate” that the “S9 indices are still deemed liquid”...None of them would ask Mr Grout or myself whether we would “agree” on that...Obviously we, the men who were effectively making trades in the IG9 index would disagree like “big time”! They knew the answer we would both give already since March 2011...Either “no man’s land” or “liquidity trap”.

One first example of illiquidity was the account that the FCA asked me to give on how Mr Artajo and myself had discussed in advance on what the “roll date” of March 20th 2012 would bring in terms of exceptional liquidity to a book that was NOT liquid otherwise. That alone meant that out of 90 days, only 2 to 3 days could be expected to be “liquid enough”. The other 87 days out of 90 would be “il-liquid”. Mr Grout coined it as a “no man’s land” indeed quite regularly when he was looking for reliable prices. This situation induced a big uncertainty on what the year to date estimated performance would turn out to be after the “roll day”. I speak in \$million here in the extract below:

FCA: “Thank you. Okay, so if you just turn to the next document, which is tab zzz? And this is a transcript of a telephone call between Bruno Iksil and Javier Martin-Artajo.”IKSIL: “Yes.”FCA:

“Dated 20th March 2012 and the Bates number is [redacted] and again, we've put your translations in the back of that tab. So firstly, do you recall having this telephone conversation with Javier?” IKSIL: “Yes.” FCA: “And in it you tell him that — you inform him that the previous document that we looked at had been circulated and that it showed a loss of US\$40 million. And then on that first page you say, “I thought we should actually, you know, not do like -5, -5 every day but just say, ‘Okay, boom we know there is something happening. It's the roll date’.” Had Javier suggested that you stagger the losses at -5 per day?” IKSIL: “No, it's a reference to the fact that Julien ends up out of the bid offer spreads and I had a discussion with Javier and basically the argument of Javier was to say, “Don't worry if you're out of the bid offer spreads. Comes the roll date, it's okay. You know, you can be out of the bid offer spreads”. I said, “Yes, but if it's general and broad—based, there is an issue”. And he knew **“I know, it's liquidity -- it's liquidity”**. Then, you know, the discussion was whether, if you end up out of the bid offer spreads, you may decide just, you know, to drift down while staying at the boundaries. That could be an argument and I said that on the roll date, to your point, you know, it's going to trade. So we can't say “it's not trading”. We can't allow ourselves, you know, to say, “Oh yeah, -5, -5, -5 and we'll see later.” So I tell him, “Look, it's not reasonable to converge back within the bid offer slowly. It's better to do in one shot because we have a trading desk so we have some information even though we don't trade necessarily. Market is giving us some feedback and we should consider it this way.” FCA: “Okay.” FCA: “xxx, can I just ask?” FCA: “Yes.” FCA: “When did that discussion with Javier Martin-Artajo about it being okay to be outside the bid offer spreads happen?” IKSIL: “That was between the 15th and the 19th (March 2012) because this is when I alerted Javier saying, you know, “We can't afford to be out of the bid offer spreads because we are price—based”. And so he tried, you know, to challenge me on this, you know, **“Are you sure? Because market is illiquid...”** say(*to be clear on what Mr Artajo meant here: he questioned the fact that being out of the bid-offer was so mad after all... As per his reasoning, since the markets were dead, the quotes of the dealers anyway were meaningless in their ability to tell where the market should be. How could they know since they themselves did NOT trade much? So the argument of Mr Artajo was that it was still OK to ignore the bid-offer since it was provided by guys who did not know themselves where the market was. Mr Artajo had a point here. But I had a stronger point anyway...*), “Yeah, but we are technically ‘price—based’ so if you have no model to justify why you stick, it's”, I said, **“It's already difficult to be to, you know, walk in between the bid offer given that you have \$500, \$600 million uncertainty. It's a big choice to make.** I said, “No, I mean, we have to have a rule of thumb” and then he ultimately agreed but at one stage before he agreed, you know, we had this discussion.” FCA: “And again, can you recall whether that was a discussion that you had on the phone or face—to-face?” IKSIL: “I am not sure. I think it was face-to-face.” FCA: “Okay, thank you.”

“I know, I know... it's liquidity”... So said Mr Artajo in front of me... We were reportedly facing daily an uncertainty in the “year to date” of about \$500 million since January 4th 2012. The FCA also asked me to describe how the peculiarity of this estimate P&L produced by CIO-London was actually directly connected to the well known lack of liquidity of the “tranche book” of CIO. That sequence occurred at the very beginning of the interview in July 2013 and all was said:

IKSIL: “We had many discussions in early March that were in the follow up of many discussions we had before. The first discussions dated back from 2007 when Javier joined. **That's when, in my view, to my understanding, he designed the whole process for marking the book.** And that involved, importantly, that **Julien and I were part of one stage of the process.** That was the P&L estimate. And it was made clear by Javier Martin Artajo in 07 that we had rather use prices where we thought we would trade rather than mid prices. Which was not my habit before Javier Martin-Artajo joined, and this was not what Luis Buraya did with me at CIO formerly. **This is**

important in the context. The reason provided by Javier Martin—Artajo at the time was that this book was not a prop trading book. That was a book where the firm, the highest most senior executives in the firm invested some capital with the **purpose of hedging the firm's strategic interests.** **Therefore, it was not enough for us to, you know, pick the mid, pressing F9 button, pick the mids** on wherever we wanted to get them, and process an estimate that would have some noise. **He said, "They want a full guidance as to what we think the value of the positions were".**"FCA: "Sorry, could you just repeat that last part, someone coughed. IKSIL: "He said that we were expected through the estimate to provide what we thought the economic value of the positions were at the time. Which applied some judgment part, on especially Julien or Luis at the time or Benjamin Schiessle a bit later. And of course, in that context, I was providing guidance. And this guidance that I was providing on a daily basis to the person selecting the prices for the estimate was also my role with regards to Javier. And that's -- in that context, that's in early March, I mean, I don't want to make a too long answer to that. **In early March, after many other warnings about the issue, about the liquidity, the uncertainty on prices, I told him that I didn't want to trade anymore IG9.** " FCA: **"Okay. So obviously you've usefully provided a lot of information there,** and I think I would like to just ask you some questions about " IKSIL: "Sure.""

And indeed the FCA shall check and see that our day to day job was to deal with this permanent ill-liquidity since 2007. In the "watermarks" already the reason of being for this "tail strategic hedge" showed that a reserve was mandated about the price uncertainty of CDS indices and associated tranches. How much was it? This hedging book as such was huge. Its very existence was to address a known lack of liquidity on the instruments that this hedging book was using. Thus this "hedge" was simply mitigating the inherent ill-liquidity of selected instruments that could harm the bank knowingly so. How efficient was it? Well, the FAS 157 had induced the bank in late 2006 to ask us-the "cio London guys" to provide data that would allow them "senior management" to estimate how uncertain the "consensus mids" could possibly be. Our subjectivity was welcome as long as it remained reasonable and documented.

That book was huge which in itself indicated how big the issue was for the bank. Had the bank had no worries about its ability to wind down its CDS risks at any time, it would NOT have needed such a huge hedging book at CIO. Therefore that reserve had to be big if one simply considered the sheer size of this book in 2007 and its own mandate for the firm. It weighed alone about 40% of all the VaR of all Jp Morgan! It brought about 25% of diversification benefit on VaR... And the FCA shall recognize my quite limited role in all this despite its little games around the "you":

FCA: "I just had one further question, which related to, what was the position after 2007, so following Javier's instruction, **what would you do** in order to price a position **that you hadn't traded** on a particular day? I understand that he had asked you to use the traded prices. What would you do if you hadn't traded that position on a particular day?" IKSIL: **"Well, first, I would do nothing, because I was not selecting the prices."** FCA: **"No -- no . Sorry, as a team, I think, was implicit in my question, but let's be clear."** *(it was not implicit at all in the question actually. The FCA deliberately engineered the confusion with its wording that could have been much clearer)* IKSIL: **"That -- okay, yes, but it has to be clear, because when you say "you" I never know if it's me or if it's the group of us."**FCA: **"Yes. Annoyingly, we don't have a..."** IKSIL: "Right." FCA: "So how about what was your understanding of what Javier was asking you to do in circumstances where a position had not been traded on a particular day?" IKSIL: "Sorry, can you say it again?" FCA: "What was your understanding of Javier's instructions in circumstances where a particular position had not been traded on a particular day? **What was your understanding of how that should be priced?"** (

ah! The FCA could have saved time quite easily. English is sophisticated enough a language...)

IKSIL: “My understanding was that should be the mid by default.” FCA: **“But in accordance with Javier's instructions?”** IKSIL: “Now, in accordance with Javier's instructions on -- okay, by default it was the mid. That's what we did in our process, right, and when I provided my own view, once Julien or Luis or whoever had selected the prices, the idea was to say, “Okay, do we have a P&L impact on this position mid to mid or not, and if yes, is it due to something happening?” You could have that.” FCA: “And what is the mid to mid?” IKSIL: “Mid to mid, you have a position that doesn't trade day after day. By default, it's going to be a mid. Now comes a day mid to mid, we observe an impact on the — on the P&L, then we have to think whether it's a real impact, it's not a real impact, but generally speaking, we would keep the mids and say, you know, “That's -- that's life, that's what it is.”” FCA: **“Okay. But just to go back to the question, which related to the application of Javier's instructions;** so again, if you just imagine a day when a particular position has not traded, how was Javier expecting you to price that position?” IKSIL:” He would expect us to apply judgment on this position. Now, what I am describing you - because the question is for me and Julien and Luis or whoever - is that on the spot when you have to make a choice, what I'm telling you is we we're using the mids ...as a general basis, you know? Sometimes when you could tell that this was something really unexplained, then we would go in the market and check the price with the dealers. But that's part of our daily, day-to—day work, you see. FCA: “Okay. And when you say “check the price with the dealers" did you ask them for quotes?” IKSIL: “We didn't have to. **Normally they would send quotes.** That's how we would see the prices. ” *(here the FCA sees that CIO is a “client” of the dealers. CIO does NOT make any price. This means that it was the dealers who were in a position to accept or refuse to trade with CIO. Thus CIO could simply NOT pressure prices or make them drift.)* FCA: “Okay, fine. When did Julien Grout start becoming involved in the pricing process?” IKSIL: “I don't remember exactly when he was recruited. Benjamin left in February '09. It took a couple of months for Julien to be hired. In the meantime, Luis Buraya did the estimate, so Julien must have started in the second half of '09, if I remember well. Maybe late '09.” “

The FCA will also hear that my alerts followed just one thread, namely the high execution costs in a very ill-liquid market. Here I talk about the slides that I produced and communicated across the ranks above my head by early February 2012. My alerts surged more than 2 month before the media tale would be created by the bank, a tale in which Jp Morgan would “cathartically” allege to have been “surprised” or “misinformed” or “mistaken”:

FCA: **“The set of slides that you sent to Ina, did you send the set of slides to Ina or did Javier send them?”** IKSIL: “No, Javier sent them and there were some of them that were, those were the technical ones, so that's the thing. About one week later, I come back to the ISMG meeting and I want to discuss about - it's connected to the loss because CIO didn't want to lose any money on high yield default and I explained with just one slide this time that CIO would gain in a universe of 150 names, between \$100 million and \$250 million per default, except for say nine companies. So you had a universe of 150: on 140 names, companies, CIO would make on average 150, 200 and for nine of these companies, as a total if they all defaulted, CIO would lose like \$200 million at best, at worst say. **And I wanted to explain that to cover this risk, we'd have to buy a lot of protection on high yield index and, therefore, sell a lot of protection through the investment spread trades that would cost a good \$200 million, \$300 million and this would increase the VaR and the RWA, so I was focused on the, you know, CIO wanted to spare a loss of \$200 million in something that would make a lot of money in a systemic crisis and would spend in trading costs at least \$200 million. That made no sense to me, so I highlighted that to Achilles Macris in the ISMG meeting early in February.**” lawyer: “And what was his response?” IKSIL: **“He sent Javier over to New York** and

we had a meeting after the ISMG and Achilles was sitting in front of Javier and myself and he said, "What is this childish explanation that you cannot cover the loss on high yield?" I said, "Well, I'm sorry. You know, it's the liquidity cost and the RWA constraint, the VaR is going to increase" and he looked at Javier and said, **"Look, Javier, I told you to take care about this, so now you go, you take the plane, you go to New York, you knock on everyone's door but it's not possible that Bruno is constrained by the RWA and cannot cover this"**. So then I made another presentation that I circulated for February saying that not only this additional 300 could be lost in the year but by the end of the quarter, again, from the drift as the trend was more and more confirmed. Unfortunately, I could not make the presentation because it was planned to be made for the end of February but there was the CIO business review and Achilles was not there. He was somewhere else in the world doing -- presenting his own slide. Still these slides where I announced that loss by the end of the quarter, end of February. **They were the slides used for Ina's SAA meeting that we referred to (march 8th 2012) and the Ashley-Bacon meeting (March 12th 2012- the "London whale" appeared on April 6th 2012 ie 4 weeks after that)**. So that's what I communicated. Then there was another communication with Achilles, so it's later in March, around the time, you know, Achilles also received the comment on the \$40 million loss, right, like Ina. I expected them to react to it. And one of **Achilles' reaction at one stage is he said, "Look, guys, I think we stepped in shit with this IG9. What is it?" and he asked me, "Bruno, why don't you tell me what's really bad?"** And then I tried to explain him that we just happened to have the book of a CDS dealer but with a mirror image, so we are flat, balanced, and the dealers were moving the prices and because of the size of the positions, we are just suffering from that just every single day. That's all I understood from that."

If we rewind a little what has been shown so far... It was verified by the FCA that indeed, as per regulators requirements dating back from 2005, the CDS exposures had to be double-checked. CIO was not allowed to control its "mark to market" but CIO could indeed make its own estimate that would come to challenge the standard "mark to market" process. The former, ie the "estimate P&L", was a "collective effort". The latter, ie the "mark to market" on the same book, was run by the IB by mandate and by design as described in the NBIA of 2006. The NBIA itself was applying here the very spirit of the "Sarbanes-Oxley" rules by the way. The CIO's estimate P&L was NOT to be "another mark to market" figure but a challenging view on market prices, documenting in fact the lack of reliability that was inherent in the CDS "consensus mids". That made total sense for what was by design a "strategic hedge for the firm being deployed on ill-liquid CDS markets BECAUSE of this structural ill-liquidity of CDS markets". That alternative measure of performance was badly needed in the context of the FAS 157 accounting standard. It was all about "hedge efficiency". And its internal measurement day to day was not meant to re-invent the "mark to market" but to determine at best the mandatory reserves associated with a "lack of efficiency" from the hedge itself. That was smart. That was sensible. The purpose of this "estimate P&L" was therefore quite clear and known since 2006. My role in that was also crystal clear as the FCA admitted quite well: it was very limited since obviously I could not get any certainty on the way the reserves were being determined thereafter. And the need for a liquidity reserve to be applied to the firm in relation to this book was also very clear as my alerts reminded all the senior management in the bank. My SEC deposition (September 2016) would just confirm all this further.

I would explain how I kept executing the orders of Ina Drew despite my repeated alerts. IN short the explanation that I had got was that this book would die soon in January 2012 already: Ina Drew was negotiating a stormy internal wind-down with the IB of Jp Morgan and her recent instructions were meant to position CIO adequately POST this mostly internal wind-down. The lack of liquidity was the

cornerstone. Why was it “needed” for Mrs Drew to turn to the IB? Answer: she had nowhere else to turn to. The markets were dead. Why was it stormy? Answer: because the prices were uncertain- the IB was the “experienced practitioner” responsible for the “mark to market” of this book but CIO had quite compelling arguments to challenge the job done by the IB. Why was Mrs Drew fighting like that since anyway she would have to surrender? Answer: she should not have persisted in this fight.

But there was more in the backyard of this collapse of risks between CIO and the IB. She did not want to inherit of the longstanding mismarking on reserves that existed at Jp Morgan since 2007. Since September 2011, the IB had diverged from the prices that CIO saw in the markets and reported inside the bank. Thus CIO had diverged from the “mark to market” that the IB produced on behalf of CIO for this hedging book. CIO was sending a message here to the “partners” of Mrs Drew sitting at the Operating Committee. The message was on the tune of: “gentlemen the CDS prices have never been so uncertain, the il-liquidity has never been so high”.... Mrs Drew had a direct responsibility on this matter. She was the top executive in charge. And she had been told of that difference in September 2011 at the latest. Either her book had been mismarked because the market prices were wrong at CIO, or (if the prices were right- and they were indeed) her book had been mismarked because a liquidity reserve should have been taken to account for price uncertainty for this book. As she knew, it was not “her job” to set these reserves on this book. That was the job of the firm-wide CFO in connection with the treasurer and the CEO to set the reserve figure.

But by mandate, under the SOX rules, CIO had an oversight role here, ie Mrs Drew had the duty to raise the matter towards her boss, namely Mr Dimon. Whether she did or not then, Mrs Drew embarked herself anyway in a peculiar “trading strategy” next in 2012. The idea from her was to “defend the P&L”, ie defend the view that CIO had on the market prices versus the claims of the IB within the context of this stormy wind-down. She thus was NOT in denial of this il-liquidity. Quite the contrary, she ordered “keep trading so that we at CIO show the price uncertainty inside the bank by our standing difference against the IB”. Mrs Drew wanted to claim that she had done the right thing. Thus, irrespective of whether the IB prices were accurate enough, in Q4 2011 the bank had to set these reserves, not her, in relation to this hedging book. And this had NOT been done....

The extracts from my SEC deposition will start with the month end of January 2012, ie one to 2 months before the bank would launch the “london whale” quite diverting myth in the media. What I picture here is the notorious lack of liquidity that Ina Drew was well aware of. Indeed, had the markets been liquid the IB of Jp Morgan could never have been suspected to “move the prices” in its favor against the CIO:

IKSIL:to print some chats. I tell him to give up on the best bid-best ask if need be. I tell him to look at the prices that seem to fit to him with no--not much refinement... Q: Okay. Were you giving him instructions there?... IKSIL: No, I'm telling him how I think he should prepare for month end in line of this loss that is being reported that day. And start printing some chats, some evidence--chats-discussions that would show what is happening at that time...Q Now directing your attention to page zz of this exhibit, timestamp hh:mm:ss, what are you telling Mr Grout there?...IKSIL: So I have discussed with Javier what we've seen in former documents, **the need to consider putting this book to sleep, stop trading at all, take the pain from the dealers**, whatever they are going to do, and wait for things to get better. But no interaction with them... Q: Okay. Now you can put that exhibit aside sir. We've talked about the P&L performance of the book in January. Can you tell us what was the -- what the P&L performance of the book looked like during the first week of February 2012?...IKSIL:

My recollection is it was stable...Q: In February, did you and Mr Martin-Artajo discuss whether you should trade to defend the P&L of the core book?...IKSIL: Yes...Q: Okay What did you discuss?...I told Javier that **I thought we should really let the book die, stop trading, stop interacting. And he explained me that if we did that, then the book would be unwound with the IB and that would be over.** And Javier did not want that to happen. **So he told me that Ina and Achilles wanted to keep this book. they don't --they didn't want to be forced to unwind with the IB. And he reminded me that Ina had ordered to cover the high Yield ...and he said "make sure that this book is long risk".** So I said "ok but let me do that high yield and long risk thing on on-the-run indices. Let's let the guys frame and see on the forward spread trades in particular IG9 and S9. And let's see where they want to go. Let's see what they want to do." And he said "okay, but I want you to keep them in check. You don't let them do whatever they want to do. **Don't give them the impression that they can push the prices. Don't let the IB have the impression that they can push the price where they want.**" And so we had this sort of deal where I would cover all the protection I would buy on the indices using the on-the-run indices on Itraxx and IG. but around the middle of February I came to Javier and I said "well, I'm not done on the High Yield and now we have a long position on the IG in-the-run. To me it's benign but if there was a default in these on-the-run indices, CIO would have a big loss in the range of 200-250 million per default. **he said "remove that".** And I said "okay, but there I have to used the IG9 for IG9 forward spread" and **he said "do that".** And that's how I came to trade little by little the IG9 towards the end of February...Q: Okay. Now you said just recently "he said 'remove that'". Remove what?...IKSIL: The long risk exposure on the on-the-run so that CIO was not exposed to a loss if there was a default on the on-the-run index IG9... Q: Okay. Now did you trade the IG9 in late February?...IKSIL: Yes...Q: When was that?...IKSIL: I think I started extremely slowly around the 21st or the 22nd of February. And I was too shy. **There was no activity.** So I had to be a bit more punchy with the dealers...Q: Let me stop you there. When you say "I was too shy" What do you mean?...IKSIL: I was just waiting for the best bid to show in the market and then I checked with the dealers and I could trade only a very small size like 100,200 million...Q: Let me stop you there. There's --in terms of that size being small, is that relative to the size of--let me--there's been testimony in this matter that, for example, the hedge fund where Mr Grout worked at had a smaller book than CIO. Okay. So when you say a small size, did you view those sizes, 100 to 200 million, as small relative to the size of CIO's core book?...IKSIL: No. That's not what I meant...Q: What did you mean?...IKSIL: **I meant it was small, much smaller than what I used to trade in--like in the former quarter--fourth quarter of 2011.** even though it was not liquid and dislocated, we could trade by clips of 500 million. Here 100 million, 200 million was much smaller. **And it was like ridiculous in comparison to what Javier asked me to trade.** So I can give an order of magnitude. The book had accumulated, I think 20 to 25 billion of long risk exposure on the on-the-run indices. And really what Javier wanted me to trade by the end of February was about 25 billion of IG9 10 year....Q: Okay... "other Q": Let me just--my objection to the last, like half dozen questions. he's been interrupted twice now as you kind of burrow down into a partial answer. And i'm not sure that any of the prior questions were answered fully; you stopped him twice. So I object to those questions and answers being incomplete and interrupted..Q: Now sir, can you continue to explain why you traded the IG9 in late February--**well, is there any other reason why you traded the IG9 in late February that we haven't discussed...**IKSIL: No... Okay, I'm going to ask you

Mr Artajo himself followed the instructions of Mr Macris all along, implementing then the trades wanted by Mrs Drew. They were meant to "defend the p&L" ie refine a lot the prices amid uncertain ranges. The SEC shall hear what the FCA knowingly ignored in its final settlement with Mr Macris in 2016 around the demotion of Mr Artajo:

Q: Okay. I think you mentioned that you thought Mr Macris had lied in his FCA testimony that you read?...IKSIL: Yes...Q: Can you tell me-- can you tell me what you remember that you thought or felt Mr Macris had lied about in his FCA testimony?...IKSIL I've read it 2 years ago now. So I tell you, the main thing where I think he lied. Achilles. It's on the timing of events at the end of January (2012), his awareness of the problems that the book had, and in particular, **I think he did not describe that he had sent Javier in the plane to New York on the 8th of February to get the limit extensions and keep trading. Achilles describes the problems of the book as if they were totally the responsibility of Javier, while actually he sent Javier in the plane.** He had just demoted Javier with the help of Ina in a way that cornered Javier, left him no choice. And by the way Javier never mentioned that to me, pretending that everything was normal. Well, nothing was normal. And in his testimony, Achilles portrays the situation as if it was not his fault, --he had tried his best. But I do remember I was with Javier and Achilles. **And I warned Achilles on the notional increase, the stupidity of this "cover the high yield losses".** That was insane and it was not Javier pushing that. That was Achilles telling Javier "I don't want to see it in the office--see you in the office. You go. You take the plane and you knock on everyone's door. It's not possible that Bruno cannot keep trading because he's limited by Var, RWA whatever". So Achilles portrays himself as the poor top manager that did not know. And I know that he was ordering this increase...**Q: I think I have an exhibit for you that will help on this point.** Let me hand you Mr Iksil what's been previously identified on this case as exhibit zzz, an email from Mr Macris to Mr Artajo on March 1, 2012.

And at another point in this SEC deposition, I would be cross-checked:

IKSIL...**discussion where Achilles used the "F.." word which was not really "defend the P&L". That was like not even fighting as we used to call it. It was much more aggressive than that.** So no, the answer is "no"....Q: So let me go back then to the conversation that you do remember in January (2012). You said that Mr Macris was-- said that he wanted to -- Mr Artajo to go to New York and I think his words were that he said it was not possible but you could be limited in your trading by... IKSIL : That was not in January. That was around the 8th of February...Q: Around the 8th of February... Q: Okay...IKSIL: 7th or 8th. After this ISMG meeting on a Tuesday. Either 7th or 8th, that was a Tuesday, an ISMG meeting. ..Q: Okay...IKSIL: And that was right after that ISMG meeting...Q: So you're recalling there was an ISMG meeting around February 8th?...IKSIL: ISMG meeting, a Tuesday, where I went with one slide to make sure I could send the message to the meeting and Achilles. As opposed to the 20 slides I came first on the 31st (January 2102) because I knew I would not have enough time. I came with that slide showing that it was really stupid to spend 200 million in execution costs, increase the notionals, increase the RWA, to do what? To avoid losing 85 million at the maximum. **That was nonsense. Achilles cut me and--...Q: Cut you off after you said that?...IKSIL: He cut me off. And right after the ISMG meeting he wanted me and Javier to stay in the room.** And he talked to Javier saying "Javier, what is this childish explanation that Bruno has that he cannot keep trading, **execute the instruction of Ina** because he's limited in RWA? It cannot be that. I told you already to take care of it. I can see you don't. So now I don't want to see you any longer in the office. You go. You take the plane to New York". And I described already what happened....Q: Okay

The SEC would also secure that the markets were illiquid and that the quotes were unreliable since the very start of 2012 if not earlier:

Q: as of January 6th 2012, did you believe that every dealer in the market was providing fake prices during the first week of January?... IKSIL: Not on every instrument, but on the instruments I mentioned, **I could hardly find a dealer that was reliable...**Q: Were there any dealer runs that

reflected prices you believed were realistic in the first week of January?...IKSIL: What do you mean by "realistic"?...Q: Okay. Well were there any dealer runs that you believed were not fake in the first-- in the first week of January 2012?...IKSIL: I found few of them, but really few...Q: Did you believe there were any dealers in the first week of January who-- whose broker runs could be relied upon?...IKSIL: Apart from the instruments I had mentioned, there were. For the instruments I mentioned, there were dealers whom I could rely upon because **some of them told me that actually there was no activity, almost no activity that they would try their best to find for us a market** where we had a chance to execute. But usually they came with runs that they stated at first as being just indicative. SO I would not consider they were not reliable because they showed the reality first...Q: And at-- in the first week of January?...other Q": I'm sorry, I just want to make sure you said "I would not consider they were not reliable"... IKSIL: yes...Q: Do you mean to say they were reliable or they were not reliable?...IKSIL: Well, from an execution standpoint, they were not because **they were saying themselves "look it's just indicative. Don't rely on that"**. But in the fact that they were saying that , rather than pretending that we could execute, they were actually reliable.... Q: Thank you. zzz, I apologize. I didn't mean to interrupt...IKSIL: I could trust them.

Yes the SEC audience would hear that Ina Drew and CFO would be aware of a deep lack of liquidity and very high execution costs in December 2011 already. This would shape the trading strategy of Ina Drew on the follow in 2012 which consisted in having me trade, and trade, and trade more :

Q: okay. And can you tell me about when those were and what the circumstances were of those meetings?...IKSIL: So the first circumstance that I have in mind, I'm not sure about the date, that's either the **17th of the 18th January**. I had just told Javier Martin-Artajo that **as per Ina Drew request, she wanted to know how unwinding a quarter of the book in the coming 3 months would cost more than what had been estimated in December. It was not any longer 500 million, but 700**. Javier was to have a conference call with Ina Drew, Achilles Macris, John Wilmot, Evan Kalimtgis to talk management of CIO and I was not expected to attend. But Javier came to pick me up and brought me in the meeting,. And I started saying that, that the cost had increased and that's when I tell--Ina Drew hearing that, she exploded, she was very angry. She said "well, I wish someone here at CIO would have told me it was so expensive". And then I--I replied saying "well, you know, we had discussed the matter already with John Wilmot on the 15th december or so, with Alisson Giovanetti. I told you that unwinding the book just 20 percent in the best conditions cost at least 200 million. So if the conditions are not favorable, it's going to be worse. It was 500 in December and now it's 700". And then she said "well, okay, I think you have a lot to do. I'm not going to stay here. I have more important things to do. I leave this with you to work. I am going away." Actually she had not gone away. She kept listening. She went back in the call later on. That's the conversation I had with Ina Drew. And the other one was a few days later on the 20th (January 2012) because at that time, Kodak had filed for bankruptcy and the first time in the history of this book that had lost money on the high yield default. And that had induced a loss for CIO in this book. And then **Ina Drew instructed me to cover this risk, renew the protection on High yield, and keep the book long risk still**. So I said "It's going to increase the notionals " and **she replied " yes but with regards to the regulators' expectation, we at CIO cannot afford to lose another time on high yield default"**. She said **"it's okay with this --what- 50 70 million loss because we made so much money with American Airlines, that's fine, but it must not happen again"**...

That was quite an order of hers here in a very clear context....This context was driven 100% by illiquidity that forced CIO to wind down with the IB of Jp Morgan. And because the illiquidity was so deeply rooted, that actually CIO and the IB had to have a hedge fund warehouse the positions by the

time they expired. There was not even a cheap way to wind down with other players in the markets. But because Mrs Drew allegedly was in talks with the IB where the lack of liquidity may cost her a fortune she went against my advice repeatedly and ordered me to trade and trade again. She knew that her instructions would cost her \$200 million and more maybe. Surprisingly enough, that was "cheap enough" for her....There was more than meets the eye in her resolve here. She knew that she was on the radar screens of regulators and likely for bad reasons :

IKSIL: And Javier had explained me that although Credit Hybrids and the core book in tranche positions were diversifying the risks of the bank, there were big offsets, **this diversification benefit was not accepted by the regulators.** (I am saying here that key regulators were "aware" and involved") **And that's what had prompted this internal collapse back in late 2011. And so the idea was to actually externalize, ie transfer the tranche positions both of credit hybrids and the core book to a hedge fund that I thought was Blue Mountain.** That's the reference to me that Javier is making here. The hedge fund I thought was "blue Mountain"...Q: Now I'm going to direct you to....

No comment. No cross examination... But there shall be also no suggestion that I had been untruthful here. Yet that description showed the absence of liquidity in the markets, the high familiarity of regulators with this il-liquidity AND with the contemporaneous plans of the bank involving Blue Mountain. This has huge consequences on the responsibility that regulators have in this scandal. Indeed, if Jp Morgan, with its pole position on CDS market share worldwide, could NOT wind down its hedging positions other than letting them expire outside of its balance sheet, that meant BOTH that the position were very il-liquid AND that the requirements in capital were sky high. This "off-shoring/externalization" is actually what happened with the blessing of all the authorities in June 2012.... In June 2012 only they would "approve", although it was already debated in June 2011, ie one year before the scandal...While it could have been done at any time since late 2010 at Jp Morgan in fact since that was known to be "priority No 1 of Jamie"....

This is where the regulators' responsibility in the "London whale" scandal appears with clarity. It is just the tip of the Iceberg. What were they all waiting for other than an IG9 10yr skew at OBps?....They needed a trader to fall, a guy looking like a good old parochial trader fellow, preferably "French" or wearing "black jeans" or looking "weirdo" somehow...The very same week of June 2012, when at last the IG9 10yr was at zero, the markets heard of the fact that Jp Morgan had "managed to get rid of 70% of the London whale positions", like that, all of a sudden. But the market players could not see any trade in the markets that indicated that Jp Morgan had wound down its positions with other market players. The bank had simply operated through hedge funds a transfer of the CIO risks so that they were collapsed with other positions of Jp Morgan. What had "stopped" the bank so far had simply been this pending "approval" of the regulators. They had followed their plan here in waiting until June 2012 to "approve" this "off-shoring"...

The collapse could have happened already in December 2010. It did not happen. I was promoted instead with a chocolate medal. The collapse in risk could have occurred in December 2011. It did not happen although it was in its ultimate stage of completion. The IG9 10yr skew was not at the "good price" but this issue would have been overcome with a temporary reserve. And some events seem to point to that determination of this temporary reserve. The bank would indeed run 2 year end valuation for the book, alter the VCG control by introducing "tolerance" but with no corresponding reserves. It should have been "done" then indeed as Mr Dimon had publicized it in September 2010 already: "by 2011".... But, while the bank seemed possibly "ready" for that, the watchdogs were not

ready yet to send the “go ahead” it seems. They needed a “trader” first to fall for whatever reason of theirs...Otherwise they should have wished to talk to me...

Thus the “split” that had been submitted inside CIO by Javier Martin-Artajo for Mrs Drew and Mr Macris to “approve” in June 2011 would not happen yet. This “split” was projected to facilitate a long term internal wind-down. But something was missing: the name of the “trader that was to fall” was missing. This plan had been advertized by Mr Dimon since September 2010 actually, at least in part. All this induced that the book would be placed in run-off mode anyway, ie die by exhaustion and not by an active wind down in the markets. Why did they all need to behead a “trader guy”? They had missed on reserves and this “externalization” would reveal the miss as soon as it would be completed. A provision for drawdown risk should have been done as soon as October 2010. This is when the CFO of CIO, Jo Bonocore, suddenly left CIO but not Jp Morgan. It was just another coincidence...This is also when all the watchdogs officially “worried” but did not “enforce”....

The next section shows even further the deep involvement of bank executives and regulators in the events that will cause the future quite diverting myth of the “London whale”. As much as the bank fueled the media with misleading information here on purpose, the regulators saw it coming way ahead of times. They would actually “validate” on April 16th 2012 that “yes the S9 indices are still deemed liquid” which was knowingly a huge mischaracterization of the liquidity of CDS markets. And they would never try to talk to me, the new MD” chocolate medal” before July 2012 when they would themselves “approve” this time both the “externalization/ off-shoring/internal collapse” (at last!) and the fake restatement of Jp Morgan that came along with it. The white-stone indicating their active and early involvement is the long planned “split” of the book. It was approved inside CIO by Mrs Drew in June 2011, ie one full year before they would all re-discover the wheel...Was Mr Dimon unaware then of the decision of Mrs Drew? Well she did that precisely to address this “priority No1 of Jamie”.

SPLIT

So if one sums up. The authorities, after July 2013, definitely knew that the estimate P&L of CIO London was NOT a first “fair value estimate” EVEN AFTER the CIO-VCG control done in London. This estimate P&L simply did not comply with basic accounting standards. Therefore, despite their future official statements of August, September and October 2013, they knew that the mismarking was NOT done because of the estimate P&L data. Therefore they endorsed knowingly a misleading restatement, ie the one of July-August 2012, in 2013 and forever. More, as the latest part showed on “il-liquidity”, the authorities could not miss the central role played by the lack of liquidity throughout the whole life of the “London whale book” including the scandal itself. They came across the word many times through my testimony. I was truthful as they knew. And they would hear much more here than rather vague hints at “how” this il-liquidity had shaped the “London whale” scandal. In particular they would hear of keywords like “split”. What was it?

Whatever the regulators may have ignored about my role, whatever they alleged ignoring on il-liquidity, they were told of the “split” themselves as early as September 2010 through the slides of Mr Dimon. The genesis of the “split” itself was no mystery at all. The storyboard for this “tranche book” of CIO, or “Core book” was already crystal clear in 2009. They did not need their “central guy of the SCP” in July 2013 to figure this out... Anyway...This “split” plan was right and center in their area of duties and only neighbor to my job. That was their job to handle, manage, and properly supervise it. They had every reason to focus on this “split” as history told them already back in 2010...The CDS

markets had been illiquid in 2005-2006 despite their exploding volumes of trades. In 2007-2008 this structural lack of liquidity had almost destroyed the whole world economy. In the meantime, uniquely so among the “big banks”, Jp Morgan had been “required” to have a special “CIO”, a special “strategic tail hedge” on CDS, and a quite special favorable series of “calls from regulators” in 2008 relating to Bear Stearns, Lehman Brothers, AIG, WAMU, CITI and few others like FORTIS, SIGMA and LLOYD’s.... In early 2009 brand new “inquisitive” rules and reforms were underway penalizing the banks that would still carry big CDS positions, be they pure “risks”, be they “hedges” like the “tranche book”, be they “basis risks” like the ones that Jp Morgan had in \$trillions already through its “counterparty risks”. That fresh history had induced a deadlock in CDS markets in late 2009: there was no liquidity intrinsically and it had become worse through the train of recent reforms.... Since this book had to disappear since 2008 from the radar screens of the regulators and since there was NO liquidity to wind-down the legacy positions with other market players, only a collapse/off-shoring/externalization was the solution.

For that to happen without disrupting the whole CIO, the senior management of the firm had to morph indeed this strategic hedge into something else. That induced that some parts would be kept and others would be left to die by exhaustion. That was the very purpose of the “split” whatever the form it would take in the future. CIO had a word for it: “collapse”. The FCA had another word for it, “off-shoring”. And the CEO of JPMorgan UK, Mr Pinto, had another word for it that he shared with his partner Mr Macris, “externalization”. As to Mr Dimon he mentioned a “run off” and an “exotic credit wind down”. They all spoke of this future “London whale book”, of these “london whale positions” that were already there in the book for most. We were then in late 2010. They all had in common the implicit acknowledgement that CDS markets were deeply il-liquid. They all had this “tranche book” of CIO in mind explicitly so. As said above, the “split” was actively being finalized in September 2010 at the very top of the bank Jp Morgan...That was “priority No1 for Jamie”. That happened 18 month before the media would be involved so loudly.

This plan was sensible. It included quite a seamless transfer of the “tranche Book of CIO” to the IB as needed preliminary step BEFORE the “wind down/ off-shoring/ externalization/ collapse” would occur through the lens of a third party. It could be done neatly in a matter of one week at any point in time since 2007. Yet, as explained before, CIO wanted to negotiate on the best possible terms with the IB which controlled the mark-to-market of the book and inside Jp Morgan where Mr Dimon controlled the share of profits between the 2 competing units, ie the IB and the CIO. Thus, in that well flagged “internal collapse” context, Ina Drew would approve a “split” that Mr Artajo documented for a very official meeting that happened in June 2011. I was NOT invited to participate in the meeting but Mr Artajo would task me to prepare the slides detailing this “split” and this subsequent “run-off” so much wanted by Mr Dimon since September 2010. This “split” was the key preliminary step indeed before the bank would finalize this long planned internal collapse/off-shoring/externalization.

Regulators were very familiar with this since it was their job to do so. The Sarbanes-Oxley rules mandated the bank to inform regulators and it mandated the watchdogs to closely monitor that since 2003. The Dodd-frank (2009) laws had made their power even stronger and more “intrusive”. Thus they were closely involved with this process since 2009 as I said, NEVER needing to talk to me all these years. One salient clue of this involvement is the change of the 10-Q reporting on VaR where “CIO” popped up next to the IB in the course of the fall of 2009. Then the bank and the regulators alike had somewhat “missed” a golden opportunity to make this “tranche book of CIO” appear officially in the

public reports of Jp Morgan. That was wanted to be so, ie a “missed opportunity”. The book had to remain in the shadow of “CIO” first and the shadow of the “IB-VaR” next. The bank and the watchdogs had a reason for that. Regulators had become worried and wanted it to be discussed behind closed doors.

Another salient clue is the set of slides of Mr Dimon in September 2010 which announced the “run-off”, to be done “by the end of 2011”. No wonder therefore that Mrs Drew by June 2011 had “approved” quite formally the “split” in the course of this “priority No1 for Jamie”, so explicitly related to the “share buybacks of Jamie” that depended so much on the CCAR monitoring program of the Federal Reserve itself!....Rather than finish the job neatly they would all embark into this myth of the “traders layering risks in secret behind the curtains”....Thus this part will exhibit the moments when I testified on this crucial “split” plan. And the reader should pay attention to the way the “investigations” reacted to my hints.

The reader should feel very surprised, or unsettled by what I had just described in the last paragraph. The following extracts will display the complete absence of surprise, comments or further questioning from the authorities when they would question me in connection to the matters described above. They shall cross-examine me but solely for the purpose of securing what I did not know about all this and for the purpose of eventually finding a reason to doubt my truthfulness on the public stage....

Here is an example of that. The FCA asked in the extract below about why Mr Artajo on March 6th 2012 had called me while I was on vacation for me to repeat to Mr Grout- who had already heard the orders from Mr Artajo face to face in London the day before- Mr Artajo’s former orders. That day was critical in many respects for all the investigators: that was the day when the “price difference” would become material on selected instruments. Also that was the day when Mr Bacon took over on the “split”. More that was the day when regulators were to be contacted very soon for final “approval” of theirs about this long anticipated “split”. The FCA scrutinized just one document involving me but none of the documents of Mr Artajo, of Mr Macris or of Mrs Drew... No, the FCA would not do that. And the FCA would just NEVER challenge me on the fact that the orders came from New York...The FCA solely scrutinized the recorded call that I would have with Mr Grout on the follow where Mr Grout said that he was aware already and that he understood. The FCA only cared to find a contradiction in my answers.

IKSIL: “Okay. The key event was on 6th March. I was on holiday, so I had Javier on the phone and he told me to ignore, basically, the drift. What we were -- what I was saying was the main cause for the loss year—to-date on the book.” FCA: “Could you explain what “drift” is?” IKSIL: “Yes, sorry. So the drift was an on—going and slow under-performance of a strategy, **that had been approved and ramped up back in June '11**, that we -- it was called a “forward spread investment”. It was expressed in the IG9 index, the main iTraxx S9 index and the high yield 10 and 11 index. And the -- the book was suffering a regular loss **since the start of the year and I had made several warnings about the fundamental cause, the size of the book, the potential further loss** that should be witnessed, and Javier explained me in this call that, typically, **New York was not satisfied by the explanation that the loss year-to-date was due to what I call this “drift”**, that is basically the fact that the forward spreads were not performing like the market did, in general. ”lawyer: “Is “drift” then the same as “loss”?” IKSIL: “To me, yes; but what Javier explained me is that New York thought that in fact that this was not the cause for the loss. The cause for the loss was because the book started short risk in the year and the market was bullish, that the loss come also from Kodak bankruptcy, from

Rescap bankruptcy, that if they summed it all, they would find the same year- to-date result, and my -- I argued that, "No, no, no, you had another strategy" -- the decompression trade, that was also an instruction from management that was making money and that actually it was balancing those. So if you netted those things, you still ended -- you had zero. You ended up with a loss year-to-date, and the thing that was observed every single day was this drift, this slow under- performance every single day."

FCA: "So what did he say about the boundaries?" IKSIL: "He wanted to provide the boundaries of the trade, how much the trade could lose more, could lose further, and how much it was expected to make." FCA: "And what was he asking you to do?" IKSIL: "He wanted me to work and provide some numbers on this and I gave him some numbers." FCA: **"Did he ask you to produce worst-case scenarios?"** IKSIL: **"That was not the aim of it. The aim was to refer back to these studies that I processed for him in 2011 to show exactly that,** and the idea was to just scale up according to the current size of the trade that was already in the book." FCA: "Okay. So did -- did this part of his instruction affect in any way the prices you were showing in the estimates?" IKSIL: "This query here? Not directly." FCA: "Did it affect it indirectly?" IKSIL: "Well, indirectly yes, because it meant to me that **New York was really considering keeping the trade, unwinding the trade, doing something about it, and they were -- all the time Javier coming back to — he wanted to provide options to the CIO,** so indirectly it was part of the same process, that this book was on the path to be unwound or be increased and that -- that shows a bit later when we produced the spreadsheet with Julien to monitor the distance."

FCA: "Okay, thank you. If you turn to the page ending xxx, so it's a few pages on, and just at the top of that page, **Mr Grout says, "He [and I think we're still talking about Javier] —** he was looking to absolutely put limits on the P&L loss, you see? What is the maximum loss that we can incur?" Do you recall Javier putting a limit on the amount of P&L loss that you could show?" IKSIL: "I only recall, part of the discussion I had with him, where in front of this loss, Javier wanted to explain and quantify that the P&L was range- bound, that this loss was the result of a sort of a random walk of " FCA: "A random?" IKSIL: "A random walk." FCA: "Walk?" IKSIL: **"Walk, walk, right? That it may oscillate and the forward spread investment trade had already been described back in June '11, when it was formally presented by Javier as an investment opportunity for CIO,** as a trade that would be very rewarding over time, but would offer -- present a lot of volatility on the P&L on a day—to-day basis, right? So here he said this trade had worked wonderfully in 2011, and in 2012 it was losing money, so Javier was saying, "Okay, it's losing a lot of money in 2012. It made a lot of money in 2011. **There's a longer-term picture that was the economic value of this trade,** to offer a very interesting, attractive yield carry over time, over two to three years". So he wanted to say that this loss was just a payback from the gains of 2011 and that in any case, this loss was bound, bounded, so he wanted us to express how much CIO could expect to lose on this trade." FCA: "Okay. Could I just ask the people in the room to just be careful about — you're making quite a lot of noise and I don't want his answers to be drowned out and for us to lose the benefit of your explanations. Thank you very much, everyone. Yes, so he wanted to put boundaries, I think that's the on the trade. On the loss. What did he say to you about that though? Did he say, "There's a particular number and beyond that, you shouldn't show a loss"?" IKSIL: "No."

I would clarify that I was on holiday, which means that whatever the FCA asked about the March 6th 2012 day, it was NOT talking to the person "in charge" anyway. I was on holiday 1000km away from CIO... Nevertheless the FCA kept its focus on trying just to ambush me in my own answers, even though I had been off the office mostly:

IKSIL: “After Javier instructions, **so I was on holiday that week** and I came back on the 12th , and on the 12th I -- Julien told me that — okay, back on the 12th , I told Julien — because he mentioned to me it was difficult for him to apply judgment on the prices, on all the prices, every -- all the parts were moving and so I told him, “Okay look, we are going to create this sanity check. It serves many purposes, first for us to check how far we are in P&L terms, but mostly in basis point terms, how this divergence is spread between the main blocks and is spread per strategies”. So it serves many purposes. It serves his own care to **maintain some consistency**, because it's one thing to apply judgment on one day, but if you apply judgment that has consequence on the judgment you have done it the day after it starts being very complicated, so this **spreadsheet was a sort of sanity check for him. The other purpose it served is with regards to what CIO eventually planned to do towards month end and quarter end, i.e. to deploy capital. CIO was considering many options, either deploy more capital on the forward investment spreads. It was considering obviously unwinding the book, witness the meeting of — with Ashley Bacon in the morning on that 12th March**, and it was also interesting fundamentally to monitor the difference over time. Because at the time, in the first days of March, according to what Julien told me, what he observed - typically that's when, you know, I didn't have necessarily an input in the estimate process — he told me, “Oh no, we are good, we are good. There is no drift. It seems to have stopped” and on Thursday 8th, he mentioned to me that things started moving in a weird way. Friday, if I remember, was benign, but this Thursday was a strange thing, you know, that Thursday and that was it. So on that Monday... FCA: “12th March?” IKSIL: “Yes, when Julien sort of did the metric, he found something like 200 million.” FCA: “200 million being?” IKSIL: “You know, from his last — last prices for his estimate and the best bid, best ask he got on that day, and I said, “Well, that's a big number”” FCA: “And that was -- so, sorry, that was the difference between the mid-point between the best bid ask from the Friday to the Monday?” IKSIL: “I'm coming to it, right? So I don't remember exactly the number, but that's how he got the metric. Then he refined it over the day and he still had a difference and he came up with the conclusion that was just, you know, “This 1/8th here, 1/8“ here, 1/8“ here” and so I said, “Okay, so we need to monitor this. We need to track this. Maybe it's just market noise” because we knew that we had a bid offer value on the book that was in the range of 500 million, so there could be these disagreements, that was technically possible. What I told him is, “We need to monitor it over time, because if that's noise, we should observe the total as being a random number”, you know?” FCA: “And can you clarify what you told him to monitor? The difference between what and what?” IKSIL: “So at the end of the day, he still had a disagreement, a differ — a divergence between what he thought the prices were, and what he saw the bids were, and that was 200 million on the 12th. And so I told him, “Look, as such, that's -- we have not seen that yet, but given that you've been ignoring the drift, maybe you missed small, small bits and now it sums up to this much. To make sure, you know, about this number, whether it's pure random noise or really something that is material, we have to monitor it day after day”. I told...”

*Towards the second part of the interview, ie much later than the extracts above, the FCA comes back to the context, ie this “split” that Ina Drew had approved in June 2011 and her subsequent orders of December 2011 and January 2012 that she issued face to face through video-conference calls. The FCA questions me about the “decision” that CIO senior management ie Ina Drew, Achilles Macris in coordination with Ashley Bacon would make **in March 2012** at some imminent point in time:*

FCA: But you were not explicitly told that that was the basis for the decision. IKSIL: I don't know what the basis for the decision was. What I know is the conclusion that CIO wanted me to cover the marginal loss on the defaults, in high yield and remove the bearish bias on the book. FCA

And so therefore, our understanding of why positions were added to the book was firstly, that there was -- firstly, in order to reduce the RWA figure by adding better balancing positions."

The FCA sneaks away from the obvious: I had to execute, full stop. On the way the FCA creates this distortion here: from the absence of connection between P&L and RWA reduction, the FCA now slips that the trading strategy was fully mandated by the compound effect of revenue and RWA reduction cost, omitting of course the internal fight with the IB, the future long planned off-shoring that the FCA knows actually.... I specify another point here that mechanically called for a provision, ie the "model risk" which I pointed at with "model change" that was connected to the "split" itself quite directly since the "split" was determined by the model itself :

IKSIL: That was in the first half of January. For the rest of the quarter that was really, really removing the marginal loss on high yield positions . FCA Okay, so **IKSIL: The target to reduce the RWA was switched from the 20th to "model change."** ' FCA: The 20th of? IKSIL: January. FCA: January. IKSIL: 2012. ...

There was a key shift in" January 2012", not "March 2012"... The FCA does NOT investigate this "model change" switch that shall drive just ALL the trading that the FCA is mandated to investigate. The issue for the FCA here is that this "model change" highlights a clear "model risk" and thus reserves that were to be taken in New York at firm-wide level.... The FCA was involved then. And the issue compounds as the FCA had flagged this "model risk" and therefore this "missing reserves" issue in November 2010 quite officially already. Since then the FCA had been requiring a "continuous and close supervision" of the "correlation book of CIO" that was known to be accounted for in "Mark To Market". The FCA should thus have investigated this leaving me completely aside. Instead, in front of me allegedly "THE trader", the FCA makes another known distortion adding a "second reason" but occulting the chronology in fact that started in January 2012, yes.....

FCA: The second reason, as we would explain it, would be to add positions to ensure the portfolio was protected from defaults in the credit market. IKSIL: High yield. FCA High yield. IKSIL: And just for the nine names. FCA: Sorry, can you explain that? **IKSIL: Okay, I explain it again.** The book since 07 was providing protection against the default in the US high yield market, and in 2012, thanks to the different high yield series that were in the book, the universe of high yield names amounted to say, 150 companies. Part of the protection expired on December 20 and I didn't roll it because of the RWA constraint, you know. **Why maintain-something while you have to reduce it? And I was proposing to unwind the books.** So why renew something I propose to unwind? That was nonsense, so I did not renew it and one of the companies -- so, this protection disappeared and it turned out that among the 150 companies, there were ten on which the portfolio might suffer a loss, much smaller than the gain it would be expected on other companies but there were nine companies, or ten, and Kodak was one of them and it defaulted in January. FCA Yes.

"Yes" this was an obviously set of conflicting orders made by Ina Drew in person. This is it : "yes" as the FCA states here. I was advising the wind down, including a freeze on trading, way ahead of the articles. I would be overridden by Mrs Drew herself, and unsupported by my direct managers or controllers. The scandal had been "ordered" forcefully so.... And the regulators were "aware". "Yes" stated the FCA in July 2013. But the FCA shall make quite different descriptions all along on the public stage in September 2013 onwards...These are the ones that prevail even until today in 2018... Surely the FCA could not have gathered "enough" evidence to blame me...

And in line of this June 2011 approved split, in line with the trading express orders of Ina Drew, in line with this March 6th 2012 order uncovering a "New York suspicion", I would elevate the following again on March 20th 2012, knowing that Ina Drew would read the report and react:

FCA: "If you could turn to the third page of that document, which has a Bates number ending xxx. And in the second paragraph you're speaking and towards the end of that paragraph you say, "Guess what, you know, it's lagging so much that actually we have to show loss and I explained that this is a lag that keeps going that amounts to a potential of \$800 bucks, right?" So " IKSIL: "Where is it, sorry? I don't see where it is." FCA: "It's the last sentence of your first paragraph." IKSIL: "Paragraph?" FCA: " I'm not sure if you're on the right page, actually." IKSIL: "What --zzz?" lawyer: "He's on page next one." FCA: "yyy." IKSIL: "Oh sorry. Sorry. Page x." FCA "So if you could just clarify what the \$800 bucks figure is that you're referring to there" IKSIL: "Okay, let me read." IKSIL: "[pause to read papers] That's the \$800 I put in the comment." FCA: "Okay. And when you refer to -- actually when you have to show loss in that sentence? What figure are you referring to there? " IKSIL: "Yes, that's the \$40 million, I mean \$43 for the total of tactical and core." FCA: "And does anything in this particular paragraph refer to the distance --the difference that Julien was measuring? " IKSIL: "Indirectly. Indirectly, because, of course, the instruction is given to ignore the drift, consider the manipulation or a way for us to hide something. And I say, **"look, they don't believe in the lag but the lag is happening and now it's -it's material, i.e. it's pushed us out of the bid offer spread so we have to ratchet down the P&L and that's what we have to show and once we've shown that, we have an estimated potential loss in the book that is already \$800."**"

This sudden \$43 million loss came from what happened underneath, ie the very same drift. So yes "indirectly" my alert highlighted the distance that had built recently. I created here a significant opportunity to discuss all the facets of the loss. I was hiding nothing far from it. I was elevating the issue instead. The FCA had no question on it other than trying to find a flaw in my answers stated at different moments in time during this compelled interview. There was no flaw. The orders came from New York. Mr Artajo confirmed it. The "split" was almost finalized. The FCA shall not look above Mr Artajo's head actually despite its apparent hunt after Mr Macris. Thus, while it would interview Mr Macris twice, the FCA shall not bind this "key executive" to perform any compelled interview and the FCA shall not ask me about Mr Macris' misrepresentations ever. It was clear however in early July 2013 that my answers disproved the ones of Mr Macris that he had made months before in front of the FCA. Mr Macris was NOT really a "target" for the FCA. Yet all was clear in July 2013 for the FCA: its future public version of September-October 2013 was just a gross misrepresentation of what the UK regulator knew and had closely monitored since 2010....

The FCA did not try to "document with me the historic and spontaneous connection between the recent regulatory reforms and the inevitable "split" that was in the cards. Yet this link did not need my testimony as such. It was really spontaneous. The SEC deposition brought further confirmation on this link that one can summarize as: "RWA/QR/BaselIII/Share price/ Book value/ buybacks- June 2011 split- Ina Drew trade orders- March 6th valuation orders". The following extracts from September 2016 will show that further investigation was not hard to process in fact. In particular the SEC saw the root cause of all this, ie the "priority No1 for Jamie", namely the share buybacks and the related RWA constraint (this extract has been given already but is key):

"Q: Okay. And do you have any understanding as to why the QR department did not or could not produce more up-to-date information on RWA as of March 21st?.....IKSIL: I had an understanding

from what they were discussing because I was not involved in those discussions. The problem was that they were, QR, from my recollection, had stopped updating on a weekly basis CIO on its CRM and IRC components because there was a project of operating a split IRC/CRM split for the book. I'm talking about the core and tactical book. And it was complex and so **QR was very much involved, of course, in this split with CIO and they had a lot of problems. They spent a lot of time as to whether they could try to optimize the split or not optimize the split. There are regulatory implications. They were very nervous about that. And I understood that QR without any updating them in time because of this IRC split that was very complex.** And that's only on the follow that next, okay, since then what has changed because it was a delay, what has changed in the book then it was said "well, the trading on the forward spreads is frozen". We keep cleaning up the -- some positions and we are trading this on-the-run long position precisely to put the book in --in run-off or freeze mode so that we will have enough carry with liquid positions that will be rolled every 6 months. And then the debate moved on, okay. Let's set aside the IRC/CRM split and let's discuss about what we think the increase in RWA overall, split or no split, is going to be due to this long risk trade since we don't really trade the other positions.....Q: Did you think that the trades that you were involved with on the 19th, 20th, 21st, 22nd of March were good trades?...IKSIL: Yes...Q: And what was it that you thought--why did you think they were good trades?...IKSIL: I thought they were good trades because for once they were liquid and for--...Q: They were liquid?...IKSIL: Liquid this time. Like the rest was very, very not liquid and that one for once was liquid, which was good, which meant that it gave a lot of visibility for CIO because that would first allow the book to be on positive carry and absorb the losses over time. **And if in any case CIO wanted to collapse, I don't know, whatever percentage of the book with the IB as any moment in time, it was very easy to....**Q: But what else do you remember telling her about the losses in response to her questions at the end of her 2 hour meeting to you?...IKSIL: I am sorry. I disagree with what you say right now. I remember that this meeting lasted at least 2 hours. But Ina Drew did not ask any question. The way I was offered to speak was that once they had agreed that they had finished the RWA matter, Achilles Macris said, "And I believe Bruno has important things to tell us about what's happening in the book in relation to the IB". And that's how I spoke. And I think in the meantime, Ina Drew just asked me, " Please, Bruno, tell us what you have to say". That's all....Q: Okay. So prior to the meeting with Mrs Drew, you had already spoken to Mr Macris about your concerns about the IB and its relationship to the losses that were being seen...IKSIL: I had spoken to Mr Macris in the first meeting more about the losses of the day before... that he should expect to see more often because CIO had a portfolio that was a mirror image of the one of the dealers, not the IB in particular....”

What no authority would ask me on the record was “who” Mr Artajo met in New York in February 9th 2012 after Mr Macris had urgently ordered him to take the plane to new York and “knock on everyone’s door” to get limit extensions.... Then Mrs Drew had issued HER trading instructions already. She had demoted Mr Artajo AND forced him to stay with CIO still at the request of Mr Macris. HR at Jp Morgan was involved in this already. Mr Zubrow at the head of Compliance of the bank was finalizing a 68 page long letter commenting on the Volcker Rule that was the cause of the death of this future “London whale book”. The book was thus officially D-E-A-D. Mrs Drew ordered it to grow using ill-liquid products that were to be found in D-E-A-D markets mostly. CIO was about already to breach all its limits because of that.... Mr Macris still sent Mr Artajo to new York to get unlimited and temporary limit extension for CIO as a whole. And Mr Artajo met with Mr Hogan John then firm-wide CRO. This is Mr Hogan who told Mr Artajo that an IRC/CRM split could bring RWA extensions as this would make the “fit” with the IB positions become optimal at the firm-wide level.

That IRC/CRM knowingly froze the trading on the book forever because there could be no future rebalancing of risks between the IRC part and the CRM part. Everyone knew it, including me.

Mr Hogan was NOT learning the ropes at all here, against the flawed account of the US Senate report and the bank. Mr Hogan was finalizing he “priority No1 of Jamie” that he had completed for the IB part in the course of 2011. Mr Hogan was driving the last evolution of the “tranche book” directing Mr Artajo in mid February 2012 ALREADY. The book was morphing under his direct watch and instructions. The day after Mr Hogan had made his instruction to Mr Artajo, Mr Grout would tell me that he had learned from Mr Artajo that Mrs Drew had opened the “collapse” talks with the IB. All that occurred on the 9th February 2012, ie 2 months before the bank Jp Morgan would entertain this “London whale” myth in the media and in the markets.

One may endlessly argue that the “specific interest” of the Jp Morgan to create the “London whale” myth is rather obscure anyway. Granted, it was a “bad eye” on JP Morgan’s face. But the sure thing is that the bank, by creating this “London whale” muppet, avoided totally making the clarity on the events that I mention right here. The future of the ‘tranche book’ was thus fully in the hands of Mrs Drew and Mr Hogan then from 9th February 2012. They were grossing the limits of CIO in an unlimited way and temporarily. How does it sound for a “double down” gamble here? They were aware playing with fire as some evidence shows it through the weird demotion of Mr Artajo. As to the broad based nervousness, one can read a call extract between Mr Hagan Patrick (CIO) and Mr Anil Bangia from (QR) and another call between Mr Hagan again and Mr Peter Weiland (CIO). Both transcripts are available in the US Senate report exhibits.

This IRC/CRM split of February 2012 was in the very same line of thinking than the one that Mrs Drew had approved in June 2011. Rather than be driven by CIO, it had become driven by firm-wide considerations involving directly the RWA profile of the IB. The criteria had changed a bit although both splits still directly related to RWA and Mr Dimon’s share buybacks. And the Federal Reserve monitored it “live” as this impacted its CCAR supervision program....Right then the FED was running its yearly “stress tests”. All these uncertainties should have led either regulators like OCC, Fed, FCA or CFO to require provisions... They did actually if the US Senate Report on the “ambush OCC meeting” of March 2nd 2012 is any guide.... All these uncertainties should have prompted the bank senior management to actually set new provisions anyway ahead of this “split/externalization/off-shoring” that recalled the shady transactions of ENRON...

That known il-liquidity mandated “reserves”, a acknowledgement that “the S9 indices were no longer liquid” and some action. That specific consideration was in the pipeline at Jp Morgan since Mr Cavanagh had set the “off the run rule” in June 2010 actually... And there would be some action. The March 6th orders came from New York and could very well have been meant to address a proper determination of reserves. That would have been a direct consequence of the “ambush OCC meeting” in fact. The US Senate report mentioned indeed a stormy meeting in “early March 2012” with the OCC. The examiner required new reserves and felt he was “ambushed” then by the chief risk executives of Jp Morgan. Although the US Senate report did not want to say that the new reserves were directly related to the future “London whale” book, it had to say that it was Peter Weiland from CIO who calmed everyone down all of a sudden. What could he speak of other than his own area of expertise? And his duty was mostly to speak of the “Mark to market risk of CIO”. The future “London

whale” book constituted 90% of the total “mark to market risks of CIO”. Thus Mr Weiland, whatever he stated, was talking to his peers and to the OCC about this future “London whale” book.

So it is most likely that they all were very nervous about this future “London whale” book already in February 2012... They played with fire on this book that was D-E-A-D already. And they at risk control in New York further amended this “estimate P&L” of CIO London around March 5th 2012... If true the mismarking is fully traceable through the genesis of the “split”. But this event will remain in the shadow of the quite entertaining and diverting myth of the “London whale”. As the next extracts will show, the investigation teams will systematically avoid the matter. Rather they questioned me in a roundabout way....They only wanted to know what I knewas the coming extracts will picture...

Reserves

So far it has been shown how familiar the regulators had actually been since 2006 with the very peculiar valuation process that had to be applied for this “tail hedging strategic CDS book” of Jp Morgan sitting, not at the IB, but at CIO the “newcomer” on CDS. It has been shown on the follow that all this was done with a longstanding awareness that CDS indices were NOT liquid beyond the surface. The most recent part displayed the close familiarity and involvement of the regulators themselves, by mandate, into the plan designed by Mr Dimon in late 2010 that induced a “split” and a projected “run off” approved no later than June 2011 by Mrs Drew in person at CIO. All this list of events – all closely related to this “tranche book” of CIO- induced reserves: the process at CIO London was knowingly a “subjective and collective judgment having no closing time” (reserves). Even if prices had been “deemed liquid” in all fairness, reserves were mandated for another reason: the book was to be “dismantled” in a way that proved that unwinding in the markets would cost a fortune (more reserves).

Reserves had thus been required as soon as Mr Dimon had posted his own slides to EDGAR-SEC in October 2010. That sounds so logical and well lined up with the last financial crisis of 2008, the Dodd-Frank laws (2009), the Volcker rule (2009), the Base 2.5 standards (2009), the Basel III standards (2010), the LCR (2010)...what a perfect match with the current self-proclaimed “objectives” of the financial authorities... one wonders how they could all have failed like “one man”... One may wonder indeed whether it had turned out to be so obvious in regulators’ eyes that reserves had been required for this book and had been therefore missing since 2010 at least. Here is a “reaction” of the FCA investigation team when faced with my account and my elevations. The FCA staff openly wondered what I had been waiting for myself in front of so much “tangible evidence” (sic) that the book was illiquid as a whole. Truly my account and alerts made the increase of reserves so “tangible”, so obvious to any observer like any JPM manager or any of the 100 OCC-Fed staff that checked-in every single day in the very head-quarters of JPMORGAN New York... that one wonders indeed, about the FCA staff itself who ran this “close and continuous supervision” targeting this book in particular...

Yes, what kind of additional law did they need to enforce the older ones? Truly, what had they been waiting for since 2007?...The FCA below pretends to have forgotten that this was NOT my job to set reserves, but the one of regulators’ actually:

FCA “I understand that. I suppose really where I’m coming from is that from the middle of March, and we’re now on the 8th of April, you’ve been under the impression, from what Javier has told

you, that a large amount of loss is going to be recognized in one form or another and the way that he says he's intending to recognize it to you is through a liquidity reserve. I suppose what I find difficult to understand is why you wouldn't want your manager's manager to be aware that there was this large outstanding amount that hadn't been accounted for anywhere yet."

The FCA "supposes". The FCA wonders indeed... Well, well, well...As the FCA knows, my "manager's manager" was Mr Macris. The UK regulator usually met with my "manager's manager" more often than I did! By the "middle of March", Mr Macris had learnt that this book was in a "liquidity trap" (my words- January 30th 2012), that it could lose "hundreds of \$ million" (01-2012) , that the "trading orders of Mrs Drew were conflicting" (02-2012), that there was an ongoing market manipulation (02-2012), that the IB of Jp Morgan was involved (02-2012), that there was no solution (01-2012), that the book should die (01-2012), that it was a "mirror image" of the dealers books (02-2012), that there was no liquidity (01-2012), that he could fire me if he wanted but I would not trade any longer in these D-E-A-D markets for this D-E-A-D book (02-2012)...What was the part that Mr Macris had Not communicated to the FCA? None it seems. For the record, Mr Macris would formally meet with the FCA in the context of the "close and continuous supervision" in late January 2012, in late February 2012 and in late March 2012 and again on April 10th 2012.... At least... If the final notice of Mr Macris vs the FCA is any guide, Mr Macris only recognized that he had not informed the FCA on the "full extent" of the loss in March 2012 only. Thus the FCA knew the most important of my alerts through Mr MACris BEFORE the end of March 2012 ANYWAY.

More there is some hard evidence among the exhibits attached to the US Senate report that shows that Mr Macris was NOT optimistic at all on the loss itself in early March 2012. That was an email that risk controllers of CIO had all received. In consequence of that, Mr Macris was "worried" about "their" ability to "defend the positions"... without specifying any figure here while I projected up to \$800 million for March 2012 alone then.... Mr Macris looked already for a getaway. He had demoted Mr Artajo with Mr Drew and HR (by 2nd February 2012). That was not a constructive dismissal. Mr Artajo had to stay and one wonders why... HR had helped them the senior managers in that, ie the chief traders at CIO. They were "unhappy" with Mr Artajo. But they wanted him to stay, no doubt glued with this book. That was not a "revenue" or "performance" question, was it? Mr Macris had - soon after another alert of mine to him- sent the demoted Mr Artajo in the plane to New York learning that increasing the book size by about 10% would cost anyway \$200-\$300 million (8th February 2012). Mr Macris would learn that Mrs Drew had quite reluctantly opened "talks" for a collapse to be finalized with the IB INSIDE Jp Morgan, for want of choice.

Let's be clear here: Mrs Drew admitted that she had no other choice since the positions were almost fully il-liquid in the markets as they were. She was the one being "hands on" on this book. Mr Artajo was just another marionette who had just been pinned down on the wall for some future usage. That usage was NOT about deciding about the trades, the risks, the projected losses or the valuation. To say the least, Mr Macris had taken over Mr Artajo long before March 2012. He had negotiated with Mrs Drew in early January 2012 about this trading strategy that "maximized P&L", ignored RWA for a time, postponed the inevitable reserve... Mr Macris had also pushed to the "split" to speed up towards Mrs Drew first. As a result, Mr Hogan (CRO of Jp Morgan) was directly involved too through HIS "IRC/CRM" split that induced mechanically a "run off" for the book (12th February 2012). Soon after Mr Macris had learnt from me and Mr Artajo that I refused to trade BECAUSE there was just NO

market, ie NO liquidity (March 1st 2012). Mr Macris would openly write that he was concerned that CIO could NOT “defend our position” (I was NOT among the recipients- Mr Artajo was).

Next Mr Macris called Mr Ashley Bacon to the rescue (March 2nd 2012)... probably as a result of HIS concern.... Clearly the demotion of Mr Artajo one month before was NOT enough....Mr Macris with Mrs Drew prepared a key meeting with M Bacon, then market risk chief officer for Jp Morgan as a whole. Mr Bacon was the deputy of Mr Hogan the CRO of Jp Morgan. They would communicate the “march 6th 2012 orders” by March 5th 2012 in the morning to the “marionette” Mr Artajo for straight implementation. The key “split” meeting would occur on March 12th 2012, ie still BEFORE “middle of March”. All was focused on RWA “for Jamie”, on losses, on il-liquidity. Mr Macris and Mr Artajo made the speech. I was allowed to speak shortly towards the end of the meeting stating that the “P&L is a nightmare”. Mr Macris actually stopped me then. He did not need to hear more of it did he? Mr Artajo remained silent. Mr Bacon did not need to hear more of it as well. None of them would revert back to me after this abrupt ending on the “P&L nightmare” matter. That really was crystal clear...

And on 14th March 2012, Mr Bacon in person would tell me that he was to prepare this “off-shoring” stating that there were “obvious synergies with the IB”. For all of them the participants of the March 12th 2012 meeting, unwinding in the markets was a precluded option. That included Mr Bacon, deputy Chief Risk Officer of the whole Jp Morgan bank, reporting to Mr Hogan. Mr Artajo told me that “they are going to send the book to Blue Mountain”. Mr Bacon specified it had been done for the IB already....“But for CIO (sic) we need the regulators’ approval”.... **Thus, as the FCA itself was aware in July 2013, I had had every tangible evidence that not only all my hierarchy was aware of the il-liquidity, aware of the split, aware of the “run off”, aware of the growing losses, BUT ALSO that the bank was now waiting for the regulators to approve this transfer!**

A reserve was mandated for that project to be finalized and approved. And in February 2016, the FCA would never blame my “manager's manager” for having concealed that part to the UK regulator...Of course since Ashley Bacon had asked quickly for their approval...They were aware, the regulators. They were even queried to “urgently approve” this “off-shoring” as the FCA knew it then. They delayed their long awaited approval by a couple of weeks. Through that time the “London whale” scandal would be deployed through the media in a quite entertaining misleading fashion. But thanks to their convenient “confidential impunity” they will never be made accountable as to why that “approval of theirs” came only in June 2012... This delay here that alone the regulators imposed is predating the first “London whale” articles by 3 weeks. Why did it take them, the regulators, more than one day to say “go ahead” for what they had been waiting for in angst since 2010?

It was thus really hard to go further than “suppose” or “assume” for the FCA on its own pretence of “unawareness” as displayed above in the last extract. As the FCA saw in its own evidence of December 2011, January 2012, and February 2012, Mr Macris was aware of the “liquidity trap” that the book was in. He personally alerted Mrs Drew on the matter and would, with her and Human Ressource demote Mr Artajo in early February 2012. He would order next Mr Artajo also to take the plane to New York when confronted with more of my alerts on the lack of liquidity of the positions. Mr Artajo would as a result follow from now on the specific instructions of Mr Hogan for this book. Mr Hogan was then the firm-wide Chief Risk Officer reporting straight to Mr Dimon, like Mrs Drew did. That would not be enough to appease the worries of Mr Macris though (ie demoting his right hand man at CIO, reaching out to HR and Mrs Drew and involving the firm-wide CRO.). And after another

significant alert of mine again on March 1st 2012, he would also call Ashley Bacon to speed up the internal wind down with the IB for want of other choice. The CIO positions were so ill-liquid that there was no other way to have them disappear than through this "off-shoring". Mr Macris is more than "aware". He is very involved, very "worried" still and has been looking for a getaway all along; Mr Artajo first... another "marionette" would not be enough anyway. Mr Macris reached out to Mrs Drew next; then Mr Hogan... and finally Mr Bacon... even that was not enough.... Since the "middle of March" he is already "partnering" in person with Mr Pinto the very CEO of Jp Morgan UK (the close second largest entity of JPM behind JPM US). Mr Artajo concealed a lot from me. So did my "Manager's manager". Yet I had seen many "tangible signs" on my end showing that the OCC, the Fed, the FCA were directly involved already with my "manager's manager".... They knew much more than I did thanks to Mr Macris and Mrs Drew in fact....

Thus I answered to the question of the FCA and the FCA kept "supposing" upon what it had always known much, much better than me:

IKSIL: "Well first, I suggested Javier a liquidity reserve, I understood it would come in the form of a liquidity reserve. I didn't know how it would come out, first. **Second, I always assumed Achilles was already aware of all these issues** (for good reason as explained above). If you look at, if you read the call that I have with Javier on the 20th, he told me that Achilles told him, so -- and **Ina is aware, so I have absolutely no reason to doubt this.**" **FCA: "I suppose** what I'm saying is the thing that might have given you cause for doubt is how long you've been being told that it was going to happen but you'd yet had no evidence that it had happened." IKSIL: "Well, again, Javier told me that weekend that they would take a liquidity reserve starting with IG9 indices. That was my understanding." **FCA: "I understand that but am I right in thinking** that **Javier had been giving you that explanation since the middle of March?"** IKSIL: "What is your question?"

Good question: what is the question of the FCA actually? There is none. Is the FCA actually "right in thinking" this way? Well this does not sound like cross-examination here, does it? It feels like a speculation... The FCA knows that this was NOT my job to even contribute to "provision" policies. The FCA is only making some allusion but it has NO question. The question of the FCA is 'how long would I wait' but it actually asks no question. Why is it NOT asking this question for example : "when do you think this reserve should have been taken?" But it would not first ask me that because it has the answer. This is the same answer that one would have for : "when do you think the FCA and other regulators should have given their go-ahead for the externalization/off-shoring/split?" The answer is 100% in the confidential files of the regulators themselves. The "date" is probably anterior to December 2006....

The fact is that I am NOT involved in that at all and I do not even know what happened since 2006. The FCA does know however when it should have been taken and increased all those years. And clearly this points to Mr Cavannagh and Doug Braunstein (successive CFOs of JPM). So clearly the FCA in 2013 opted to "suppose" "assume it was right in thinking" rather than ask the question above. The fraud is in a mismarking dating back to 2007 on reserves precisely so. Is this question around "tangible signs" a key issue for the FCA? Yes, otherwise the FCA would not insist so much in trying to push the blame on me in such a covert way. The more the FCA persisted in its scheme in front of me the clearer its duplicity was.

What was the most tangible sign actually that reserves had been missing in mass at Jp Morgan? Answer: the "tranche book of CIO" was itself the most salient sign of it. This book was indeed protecting the strategic liquidity reserves of Jp Morgan. Its valuation process deliberately diverged from the accounting standards. It was quite a sensible move in the context of FAS 157. And I was just the guy who executed the trades for the firm. That was NOT my job indeed to set these reserves. I was at the very end of the decision chain that determined the "strategic excess liquidity" first, the "strategic excess reserve" second, the "strategic CIO investments" third, the "strategic hedging book on liquidity stress" fourth... That clearly was the job of the FCA and other regulators to do this 4-steps determination process as sketched above, ie check that the senior management computed the reserves at the firm properly when they determined the very size of CIO itself.

Yet, no matter how remotely informed as I was, I will have revealing answers to give. I will speak later in this interview of the meeting with Doug Braunstein that Mr Macris announced on March 29th 2012 where I was NOT to attend of course. That was quite a tangible sign again that was the result of Mr Macris chairing since the 26th March a daily "post mortem" meeting focused on this "tranche book" alone. "post mortem" were the very words of Mr Macris here and he planned here to organize that with his managers up to Mr Dimon. As Mr Macris said and wrote then, CIO was in crisis mode. I will mention this key period. And I will be interrupted twice by the FCA and the draft transcript of the FCA will erase the interruptions. The FCA will indeed distort the content of the recorded interview while the tape was crystal clear. Now if one could hear the record of my interview at this moment, the FCA sounds unsettled here: it sounds as if it was addressing criticism for itself for all these years of quite complacent enforcement.

FCA "My question is for how long -- no, let me phrase it differently. My question is, bearing in mind you'd raised this issue in March, the middle of March, and you'd had repeated assurances from Javier that the matter was going to be dealt with, we're now on the 10th of April (2012). **You've seen no tangible evidence that it's been dealt with.** You've only had Javier's explanation. **I'm just wondering** at what stage, you know, you come to the conclusion that perhaps it's not being dealt with." **IKSIL: Well, I've many reasons to think that there were tangible signs.** First, there was Javier talking to Ina, Javier synchronizing the number of the loss that was communicated the 30th of March, talking to New York. Then he tells me that there is this \$100 million, there's whatever reserve on IG9 indices, so there is a process that is underway and the other tangible thing is that **it's risen even above Ina Drew.** **FCA: "Okay and how did you know that it had risen above Ina Drew?"**

The FCA struggles with the "phrasing"...As the FCA knows quite well, the evidence on that "elevation above Ina Drew" abounds dated 23rd March 2012 in particular. Mr Macris had not instituted officially the "post mortem" of this book on the 26th March 2012 for no reason. The email from Mr Goldman (writing to Mr Artajo in the London evening of March 22nd 2012 "Ina is freaking. Really!") is also telling of that situation of emergency. Mrs Drew was now "really" freaking indeed. Things had got out of her hands! Mr Artajo had shown me this email of Mr Goldman on HIS computer screen then, harboring a sardonic smile that I could not decipher. The not-so-freshly demoted Mr Artajo did not elaborate: he just wanted to show me that indeed things were going "all the way up" the hierarchy at Jp Morgan. But the FCA ignores this fact and others of the same nature. When these "freaking post mortem" moments ran "all the way up" in Jp Morgan, the regulators had already been "asked for permission to off-shore" by Mr Bacon in person (March 14th 2012).... And they had decided to wait for a couple of weeks after 18 months of patience....And it is helpful to name the few other events that are corroborated with factual documents of the time: Ashley Bacon meeting March 12th, Weinstein

action and Compliance elevations on March 19th-20th-21st, Ina Drew freaking March 22nd, ADE Adteayo's alert about the IB and Blue Mountain, the issue with ICE raised by Mr Bacon in person, March 23rd elevation of Ina Drew "all the way up", Achilles Macris 'crisis mode' the next workgin day, MBS NY sales and Doug Braunstein meeting announced on March 28th, and the FCA meeting on March 28th 2012 with CIO, further asset sales from New York on the 29th and the 30th March 2012 done by Mrs Drew!...How many these events the bank has let the regulators be "unaware of" at the time...really?

In 2013 for sure the regulators were "aware" of all of them through hard evidence. The FCA had the evidence of Achilles Macris's email asking all to be 'on the deck' that next week end (31st March-1st April 2012) and the next ones where my "manager's manager" stated that very top managers were now involved in person. That plus the documents that the UK regulator itself had had from its own meeting being part of a longstanding "close and continuous supervision" on this "tranche book" in particular, were as many "tangible evidence" that the FCA had had all along... these were as many tangible evidence that regulators were knowingly involved in their own self-imposed delay to enact the long missing reserves until June 2012...and approve at last the "off-shoring" that they had been hearing of since September 2010 at the latest....

As per the FCA flawed thesis now, I had no "tangible evidence" personally, right? The FCA knew it quite well why it was like that! The FCA had had indeed, as per a quite official but confidential "supervision letter", many, many documents since 2010 and many more in March 2012. They all indicated that this "missing reserve" issue was being dealt with at last...The "solution" would be a cathartic "London whale" fiction.... The UK regulator, seeing no appropriate reserve coming, necessarily knew that the "plan" consisted in manufacturing a quite diverting "London whale" trading scandal instead of simply clearing the accounts at the firm....

One understands why the highly concerned UK regulator never thought it was "appropriate" to talk to me before July 2012...or talk to me again after September 2013... Nevertheless the UK regulator had to hear the following in July 2013:

*IKSIL: "Ah. Because at the start of April, I worked all weekend between the end of March and the start of April to prepare for a meeting that was to happen I think, I'm not sure, with Doug Braunstein, and the high level management, even before the articles were published so... And at the time, frankly, and I am the target of all these articles and, you know, I'm not like -- only focused with what's going to happen to the liquidity reserve but, **against your point, I have a lot of tangible signs that things are being dealt with on this book.**" FCA: "And the work that you had been doing for Doug Braunstein that weekend that you've just described, was that work around the potential liquidity reserve or what was that work around?"*

The FCA slips that I may have worked 'for' Doug Braustein like any other executive on liquidity reserve which would never be the case despite the recent MD promotion. The FCA tried.... This is NOT my job but Javier Martin-Artajo said that this was CFO's job. A call of May 8th 2012 with the IB controller Allistair Webster proves it. As to me, I had NO access whatsoever to the chiefs other than through Javier Martin-Artajo and Achilles Macris. The email chains prove it: I would not be a "recipient" and even less a "participant". I would not even be told the outcome of this critical meeting. I am not even sure whether my "manager's manager" met the firm CFO on the 2nd or the 3rd April 2012.

As the extract will show the FCA will cut me off, preventing me from describing the situation for the record. And this part below will be truncated by the FCA in the draft transcript while the sound tape was flawless...

IKSIL: “Okay.’ You need to see where I stand in the hierarchy here. First, you know, yes, I was promoted MD in 2011 and Javier told me, “Okay, at the end of 2011, Eric, Luis and Julien will report to you but don't get over it. It's a chocolate medal, it doesn't change anything”. No, no...
“FCA: “No I was going to say...”IKSIL: “No, you need to know —“

The FCA interrupts me and does not want to dig. It prevents me from testifying here. Instead it will distort the content of my testimony that is a "compelled" one. I am compelled to answer but I am cut off here. Was that fair? Yet this statement of mine is big as I testify here that JpMorgan had manufactured a misleading org-chart in 2011, targeting me already way BEFORE the “London whale” fiction. Had I been just “deemed” untruthful, the FCA could send me to jail. But the FCA would just stop me , falsify the draft transcript next and ignore what I said thereafter in full...The FCA will indeed truncate the part above and summarily cut the tape in its draft transcript with “can I help you a little bit....” This cut was manipulative given the distortion that it introduced artificially and purposefully when one sees the effect of the truncation.

FCA: “can I help you out a little bit because my question is focused on whether you'd had any information from anybody other than Javier. That's what I'm really getting at.” IKSIL: “Yes. I had no information other than Javier, so I had to be on his word.” FCA “And you're welcome to give me other... any explanation you would like to but that was the purpose of me asking those questions, to ascertain that the source of all your tangible signs was Javier.”

The FCA does NOT investigate. The FCA does NOT cross examine me here.

IKSIL: “Yes, Javier was the only point of information for me, the only point of instruction for me.”FCA “Okay, that's helpful. Thank you.”

The FCA shall move on next....A bit before that moment in the interview, ie before admitting the existence of a “tangible miss” on reserves, the FCA had had set clarity for itself, from an external pair of eyes, that indeed a liquidity reserve was knowingly missing for the senior bank managers in March 2012. First it saw that a provision for pure “price uncertainty” had been elevated “above Ina Drew” by March 2012:

FCA: “Okay. So just to clarify the difference between the two figures, is it correct to say that the difference between the \$300 and the \$600 million that you're referring to in this Bloomberg chat is the difference between the most advantageous side of the bid ask spread and the mid—point?” IKSIL: “I'm referring to mid -- it's not exactly like that. It's really to say if you assume that the best bid...best ask, mid-price, is going to reflect the drift, right, and that the estimate, with an offset, is going to reflect that because I reckon that, if the drift accelerates, we are going to be very close to the bid offer boundaries anyway. Right? So if you look at the best bid, best ask trend on indices that is very easy to capture, you see that the estimates is going to mimic that anyway, staying within the bid offer spreads and therefore you must expect from the trend, the extrapolation of the trend, another \$300 million by the end of the month on the sole estimate. Now from the mids, you will have another \$300 million I reckon that, you know, that's that's the distance between where the estimate is and where the crude mids are. So grossly speaking, that's what I think because that was an answer to Javier's request that was, “How much in the estimate? How much more should we account for?” So I wanted to tell him

full answer, “\$300 more in the estimate and \$300 still liquidity reserve, whatever.” FCA: “Okay.”

That was this “breakdown” that Mr Artajo allegedly updated Mrs Drew about every day since the 16th March 2012. Mrs Drew asked the “breakdown” AND the “total”. She was aware of the “distance”. And the FCA had also secured that a “model risk” reserve had been missing too by March 30th looking at how the estimate P&L was elevated to New York all along the day to New York. The evidence shows that CIO actively tried to fund this coming reserve through asset sales that were done at profit in order to balance the loss as it evolved. Is this cooking the books, smoothing the earnings in a legitimate way, minimizing part of the loss, concealing the loss as much as possible? Anyway it is done in New York, by New York at the very top of the firm.

The FCA shows its knowledge that the estimate P&L had no closing time, that the estimate P&L was an ongoing monitoring tool for the performance of the book using “subjective judgment” all along. It was a “collective effort” as explained and corroborated by Mr Artajo, Mr Webster, Mr Macris, Mrs Drew and others. It was meant to judge indeed on the “hedge efficiency” for the firm and its CIO. In that it ignored “mids”, “consensus”, “closing time” and “counterparties exit prices”, ie 4 crucial standards that had been set in accounting for typical “mark to market” valuations. There was a salient “model risk” here that could be well measured as well in my account of what had happened on March 30th 2012. On the very same session the day loss had been estimated first at \$250 million and had finally shrunk down to \$118 million... But I could not tell why... price uncertainties had driven the change for most of it:

IKSIL: “So he sends this...” FCA: “So is this the first — so the document at tab yy which has the estimate of 117.6 million loss for the day...” IKSIL: “Yes.” FCA: “...was that the first figure you were aware of on the P&L that would be potentially reported?” IKSIL: “On the P&L, no. That's -- I took precisely the train only on Friday, the last one I could catch, to be here, to assist Julien to help him in any way of form because that was a key day and “ FCA: “So explain to me what happened before this email was sent then in terms of discussions about the estimate?” **lawyer: “It might be sensible to start at the beginning of the day and run through.” FCA: “We did try and do that.” lawyer: “Yes, but then he got interrupted.”**

I had been “interrupted” and actually “diverted” by the FCA itself in fact. But the FCA recognizes here that the CIO London estimate P&L differed from the mark to market anyway. As is hinted at by the lawyer here, the FCA would NOT want to hear that the estimate P&L process had actually no closing time, a clear sign that it was NOT a “mark to market” process as the accounting standards in force at the firm prescribed anyway:

FCA: “But I think then you skipped ahead to the end of the day so let's go back again. So you have done your conversation with Julien first thing in the morning. ” IKSIL: “Yes.” FCA: “Then what -- take me through the order of events.” IKSIL: “Okay. So that day, for example one of **my initiative** to Julien, aside from validating if he does the things as I asked him to do, **is to be the middleman between him and Javier. Just for him to have no pressure because the two men have very difficult relationships** and I don't want Julien to be, you know, polluted by any aggressivity whatever. So Julien is going to produce the first batch, you know, in the morning saying, “**Okay, it's 250**”. I expected 300 so my reaction is like, “Well, okay, it's ball park number. Okay, fine.” And I go to see Javier and I tell him it's 250 and Javier says, “Thanks” and at one stage **he says,** “**Do you think it can improve... like 200? 200 would be good**” and I say, “Well, we will see. So far that's the first batch.

Julien may refine and we may find reasons to improve but it will be what it will be". So I come back to the desk and a bit later, probably you know, the US market has opened a bit more and some prices, you know, and runs that are better and **Julien says, "Okay, I'm at 200 now"** so I am going to see Javier. Yes, I think it's — yes, I don't remember exactly the timing but I go and see Javier and I say, "It's 200" and Javier, "Oh, great, great. A good job" and he says, "Do you think it can go to 150?" I say, "Ah, no, no, no. I think... now we are ..." So, I don't think that, you know, the feedback I get from Julien is that, no, you know, all the prices are in now; that is what it will be and **Javier says, "Okay. Is it possible to get to 150?"** and I tell him, "Well, you know, this book has a long risk overlay. If the market keeps rallying as it seems to have done, you know, if we recover one two' basis point maybe we can get down to 170 but not 150. It's not possible". **And I tell him, "And don't forget about Jason because we are not at mids there will be this distance"** and I say, "I reckon it is going to be still at 200-300, something like that". And then **Javier says, "Okay, good job. Thanks. I'm sure you have your train. Go and get back to your family"** and so that is what I will do. I will go to the St Pancras ahead of schedule and will wait there for my train because I couldn't change the ticket and that's it. And so actually Julien is going to get in touch with me and say, "Oh, I have a super good run from Zahid. I am at 117 -- 118". I say, "Okay, go, go, send". I mean, you know, I'm in the train. I'm in the Eurostar 300mph and in five minutes I will lose the connection, so ok. Then I think twice because he said, "Is it too aggressive?" How do I know? I don't know. I don't know the prices he used but the simple fact that he tells me that I think makes me tell him, **"Okay, take some cushion, you know. If you are aggressive, take some cushion and review your prices"** and really his reply is to say, "Yes, you know, I'm at bid offer" and so on. I say, "Yes, but if you have this time disconnected things you should correct them." **So maybe you want to know what this time disconnected thing is?"**

No, the FCA would not want to hear what I meant by "time disconnected things"... Mr Grout used quoted prices that were disconnected in time and he extrapolated them for the sake of his ongoing duty. He almost constantly ignored some more recent quotes. That was his job to process this "ignorance" reasonably and consistently so.

It was not a mysterious kind of divination skill. It was instead quite intuitive and auditable. I explained the principles of this extrapolation to the IB controller Allistair Webster way before May 10th 2012. Mr Webster had understood it so well that he could compute the needed adjustment aloud in the back of his mind. He could do that "thanks to my useful tables" that I had given him. I had done it without knowing what Mr Grout had actually done. That was thus "methodical" although not "systematic". I had retrieved prices in the blind that were close to Mr Grout's. That alone proved that Mr Grout had done overall a reasonable judgment of his own make, ie subjective still. As per the computation that Mr Webster had done in front of me on the back of HIS mind, an adjustment was needed to the tune of about \$200 million....However Mr Webster would decide after all this to NOT recommend any adjustment... Had the FCA questioned me on this "time disconnected things", this is what it knew it would hear. It knew it since hard evidence allowed any outsider to infer the same kind of amount. My story would be truthful AND corroborated. This would have carved in stone that there was indeed no consideration at all for a "defined closing time" for the estimate P&L. The reason for that was clear by design: this estimate in CIO London was an ongoing process. This may have uncovered that the price controllers accepted the view that we based our estimate at times on prices that would be available only "the day after"....This would have highlighted once more the large lack of liquidity, the subjectivity, the "model risk", the absence of reference to any "mids", the absence of closing time once again in the estimate P&L process itself.... But the FCA will not say "no" to my offer to explain....

Instead it will say that It will come to it later.... And the FCA will never do that, ie come back to it later....It will decline my offers to be interviewed again.

Still the FCA would also secure that even Jason Hugues at CIO-VCG was NOT in charge of updating the reserve figure. Jason Hugues will NOT be fired from Jp Morgan after the events despite what I describe below. He will even remain at his position at CIO valuation control:

FCA: Thank you. Mr Iksil, if you could please turn to tab zz in the bundle. This is a CIO core credit P&L predict for the 30th of March sent by Julian Grout and the Bates [redacted]. The first line of the email states daily P&L minus \$138,135,170, so that's the daily loss that we were discussing just before the break. The next loss states a year-to-date loss of around... well just under \$600 million. So our understanding based on our conversations today is that, at this point on the 30th of March, in addition to the \$600 million figure we see there, there was a figure of \$300 million which represented a further loss on the book." IKSIL: "Yes." FCA: "Were there any other losses that you were expecting as at the 30th of March?" IKSIL: "Not... Not as far as I was concerned. **There was a coming unwind on the book that anyway would bring an additional loss if say the book was considered as in a forced selling mode that was not anyway included into this estimate plus the additional 300 that was, to me, a pure liquidity reserve by default that would account -- at least for price uncertainty. There was also a bigger liquidity number for, you know, consideration of exiting the position in a forceful way.**" FCA: "Okay. When did you find out what the liquidity reserve applied to the March month—end figures was?" lawyer: "Can you ask it again, please?" FCA: "When did you become aware of the liquidity reserve applied to the March month-end figures?"

The FCA above changes 'find out what it was' with 'become aware'. This is different 'subtly' so in that I could not find out anyway what it was as the FCA had understood for years. The FCA itself could always "find out" as per its own mandate and duty. The only possibility for me to be "aware" was IF I had been told by Mr Artajo when Mr Artajo himself would know. I was NOT a recipient of the internal documents of the bank providing the reserve figures. But I may have been told incidentally so. However the FCA was a routine recipient of that information, ie what the reserve figure was, especially since it had demanded a "close and continuous supervision" on this "tranche book of CIO" in particular, ie since November 2010.

IKSIL "I was waiting for it on April 1st. Jason Hughes sent his usual report that I was on the recipients' list after every month end but he still used the old way to compute and that was much more a mechanical way to compute the liquidity reserve and CIO was 'deciding which index was liquid or not. I thought that this \$300 million would be a one-off number that would be coming in addition to what Jason Hughes was computing anyway." FCA: "Do you recall what the liquidity reserve was that was applied at the end of March?" IKSIL "I think that was still in the range of \$40 million as it had been for a while since 2010 or so." FCA: "And do you recall receiving that information?" IKSIL: "I remember that Julien mentioned to me that Jason had sent his report but that was it." FCA "And what was your reaction?" IKSIL: "**I had no reaction. I was waiting** for, you know, top down instruction coming from Ina at one stage, to say Javier — I expected Javier to say "we are going to take this much". What I saw is that Jason did not factor this in, so it would be factored somewhere else."

I could have waited for ages. That was NOT my job. Thus the FCA "clarified" for itself that "yes" a reserve for price uncertainty was missing, "yes" another reserve for "model risk" was missing, and "yes" a third reserve for "projected drawdown" was also missing. The FCA clarified that "no", I was not in the decision process, "no" I was NOT in the reporting line and "No" I was not overly concerned

by not seeing a change in the reports that I received. Now “Yes” the FCA painted the tape with its own truncations through the draft transcript of my compelled interview, just the time for the UK regulator to agree on its “final notice” for Jp morgan on the case. “Yes” the FCA was aware of the missing reserve, a thing which had prompted the FCA to demand a close and continuous supervision on this book in particular since November 2010. And “Yes” the FCA did see a difference between “finding out what it was” and “becoming aware” in vague terms.

To be clear on the real mismarking due to missing reserves, the FCA had “found out” in November 2010 what it was, never trying to talk to me because it knew I was “not aware” anyway. It knew all along that I would have no way to “find out”. That play of words done by the UK regulator happened in July 2013, before the FCA would “settle” with the bank. The FCA and all the authorities did convey a gross misrepresentation in late 2013. But in September 2016, after weeks of confidential cross-examination my story had not changed and the SEC staff would find me truthful when I explained why even Jason Hugues would use prices of the “day after” for his own price check at CIO-VCG.....

...IKSIL: and says "well actually, you know what the dealers with whom you traded, they say that the price where you traded is not the price that they see at the close of the month" and then **it's not about using the price of March 1st as such to make the estimate P&L of the 29th**. It's to use those quotes of those dealers to say, to tell Jason Hugues "well, they decided to differ from the prices where they traded with us, but look at what they do the morning after, they keep saying that the prices with whom they traded--with which they traded with us is still the price that they see in the morning". So overnight nothing has changed, the world has not changed. So it's a way to explain Jason Hugues "**we cannot explain why these dealers have suddenly changed their own prices, but we can certainly show you Jason, that we were not in delirium or crazy when we set those prices at the end of the month.**"

This extracts above depicts a direct proof that a manipulation of prices was happening at the end of February 2012 where CIO was NOT a participant but THE target actually. I described above what the standard procedure was at CIO London both for “traders” and “VCG price control” as far as I could tell. This short explanation shows how far from accounting standards this estimate P&L AND the price check of CIO-VCG were anyway: no closing time, no “mids”, no “consensus”, subjectivity, no “exit price”....That was a lot but that was 100% truthful. Reserves were obviously missing for every investigator to see whatever the “subjective judgment of traders” had been. This is what the FCA knew even before talking to me since late 2010. That explains in particular why the UK regulator had never felt any need to talk to me before June 2012. They were neither “unaware” nor “complacent” nor “reckless” nor “under-staffed”. They were fully “aware”, highly concerned, “involved”, and did NOT at all need to talk to me. And the same conclusion applies to all the authorities involved in this scandal of the “London whale”.

Thus it had been obvious altogether for all the watchdogs that I was nobody AND that reserves were missing in relation to this “tranche book of CIO”. And this miss was known to be quite illegal since 2007. That had sparked a fight inside the bank in 2009 and outside the bank among the watchdogs against the bank in 2010. Who would take the burden apart from the programmed fall guy, ie me? They all would make a concerted try in the second quarter of 2012 to have me take the bullet. They failed again. My compelled interview of July 2013 and my deposition of September 2016 would uncover this ongoing “struggle” of theirs. The “fight” had started between regulators and the senior management of the bank in 2006 with the very birth of this book. In 2007 they had become aware of

a mismarking that none of them could denounce. Mr Dimon then wanted to “declare victory” in front of the regulators in late 2007. But he could not: no liquidity in the markets...They had cornered themselves all. None of them wanted to endorse the responsibility of it in 2008. They would call one each other a couple of times...This would soon induce a fight in 2009 in the markets involving the IB of Jp Morgan. This early fight would pave the background of a closely monitored “split” at CIO starting in January 2010...Then Mr Macris ordered to literally “kill” this book: if that was not to be a “split” that was to be anyway a dismantlement looking forward, done in a violent fashion anyway.

Fight

There was a project to “split” this book. The context was unfriendly. The idea was there inside Jp Morgan as early as January 2009 actually. There was one cause for that: structural il-liquidity. The financial crisis of 2008 had left no doubt about that matter. This big hedge was based on CDS and therefore left no illusion as to its actual liquidity and therefore its efficiency for the future. The conclusion was easy to reach. The rumor pervading in the markets was already that CIO was soon to capitulate on its big strategic CDS hedge. It was too big and it could not exit at its convenience. Splitting it, sending a big chunk in run-off mode was the only solution left already since the tumultuous fourth quarter of 2008. It was the only one possibility that by the way all the peers of Jp Morgan had adopted. The scandal behind the Bernard Madoff funds were may be the last drop.

Within Jp Morgan my reports corroborated this certain outcome that CIO would have to dismantle this big il-liquid hedge. I had been elevating the liquidity issue since the fall of 2007. I was clear in my reports to Mr Artajo, to Mr Weiland, to Mr Stephan, to Mr Macris, to Mr Kalimtgis, to Mrs Drew. That was NOT my job to participate in the determination of liquidity reserves. That was therefore not my job to decide on the size of CIO. And that was NOT my job to decide on the fate of the hedge of CIO and of the bank on the “strategic liquidity needs”. I thought that things were done appropriately. I would find out -after the “london whale” scandal was born- that things had not been done properly.

The bank had long done things in an improper fashion. I also inferred that this “London whale” scandal, far from being a “mistake” itself, had been a genuine catharsis for Jp Morgan. How did I come to that conclusion? First I had noticed that in the Task Force Report of January 2013 the bank still did not tell the truth about my alerts, about the estimate P&L of CIO, about the instructions, about the Var model change and a couple of other “details” around the surprise that the “London whale” articles had caused inside the firm. The bank looked already more a accomplice of the scandal than a victim. What I would discover starting in March 2013 is that there had been an ongoing mismarking on reserves since 2007 in relation to this “tranche book of CIO”. To reach that conclusion I just had had to read the CIO-VCG memo of May 2010 and the firm policies dating back to November 2007. I remembered then my quick talks with CIO VCG about the IG9 index and its lack of liquidity. The US Senate report gave me the context of these discussions at last: the “off the run rule” of Mr Cavannagh.

I am not saying here that the missing reserves had to be “attributed” to this book alone. It was just clear that the very presence of this book revealed a need for reserves in the bank and that they were missing. I would learn also that in 2010 that “miss” was blatant in every regulator radar screen as a result of the recent reforms (Dodd-Frank and Basel). Had the regulators done their job in 2009 onwards it would have soon been “discovered” that the mismarking dated back to 2007 if not January 2004 actually. I then reconciled these dates with other events that I witnessed then.

I understood what the storyboard was. The plan to have a “trader” fall was conceived in late 2008 as it was “too late” already to wind down the book. The bank executives had to rush in making me fall for them. But they would fail. They had made a mistake in targeting me already. This is this mistake of theirs that would cause the future “London whale” cathartic manipulations. New rules were to be enacted indeed in 2009 and, after a period of denial until 2008, that created a sort of panic among the initial sponsors of this “tail hedging strategy” stored in CIO for Jp Morgan. Their “mistake” towards me induced the fight started between the IB and the CIO at the very top. The mechanism was simple: they all thought that I would lose my mind, trade like mad, and end up being the “bad guy”.

But I would not behave at all as they wished for. They thus started pointing the finger back to one each other in the course of June 2009. One of them had to fall for the missing reserves that already had long been missing. The financial crisis had gone. There was no excuse left...Mr Winters at the IB would be fired abruptly. There would be then an ongoing fight between CIO and the IB due to this “imminent official attribution” of the missing reserves and therefore of the mismarking itself. The issue had surged contemporaneously with the very birth of the “tranche book of CIO” in 2006 as the US Senate report exhibits allowed to see.

This string of events should not have happened looking back to 2005 when the “excess liquidity reserve” was given to CIO for “wise investment” purpose under the close weekly watch of the JPM operating Committee. All the regulators were on the front-row seat and a dedicated document had been compiled for their exclusive use, the NBIA of 2006. It was enough to do as follows: rather than allocate in 2007 to CIO say \$100 billion for investments on CLO tranches, it was enough to allocate only \$50 billion for CLO tranches and maintain the other \$50 billion on short term very liquid treasuries. The latter treasuries were earmarked “special liquidity provisions set against the il-liquid tranche hedging book of CIO”... This would have sparked tough questions though....It would have dealt with: “why the hell have an il-liquid hedge against a liquidity crisis?”

Whatever the answers given then... Mr Dimon should have enforced the firm’s policies applicable at the time and onwards. That also included documenting the “post implementation review” for this “tranche book” of CIO among other things. That would not be done... And if NOT, regulators should have enforced the policies themselves. That as well would NOT be done... The watchdogs did pretend to try that as far as the FCA, the Federal Reserve and the OCC are concerned but only in Q4 2010. It was way “too late”. They all knew it. They just pretended here doing their job. In the meantime they had already failed to enforce the Sarbanes-Oxley rules about the NBIA and firm valuation policy issued in November 2007 (available in the US Senate report exhibits). And they would stop altogether investigating their “ official but confidential concerns” all of a sudden while receiving misleading “stress limit violation” reports in early 2011...(see the US Senate report of March 2013 and the OIG report of October 2014)

Irrespective of the job that was not done either by Mr Dimon or by the regulators, the lack of liquidity was blatant. The IB of Jp Morgan could thus rightly feel “empowered” to target this “tranche book” for a coming forceful unwind that was to occur at its convenience. The IB would be the inescapable counterparty for CIO in this case. Mrs Drew was being cornered inside Jp Morgan. Mrs Drew knew that very well and would fight that as much as she could. In September 2010, Mr Dimon had publicly made his mind up on the matter. The IB and the CIO had to find an agreement. This is how this “Jp Morgan vs Jp Morgan” fight would predominate the life of CDS index markets in the spring of 2011.

As will be seen, the involvement of the IB against CIO was and would remain obvious in 2011 and 2012. The market players actually were not surprised to see “Jp Morgan Vs Jp Morgan” in the dying overall activity on CDS. That drama “CIO vs IB” had already been quite visible in the markets in June 2009... That never-ending ego fight would induce the “London whale” scandal in the spring of 2012. And in 2013 all the investigation teams shall either ignore or try to distort what had been elevated inside the firm, not by me, but by my own management line inside Jp Morgan on this matter in early 2012 already...

What had stopped all these watchdogs since 2007 to perform their routine job? The answer is likely connected to the \$42 billion of intangible assets that would be generated with a pencil in January 2004 when BankOne and Jamie Dimon arrived... The short story is: the authorities had been conflicted since they had approved this weird “merger of equals” between JpMorgan-Chase and BankOne. In order to address their original conflict, the watchdogs demanded that Jp Morgan had this CIO and this “hedge inside CIO”. The idea was simple on paper: since the \$42 billion “overnight” creation of intangible assets was not provisioned with a commensurate reserve, there had to be a “hedge” that would efficiently protect the firm in case of dire scenarios on markets’ liquidity. And of course that assessment of the “hedge efficiency” had to be bullet proof. Hence the very special instructions that started shaping the “estimate P&L” process of CIO London staff since late 2006.

I can testify that the regulators had been the very first sponsors in mid 2006 of this huge “tranche book” of CIO, directing the top executives of Jp Morgan to build a hedge on subprime while the bank actually had almost no exposure on subprime. I heard Mrs Drew herself in the summer of 2006 complaining then about this “query from the regulators”, saying that “Jamie was not so keen but he had committed”... I heard Mr Macris confirming that “commitment” of Mr Dimon towards the “board” and towards the “regulators” in early February 2007. I heard the same Mr Macris in November 2007 state that “Jamie wants to declare victory” about this book towards the regulators. Mr Macris was committed. I heard him in late January 2008 say “waste it!” about a recent \$100 million gain that the book had just reported. Mr Macris ordered to spend ALL this gain to wind down as much as possible like “now!”. The order of Mr Macris then was to wind down this book in full if possible and “as fast as possible”...I The \$100 million would be wasted in February 2008 and would only allow to reduce 10% of the book then...

I would often hear Mr Artajo in the following years sketching for me the content of the “questions of regulators about this book”. This book could not disappear without their approval and without a close monitoring on their side. They had been following year after year for example how much money this book had made, “why” it had made it, based on which trades, based on which events in the markets, based on which balance of risks. They had also been closely monitoring the different phases of “reduction” that had happened in 2007 once, in 2008 next, in 2009 after that, and in 2010....In 2011 onwards... until 2012, when Mrs Drew justified her repeated orders to me as mandated by the regulators’ expectations (dixit Mrs Drew on January 20th 2012). That string of orders from Mrs Drew was all explained since March 2011 ALSO by “priority No1 of Jamie”, namely a massive share buyback that the CEO had negotiated with the regulators against a reduction of RWA under Basel III standards. Mr Bacon himself in early May 2012 dismissed my suggestion to start unwinding the IG9 10 years position in the markets just to calm down the speculations. Then Mr Bacon justified the dismissal of my suggestion saying that, first the firm did NOT need to wind down anything on the IG9 10yr (the IB had even more than CIO on the opposite side-so said Mr Bacon), second because he was

in CIO London on Mr Dimon's instruction solely to manage "regulators' optics" (sic). Mr Bacon did NOT elaborate on what the "optics" were.

The IB was thus fighting in the open the CIO since January 2009. The regulators, while monitoring all this closely, were NOT performing their own duties about the reserves. Had they done their job of enforcing a liquidity reserve as per the firm policy complying with the FAS 157, there would have been no internal fight at Jp Morgan. That was the mistake of the watchdogs here. This fight "Jp Morgan IB vs Jp Morgan CIO" would become almost the sole source of activity in the CDS markets starting in June 2011. Market players had little else to do but to watch the next episode of "Jp morgan vs Jp Morgan". This is this longstanding fight, commanded inside the headquarters of Jp Morgan in New York, that would induce the subsequent market manipulations, I mean the real ones. Had the watchdogs done their job, the manipulation would not have occurred simply because there would have been no such fight.

With that context in mind, in July 2013 the FCA displayed a genuine interest in the alleged market manipulations. But the UK regulator looked deliberately in the wrong direction especially when the "millions of documents" and my answers showed the FCA where to look at so consistently. I indicated a "fight" that was visible in the markets indeed. But the FCA would NOT look at the trading evidence that both proved that Boaz Weinstein had manipulated the markets and that he had been helped by the IB of Jp Morgan in his undertakings. Instead the FCA would try to "document" its misleading thesis by distorting the very content of my communications of the time. Doing so the UK regulator uncovered its own duplicity:

FCA: Okay. In the third paragraph, you see the third line down, "So I engaged in selling protection in IG9 10 year. It was modest at first and became aggressive as we drew towards New York close." IKSIL: Then the bids for high yield vanished, that's what I'm describing. FCA And are you saying -- so earlier you said that you weren't being aggressive ---- in selling IG9 10 year but here **it sounds like you're saying you did become aggressive. IKSIL: Really? When?** FCA: "It was modest at first and became aggressive" IKSIL Oh, Yes, but, okay. **That's not... okay. Look in the chat and you will see what I did.** What I meant to say was that I engaged in selling protection IG9. At first, implicitly, the buying interest was modest and then it became aggressive. **FCA: you're saying we should analyze the Bloomberg chats? IKSIL: So Yes, you absolutely need to look at it, you will see.** The dealers come back to me. I'm not moving my price at all. The market is not moving. Suddenly, boom, boom, boom, boom, boom and I'm overwhelmed, and you will see the buyer is coming to me, not the opposite. And **I've not moved the whole day.** ...

Yes the FCA definitely should have analyzed the bloomberg chats, including the one that was devoted to spy on every move done by CIO since October 2011... among many other bloomberg chats where I was involved, not spied... The FCA would not do that, would it? Otherwise it could never have settled with the bank in 2013 in the way the UK regulator did. Otherwise the FCA would have had to state that it had itself failed on its duty for years before the quite diverting myth of the "London whale" would be entertained by the bank and regulators alike after July 2012. Of notice, the FCA likely violated the FSMA 2000 rule in 2013 by never submitting to me in advance its coming public statements on the "London whale" while I was the one associated with the moniker! The FCA had another agenda than telling the truth in late 2013 through its final notice with the bank.

At some other point in the interview I explained what “limit the damage” meant. That was initially an expression of Javier Martin-Artajo in early 2012 when he told me that my alerts were “damaging the plan” of Ina Drew for this book. Yes, all these trades that I had to execute where HER plan from A to Z. I was saying it. The FCA heard that Mr Artajo was saying it. His own demotion was another evidence corroborating the fact here. More, the motivation of Mrs Drew was quite clear. Mr Artajo described a situation where Ina Drew was in fight with the IB inside the bank. She had her “arms twisted” to wind down the “tranche book” with “credit hybrids” at the IB. She did not want to surrender. And this was where I “damaged” her plan. Indeed with my alerts I forced her to surrender the book to the IB.

The FCA attempted to distort the meaning of “limit the damage” but not for long as my answers revealed the “fight” that the FCA wanted to ignore at any rate. My answers were consistently pointing to that bitter fight happening inside Jp Morgan and being supervised by Mr Dimon since 2009. There was a fight here where by the IB leaked to the market players so that they moved their prices against CIO. This one had started in early 2008 actually although shyly. In 2009 the IB was much more active and visible. In 2010, I alerted on the lack of liquidity. In early 2011 I advised to stop trading (hence de “strategy 27” born in July 2011 and my trip to New York in September 2011). And in early January 2012 I advised to “take the pain” inflicted by this plot of the IB (or whoever else it was). Definitely my initiatives were “damaging” Mrs Drew’s plans as Mr Artajo characterized it at the time in January 2012...

Since the senior management was well aware that these sneaky price drifts were in fact originated from the IB of Jp Morgan itself, Mrs Drew rightly so felt “arms twisted” here. She saw that her “partners” betrayed her. They wanted her to know, be well “aware of that” at least. Be they at CIO, at the IB or at JPM Corporate, the senior managers knew well who was the “great commander in chief” here. I comment on these discussions that occurred in January-February 2012:

FCA: Okay, thank you. Okay. And in the next sentence of this email, you say, “This is related to month end price moves that were all adverse”. So which price moves were you referring to? IKSIL: That's what I just said, that on the IG9, typically, you had this drift so the price moves were adverse, so that was creating a loss on the P&L that was also creating an opportunity. So by doing this at month end, I was trading, I was defending also the view we had on the P&L saying the market is here definitely, it's not somewhere in the bid-offer. It's where we traded. So I had also this interest in trading towards month end because I had to cover. You know, I was mixing the trading need with the need to refine the estimate. That was the result of what was happening with this drift, that if I traded every day I would have refined the view on the market, paid the bid-ask and that was not as efficient as waiting for a couple of days, and let the drift impact the prices fully in an adverse way for us, and then execute. That's what I mean to say. **FCA: Okay, and where you say, “although we could limit the damage”, how were you going to limit the damage** of those price moves as just described? IKSIL: Yes, the — well, that's the thing. When we traded, we could have a very accurate level if you —the analysis I made between the 27th and the 29th is that when you receive a run, if you show in mid-market, at the end of February you wouldn't trade. You've got to hit the bid and when you hit the bid you will do 300 million, that's it. And I didn't know exactly, you know, towards the end of February where we would end up, I just knew we had some size and I didn't know, starting on the 27, whether we would end up trading there or at slightly better levels. So I had this projection towards the end of February that the book could lose. I think I started the presentation around the 23rd or 24th of February, saying, “This time we are down 150 or so and I forecast that the book can lose another 300 by the end of the quarter so we're a little bit more than one month” and this is around the end of

February. And what's happening is when I start trading the IG9, maybe I'm going to execute, you know, the 3, 4, 5 billions I have to do at this level, say, maybe not on the mid but on the bid so I'm in price discovery mode. In parallel, Julien is running the estimate. He's using the level I trade and he's going towards month end doing the estimate. So at the time, while I'm saying here towards the end of the month, as opposed or in line with what I said in January, we are converging towards the end of the month. I'm trading and providing price information for the IG9 only. Julien is harvesting all the things and I think the -- I don't remember exactly what the estimate was at the time or whether the loss sped up or not but **I said, "It's not as bad as we were forecasting it in late February"**. It's after the facts.

My answer depicted very well what I meant by "we could limit the damage": by trading I was allowing Mr Grout to get a pretty reliable view of where the market should be. The way I traded, being not aggressive at all, was to provide confidence to Mrs Drew in her dealings with the IB. So she had had to open the talks on February 9th 2012. That had been "damaging" for her no doubt. But towards the end of February 2012 she could rely on the prices of Mr Grout to finalize these talks. Hence the "damage" had been "limited" indeed. Thus this internal fight at Jp Morgan was clearly expressed in the expression "limit the damage" above. That was the one expression of Mr Artajo to picture the effect of my elevations on Mrs Drew's plans about this "tranche book". That fight of Mrs Drew was well founded....That was no fantasy of hers here....

As in some other points in time during the interview, I would make direct hints at the fight itself that dated back to 2011. The consequences were market leaks driven by the IB staff, and subsequent market manipulations in early 2012 all being allegedly driven by the IB of Jp Morgan itself too. In the course of this compelled interview the consequences were clearly perceived since, if my story here was right, I pictured the very motive that would induce the bank Jp Morgan to co-author this "London whale" myth thereafter. To be clear here, the "motive" that I pictured in my account was that the executives of the bank had endangered the reputation of Jp Morgan since 2011 by empowering the IB to target the CIO through the markets in such a visible fashion. The IB had tried once in 2009. It had failed then which most likely sparked the brutal dismissal of Bill Winters in September 2009. The IB had failed once again in 2011. Jp Morgan was making a "mockery" of itself in the markets (dixit Mr Macris) as of March 23rd 2012. Worse, Mrs Drew pointed the finger back to her partners at the Operating Committee that same day. She uttered then "very, very, very, very serious accusations". A chinese wall wall had been breached. ICE elevated the matters to regulators by statute...The reputation of Jp Morgan was threatened...

And to provide an alternative "story", the chiefs of JP Morgan had invented this "London whale" myth...Bigger is better, isn't it?...Still... Why was it that the prestigious JP Morgan had to dirty its golden reputation voluntarily back in early 2011? Why next had it been unable to fix the issue until this "London whale" myth came out? That seems obvious now: first they had targeted the wrong "fall guy trader". The scheme had failed all along so much that the bank and the regulators had been caught in this controversial "elevation all the way up" of Ina Drew as of March 23rd 2012 that threatened their reputation lethally this time. This had to remain concealed, blurred behind a popular, entertaining, diverting myth. The decoy had to be really enormous and popular...That would be the "London whale" centered around an obscure "French trader". The clichés would compound as much as possible in a haze of mysteries and embarrassed statements that had to be as ambiguous as possible, if only to thrill every potential observer.

This is my story. The FCA would not even try to explore that account of mine, witness its reluctance to investigate the bloomberg chats. My SEC deposition in September 2016 would only confirm that story of mine in front of defendants and the US authority which rather than dismiss my answers would come to support them in this line of account here....

All the extracts below have been provided already in the section dealing with the market manipulations and my fake MD promotion. They will be reminded here with no comment:

Q: do you see where you wrote "you don't lose 500 million without consequence"?...IKSIL: Yes...Q: What were you referring to there?...IKSIL: I was referring to the fact that the book would be dead and that it would have lost at that time 500 million...Q: And do you see that at the bottom of page 5 in French you wrote "et je vais en prendre pour mon grade"?...IKSIL: Yes...Q: Okay. And pardon my terrible accent. Do you see the translation there that says "And I will be hauled over the coals"?...IKSIL: Yes...Q: What were you trying to say there?...IKSIL: That--I don't know. I assume it's the proper translation. What I was saying is that just before all this would be elevated, it would be negotiated with the IB. That would be a big loss for CIO and this book. And I was the guy who was operating on this book. So I expected to face some negative consequence of this...Q: Okay. And so just to clarify the record, you said you assume it's a proper translation. Are you familiar with the phrase "hauled over the coals"?...IKSIL: No. I can tell you what I meant in French--it's a reference to in the Army. You have people who have a medium level of responsibilities and of course when something goes wrong, it's always their fault. You can't hit the guy that is just operating. You--but the chiefs on the top are going to hammer the middle guy and say "it's all his fault". That's it....Q: Okay. And sir, were you ever in the Army?...IKSIL: I did my military service in France. So I had a very short experience...Q: Okay. I'm going to direct your attention to page x now.

...IKSIL: that was visible since the market players told us that they saw the IB of JpMorgan doing that and those players told us that because they prefer to keep their relationship to CIO as they had no interest in teaming up with the IB of Jp Morgan. So it didn't work necessarily. It happened to work in 2012....Q: What's this manipulation?...IKSIL: It's my speculation from my understanding based on Javier's account that I base all my speculation here upon the trades that I proposed initially to the IB in December (2011), and I assume that since I asked the IB and now Guy America is coming back, he's actually interested by the trades I originally proposed to do in a tear-up. And so I look at those trades and they are pretty market neutral and big. So even though it's a big P&L item, I mean, It's huge, 150 million, 200 million it's a big gain, it will be based on small price changes"

IKSIL: So, as I've experienced --and Julien-- that all this year to date loss that we have in the book is actually driven by small price changes. It must be the same on the side of Guy America. So basically he knows very well as well that his 150 million, 200 million gain on the back of CIO is really based on price manipulation, framing that could vanish in one day or two if the markets reverse....Q: Was it his framing or just framing generally?...IKSIL: Well, he's the market maker. So he's making the market so that it fits with his P&L typically. So I speculate that he knows very well that this gain that he has is really because he has leaked in the market the so-called sudden deleveraging of CIO and he's made his own prices in favor of his P&L, but he knows that it's all within the bid-offer. So he needs CIO to lock the gain

IKSIL: all right. So, this manipulation as I understood it at the time, was that Guy America had, through some of his traders, big exposures that were offsetting the ones of CIO. Back in December (2011), I offered his traders to unwind big chunks of those offsetting exposures between CIO and the IB. I showed these traders prices where I was currently trading or it was currently trading in early

December. And they turned me down on the reason that they were not valuing those positions at those prices. That was not in their interest. Since then, I had observed by coincidence that repeated itself week after week. And Julien confirmed it, that on those positions the book was incurring a regular growing loss that we also identified with the drift. And so we arrive now in February (2012). The rally in the market has stopped, and Guy America is showing up all of a sudden and now he wants to unwind. And rather than telling his trader to turn towards me, he's going straight to Javier. It feels to me quite manipulative....Q: Okay. I think that's about--I didn't remember Mr zzz asking you specifically about this big manipulation. That's why I did, but I don't have any further question on that exhibit.

Thus it felt to me in 2012 that there was a big fight of "ego" between the senior management of CIO and the senior management of the IB. And I knew that they all had one common "big commander in chief", namely Mr Dimon who only cared about his share buybacks. Why were they all apparently dismissing my alerts but taking radical decisions unbeknownst to me? I thought then that they were so sure that this internal collapse would occur at the great benefit of the bank that none of them cared about what happened to this book in the meantime in fact. Yet, external pairs of eyes saw this battle of "Jp Morgan vs Jp morgan". As Mr Macris pointed to Mr Pinto on March 23rd 2012, this fight made "a mockery of Jp morgan" while Ina Drew was stating "very, very, very, very serious accusations" against the IB of Mr Pinto (the very words of Mr Pinto here- to be read in the US Senate report exhibits). Were the watchdogs "unaware"? Not at all. They were on red alert instead. What kind of "proof" do I have? Answer: I-C-E....Then all Jp Morgan and every authority received warning reports from ICE the global clearing agent that dealt with 90% or more of the trades of CIO in 2012...All this occurred weeks or months before the first seminal co-authored "London whale" articles. I would make several hints at that in my answers and this is the sign that this fight had come to the light of day beyond market rumors. It had even landed on regulators desk as flashing red alerts in January 2012 already. The very existence and role of ICE was a clue that had to be left in the shadow of the "London whale" marionette show.

ICE spying

The extracts have already been given. They will just be reminded here so that the reader better observes the reactions of the "investigations". Yet it matters to specify now 2 things about ICE, first the genesis of ICE, second how I heard of ICE within CIO.

First the genesis of ICE....

Back in 2005, regulators complained that the model driving the CDS market was flawed or at best too sophisticated to be mastered by all players. They had quite solid scientific grounds for that. They also inferred that the market depth was quite limited as a result. They were right as the subsequent financial crisis proved it in 2008. It started with the demise of the bank Bear Stearns that the regulators would trigger somewhat preemptively. They soon after made calls to Mr Dimon sometime in early March 2008 to sell Bear Stearns for a dime to Jp Morgan. The shareholders threatened to sue. Other phone calls between the regulators and Mr Dimon would ensue. The former CEO of Bear Stearns deposing under oath openly wished that a real investigation would be made on the events that had drowned Bear Stearns. Was it ever done? This is then by the way that Jp Morgan (at the explicit request of regulators since June 2008) will be "asked" to "price" the assets of Lehman Brothers as a global custodian for Lehman Brothers every day. JPMorgan next in August 2008 will call for an extra \$20 billion "margin call" plus some \$250 million on one recent trade of CIO that will be

the last straw forcing Lehman Brothers in bankruptcy. This series of margin calls demanded by Jp Morgan would appear to be quite overestimated soon after the bankruptcy filing. But it was too late already. The economic world was on its knees...

It could have been avoided. The defeasance structure of Lehman Brothers will show it as early as late 2009 and the bank Jp Morgan shall be sued by the shareholders of Lehman Brothers. I testified on the \$250 million "incident" in January 2014. Then I explained, based on documents proving my account, that it was the IB of Jp Morgan who had put a grossly fictitious price on this trade of CIO, overriding for many days our own estimate prices every single day, claiming wrongly the \$250 million to Lehman all along and never telling us the truth about what the IB here was actually doing. I will learn what had happened in September 2008 only in late 2013, in preparation for this testimony on the Lehman case....

One may doubt my story here as it goes against the official versions on the matter of Lehman Brothers. It remains- importantly so- that in June 2008 Jp Morgan had become the global custodian of Lehman brothers at the explicit "request" of the regulators in the US. I testify that this information comes from Ina Drew who explained the situation in London face to face to all the attendance at CIO London in early July 2008. She mentioned then, in July 2008, that "Jamie" had been "arms twisted" on this matter. Thus the regulators were watching closely all this, in particular the price uncertainty and the full control of the IB over the mark to market of CIO and this "tranche book". Did they know then in early September 2008 that the IB had overridden our own estimate price on this single trade with another price for days? Did they realize then that the IB would not even bother telling us the CIO guys of this \$250 million fictitious margin call generated by a no less fictitious price?

The regulators would at the least "notice" in 2008 that index CDS prices were quite uncertain anyway in handling the case of Lehman using Jp Morgan as a global custodian rather than simply trusting Lehman Brothers itself. That would put a hell of a mess around the world when they would decide to send Lehman Brothers in bankruptcy as per the custodian reports made by Jp Morgan... Jp Morgan should not be trusted... It echoed 1907...yes 1907.... The federal Reserve would be conceived on that premise in 1913....ICE would be born on that premise too sometime around 2009... The financial crisis was close to an Armageddon scenario as we know. The regulators in 2009 would require as a result that both "clearing levels" are determined independently from "consensus setters" like MarkIT or Totem, AND that reserves are determined more stringently. They would demand in 2009 that big banks all channel their index CDS trades through what is called a global "clearinghouse", ie a 3rd party stepping in between 2 initial market counterparties having traded in opposite ways together, so that this 3rd party would "clear" any disagreement on prices between the 2 trading parties in the future while the trade remained live. Had ICE existed in August-September 2008, the issue between Lehman and CIO on this trade would NEVER have occurred for example: ICE by mandate would have imposed its price to the IB, to the CIO and to Lehman Brothers... and the \$250 million extra margin call would never have occurred... thus Lehman Brothers would not have been forced to go bankrupt by such means.

I would soon after hear of ICE myself. In 2010 CIO was instructed to channel all its index trades through ICE, like the IB....And the IB would actually manage the trades of CIO through the clearing of ICE. Since then ICE "cleared" about 95% of every new trade of CIO, which covered actually 90% at least of the prices needed to "value" the "tranche book of CIO". Thus starting in 2010, the IB kept

controlling the mark to market of CIO but ICE was here to secure that the IB had the “right” price in place. Not all the instruments present in the book were cleared through ICE. But in practice, in 2012, 90% at least of the existing index trades of the “tranche book” of CIO were handled by the IB of Jp Morgan through the control of ICE. Thus ICE did produce reports and reconciliations on almost every single instrument of the “tranche book” of CIO. That concerned about 90% of the positions. Thus there was not a chance that a price difference could be unknown and even less unadjusted on the coming day, except in quite a marginal way for the 10% left. To be clear there could not be a \$600 million difference in prices given the presence of ICE, notwithstanding the fact that for the 10% left CIO was NOT in control anyway. The IG9 trades in particular were cleared through ICE. The 10% left were under the watch of the IB and were reconciled anyway. This reality above shows that the restatement of July 2012 was a fake and known as such by all the regulators on top of the bank itself of course....

Second, how I would hear of ICE in more details.....

I would learn in 2010 from my CIO London colleagues, notably Paul Bates (Middle-Back office) and Keith Stephan (risk control department) that the IB was adamantly pushing CIO staff to have all the trades booked and checked and reconciled in the night following their execution. The reason what that the IB had to report to regulators and ICE, on behalf of CIO, the day after that the trades had been “done” in the markets. The presence of ICE induced that should the IB be not diligent enough in processing the clearing of CIO trades through ICE, it would be blamed by the regulators who received regular reports from ICE on this clearing matter. To be sure “clearing” means “clearing any price difference between trading parties” while securing that the trades fed the banking system in T+1, ie “the day after” for CDS. It was clear that the “job” of CIO was to book the trades, agree with the counterparties on the terms and push the information through the centralized systems of the bank that were then under the management of the IB for the subsequent operations. Here the IB was responsible to push the trades of CIO through the clearing system of ICE on behalf of CIO. This meant in 2010, that Paul Bates would have to stay quite late at nights because there may have been booking errors, delayed confirmations from counterparties or else. That ALSO meant that Keith Stephan at “risk control” was also often times queried to investigate what was going on about this “tranche book” of CIO London, and especially why it was so difficult to close the bookings by the end of the day.

One obvious explanation that was seen by all, ie Middle, Back, IB collateral, ICE itself, was that there was NO closing time on this book. Thus in practice some trades arrived quite late in the night of London or even after the close of New York. These “late trades” were popping on the morning after in the systems, messing up the IB, Jp Morgan and ICE altogether..... This induced in 2011 that I had developed a quite simple spreadsheet that was shared between front-Office, Middle and risk on the internal network of Jp Morgan. Since there was no closing time, I endeavored to make the trading as transparent and “live” as possible. Thus as soon as we on the desk agreed on a Bloomberg chat that a trade was “done”, the characteristics were booked by us in the CIO system AND they were recorded on this tool that Back Office, Middle Office, risk control could access “live” as well. This tool was convenient in that it was simple. They all were thus instantly informed of what had been booked by us and they could therefore do their job at once. Thus any person in New York, or London could take over and check whether trades could cause an issue in the second after we had booked it ourselves.

This useful tool was a simple excel spreadsheet that was shared on a network directory accessible everywhere in the world 24/24. That solved the issue surrounding the absence of closing time while

the London support team had a family life to preserve. There are numerous documents showing how I used this spreadsheet along with all my colleagues so that the reconciliation process could be done in the very best conditions by Back-Office staff, by Middle Office staff, by risk control staff. And since the IB was processing "live" any trade that arrived on its system for "clearing" (ie setting the mark to market price for the day on this CIO trade) and "margin call" processing, and "collateral" processing, we observed some market players comment stating that the IB of Jp Morgan was front running CIO apparently at times. That was "noticed" almost as soon as my spreadsheet had found its utilization among Back Office staff, middle office staff and risk control staff to speed up the channeling of the trades to ICE via the IB of Jp Morgan.

At last in early April 2012, Keith Stephan in person will explain me, a little after the articles, that one problem for the bank and the regulators was that ICE had sent many alert reports to them both in January and February 2012 about the activity of the tranche book of CIO, highlighting "volumes" and "price discrepancies". This "discrepancy" had been lasting for months, dating back to 2011. ICE had also elevated the market share of CIO. CIO had a segregated account at ICE. It was not mixed with the IB. Still Jp Morgan as a whole was also monitored. CIO was huge. The IB was huge but going against CIO. Thus Jp Morgan was much, much smaller as a whole entity than any of its units. All was clear despite what all the future morphing stories of the bank and the authorities would allege....

So, as a way of conclusion, both the US regulators and the bank senior management, heard of "high trading volumes" and "sustained price discrepancies inside Jp Morgan" from ICE about this "tranche book" of CIO in January and February 2012 at least, ie 1 to 2 months before the very first articles of the "London whale" would be co-authored by Jp Morgan executives. The 2 precisions that I gave above explain how it was indeed quite "plausible" that Mr Dimon and all the regulators had been warned with flashing red lights way ahead of time starting in 2011. They then knew "too much" about the genuine cause for those alerts rather than "not enough". The 2 precisions on ICE also explain why I was NOT informed by my managers of this except by Mr Stephan who specified that I was NOT supposed to know that anyway....

Now here are the extracts in question:

FCA: "Can I just ask you about that phone conversation in which Ina and Javier were on the phone and there was the discussion about stopping trading? If I followed correctly your account previously, **your understanding from Javier was that he had, by then, discussed the concept of a liquidity reserve with Ina.** Is that right?" IKSIL: "That was my understanding, yes." FCA: "And that **Javier, by the 23rd of March, is seeking to know the size of that potential liquidity reserve** was your understanding?" IKSIL: "Yes, I mean, he has no choice. I tell him every day what this is." FCA: "Did you consider raising on the call with Ina, on the 23rd of March, the issue of the liquidity reserve?" IKSIL: "Sorry, what is your question, please?" FCA: "When you were on the phone with Ina and Javier in respect of trading on the book, did you raise with Ina the issue of the liquidity reserve that Javier had already told you he'd discussed with her?" IKSIL: "I didn't" FCA: "Can I ask why?" IKSIL: "Because I was not running the show, you know. **Ina was running the meeting, getting to the points she wanted to get at and that was the RWA increase. That's all that mattered.** We did not even speak of the losses on the book." FCA: "Okay. Thanks."

The FCA would NOT investigate the issue with ICE that was elevated right then “all the way up”, ie on March 23rd 2012 by Ashley Bacon while Ina Drew made her own commotion “all the way up” as well. The FCA would ignore this and instead manufacture its flawed “settlement” with the bank in September 2013. But as my SEC deposition showed, there was a lot more to learn from me...

Q: And down below on line xx over to yy you say, a little bit before: "so in fact, they started the year really, really long where we saw that they front ran us like pigs as usual for the occasion" And how did they front run you, and how did you find out that?...IKSIL: We found out through some anecdotes. We had-- we had to post our trades in the systems of JpMorgan, very, very quickly. As soon as we traded, we had to post them, and we had a big pressure because **the IB was centralizing all the, I would say the-- the operations downstream.** Once you have booked a trade, you still need to match with your counterparty, and in particular on the indices, and you had to-- **you had to agree finally on what was called ICE, which was a compensation chamber.** I'll spare the details. But **we had to book in the system and the IB was dealing, was managing all the--the records with regards to ICE or different contracts for tranches,** and what we were told by our market player at the time is that the IB would trade without knowing that we--what we had done. As soon as we had booked the trades in--in our systems, so we booked our trades, (*then*) the IB didn't know (*yet*).... but as soon as the IB saw that we had done this trade and then another **dealer would tell us that the IB of JpMorgan was front running us.** SO I made the connections and **I assume that this is because they would see all of our trades in ICE.** SO when it suited their own plans, they would front run us... Q: were the actions of the IB a factor in increasing **your mark to market losses?**...IKSIL: Well it's confusing your question. I don't know how to answer that. It's--there are many things that sound wrong to me....Q: What I'm trying to understand is whether or not the IB actions had an **impact on the p&l of the Core book?** (*the questioner moved from “your mark to market loss” that we did not know to “impact on the P&L of the Cord Book” that we knew... to make the switch the questioned had not needed me to clarify what had been “confusing” in his question...*) Other than what we talked about before the leak to the market, but in terms of their own trading actions...IKSIL: They--I mean you pointed to the fact that they increased our execution costs...Right...And **from my calculations, the execution costs were as big as 60 percent of the recorded gains in the former years. So that could literally ruin totally the activity of this book if they had front run us all the time.** So that was a pretty damaging threat. Now it didn't work all the time".

Whatever the “P&L of the Core book”, the “mark to market” was reported by the IB for this book stepping mandatorily through ICE... All that was done ultimately without us --at the CIO London trading desk- being told... As the original mandate for ICE required it as a global clearing house, ICE had to secure that every participant had posted in advance enough “initial collateral” so that if any player was to fail in a day when markets would move a lot, ICE itself would find enough money with the “initial collateral” posting that every participant had to post with ICE. That was crucial as ICE itself was notoriously undercapitalized to cover itself any failure of one major participant. Thus this account plus the 2 facts that I described before indicate that ICE did more than simply send alerting reports both to the bank senior management and to the regulators about “excess market share”, “huge outstanding positions” and “internal price discrepancies worth hundreds of \$ million”..... And this would be corroborated by my own reports and alerts that would go up to Ina Drew through Mr Achilles Macris himself a top executive who had the duty to inform the FCA in full. And as the ultimate settlement of the FCA vs Macris in February 2016 showed, Mr Macris elevated almost everything.....

What were the FCA and all the regulators being informed of “live” while ICE was warning them about the “tranche book of CIO” in early 2012? This is what the next part will show: lag-drift-loss...Could

they be puzzled, stunned or else by what they saw? Not so much: the markets were il-liquid and Jp Morgan had been battling with Jp Morgan since 2009. How comes?! This is what I consistently described in 2013 and 2016 : a fundamental price uncertainty, a fundamental model risk in the valuation process of CIO London on top of this, a internal conflict of interests at the bank and a lethal concentration/visibility risk to complete the picture. By January 31st 2012 I had provided figures showing an almost certain drawdown of about \$300 million to come soon, a daily uncertainty of \$100 million and \$700 million of unwind cost for just the first 25% of the book....

Lag-Drift-Loss

So besides all the misrepresentations that the bank will let entertain through the “London whale” myth, it has been shown so far that the regulators since 2006 were equipped with a complete toolkit themselves to actually see that this “tranche book” had quite a special valuation process among other things. They knew very well the following: CDS index markets were structurally il-liquid, especially the IG9 (see “VaR History.PDF” for more information on that matter). That structural lack of liquidity was nowhere limited to the sole IG9 index. That structural il-liquidity of CDS markets was the very reason of being for this “tranche book of CIO”. Its creation had been done at the specific requests of these same regulators back in 2005. They realized soon enough, ie in late 2007, that this “solution” would not work. Yet, precisely due to this structural il-liquidity that would only worsen on 2008 onwards, the book would not be allocated appropriate reserves while it notoriously could NOT be wound down in the markets.... The events of 2009 would carve that reality in stone for everyone to see.

The regulators had therefore monitored since 2010 a “split” that was projected for this “tranche book” whereby a big chunk would be collapsed/aggregated somehow along with some positions held at the IB of Jp Morgan. They were worried. Their supervision and subsequent approval was mandatory... They could not and would not miss it. In short this book was dead looking forward, “by 2011” as stated by Mr Dimon on September 2010...At last... That outcome was so consensual that it should have been achieved quietly and peacefully.... But the respective positions of the IB and of CIO were not matching perfectly. There was a massive basis risk that compounded with other basis risks that the bank carried since 1994... A reserve was missing. A big one... The subsequent mergers with Chase (1999) and BankOne (2004) had only made the problem bigger and more complex to solve. In few words, the bank had simply become too big to fail...

There was no such “excess capital”, ie no “excess intangible asset”, once this basis between CIO and the IB was recognized for what it was as per the accounting standards. The CIO and the IB chosen positions would have to be transferred to a dedicated “special vehicle” and let expire over time. There had to be one price for each of the positions to be transferred... And since the Enron scandal (2001), the price of each position would be determined by a third party, ie neither CIO nor the IB, nor the bank itself... And these prices were very uncertain either way... This “split project” therefore had called itself for reserves ie a loss that neither CIO, nor the IB, nor the bank, nor the regulators wanted to hear about. It had been missing already since 2007...

These reserves had indeed been missing since 2007 knowingly so, ie since “Jamie wants to declare victory towards the regulators”... As early as late 2007 they all wished the book could have disappeared from their radar screens when they would have to enforce the FAS 157 accounting standard. But it was impossible: the positions were NOT liquid. What an irony for a hedge against a liquidity crisis!

So, since 2008 as the advent of this “London whale” scandal testifies, they preferred to affect blindness, deafness, unawareness, trying to find a “trader guy” to take the fall for their repeated mistakes. They were aware of their “confidential impunity”. They would use it. But that “missing reserve” acted as a Damocles sword. The financial crisis of 2008 created a truce between Jp Morgan and the authorities. They knew that truce would be short-lived as the politics called for more intrusive regulations. That awareness induced a fight between CIO and the IB within Jp Morgan: “who” would catch the falling knife? Regulators remained on mute mode as much as they could, securing their “defense” by sending warnings in late 2010 that they would not enforce on the follow. That was just a pretence on their side. Still ICE would notice the fight like any other market player: that was “Jp Morgan Vs Jp Morgan”.

The regulators in late 2011 were told that the “tranche book” would be dismantled soon. But the already existing “mismarking” had to be attributed in a “credible” way: no one had ever heard of this missing reserve, ie of this book, right? There would have to be a “trader” who had tried to “minimize his losses amid a trading frenzy that no-one could have guessed”.... The bank had to generate a “lag in performance”, that would be engineered from a quiet “drift” that almost no one would uncover and therefore would induce a tragic loss that a “human being” would have been unable to report properly all the way up the chain command at one stage.... Such was the plan on January 1st 2012... It was not supposed to make the headline news on the front page. Rather it was expected to be “another trader did it!” in the 5th column of the 20th page in the “markets section”....

With that perspective in mind in the very first days of 2012 the IB quietly pushed the market prices so that the missing reserve would look like an “actual loss” at CIO, a big one loss. Mrs Drew had heard the tune sung by the IB in the past already. The plan was to push the blame on CIO. It had been the same song since 2009, that relied on one “trader fall guy” in particular. But it had not worked so well until then... They had chosen the fall guy in late 2008. And they had failed in 2009, in 2010 and in 2011 despite repeated efforts already. My communications had regularly “damaged” their plans. They had landed in the end of January 2012, being still on the hook because of my internal communications alerting on this “lag”, this “drift”, and the projected “big loss” that were all due to a “liquidity trap”.... The IB could not have manipulated the prices like this had the markets been liquid enough....My alerts here acted as a boomerang uncovering the real “traders” and the real mismarking. I was clear enough and “early enough”....This is when this “london whale” tale germinated within Jp Morgan....

This part will thus describe the alerts that I elevated on the trilogy “lag-drift-loss”. Not only I showed the loss, I announced the big loss and I explained that this was all due to il-liquid markets that were manipulated from within Jp Morgan “supposedly”. The alerts of mine stood out amid the “millions of documents” actually since I was the author and they were sending shockwaves across the whole management line of Jp Morgan. They were simple and straight. The Senators in September 2012, at their first read, would be puzzled by the fact that they themselves understood them so easily all at the first read.... All the bank representatives had pretended that my alerts had not been clear. That really was puzzling. They were untruthful as the Senators could clearly see by themselves. It thus turned out that all the “excuses” that Mr Dimon had used publicly like “I could not spot it”, “I could not stop it early enough”, or “maybe we were misinformed”... Were just other mischaracterizations of the CEO...

More, I was not elevating then some kind of “hidden and stunning truth”. The alerts echoed what I had reported since the fall of 2007, namely that the CDS markets lost liquidity every day, that CIO was

way too visible for the market already and that since March 2011 CIO could simply NOT exit by winding down its positions with its usual market counterparties. In 2012 I started elevating a new plague in the book: its key positions started underperforming day after day in a sneaky and manipulative way. It was just a question of "degree": it was getting worse again...

What was this plague? The markets were so il-liquid that they had become dysfunctional. The book did NOT perform as recent and former history suggested when one looked at the last 7 years. Yet the last 7 years had themselves been quite shaky and already burdened by il-liquidity. But it was getting even worse than that! There was a "lag" in the performance versus what had been projected back in June 2011, when Ina Drew had approved formally all the trades that she would order next to keep growing until she would be retired in May 2012. This lag could be spotted in the form of a "drift", namely that the forward spread investments of CIO were drifting away from where they should be versus just all its market peers. That smelled manipulation as the IG9 index was even drifting away against much less liquid indices that had a similar credit risk embedded in them. Of course this caused a loss that would happen to impact quite surgically all the positions of CIO specifically so in a remarkable synchronized way for a dead market. For "quiet" as it was, it was very visible and very well described in my alerts.

That phenomenon of "surgical losses everywhere" would take an even more blatant pattern after the meeting with Ashley Bacon dated March 12th 2012. Achilles Macris the week after or so would openly complain against the lack of "neutrality" of Ashley Bacon here. And Ina Drew would make her "very, very, very, very serious accusation" (Daniel Pinto then CEO of JP Morgan UK) "all the way up " (Javier Martin-Artajo). Jp Morgan was making a "mockery" of itself in the markets in full daylight, to paraphrase Mr Macris. I provided my account of that to the FCA in July 2013 and to the SEC in September 2016 quite consistently so.....This "lag", this "drift" and this projected "loss" were all indications of the missing reserves...That "missing reserve" is something that the UK regulator officially hinted at in November 2010 already. And since then it had enforced none of the rules that prevailed at the time. In 2012 the reserve was missing blatantly so through my communications. In early July 2013 the FCA had still not tried to do the right thing on the matter. Instead it had validated the fake restatement of Jp Morgan in August 2012. Thus the FCA had failed on its mandate in particular and therefore it had a strong and clear interest in diverting the meaning of what I described then in 2011 and in 2012....the UK regulator was not alone next in trying to do just that, ie distorting what was otherwise crystal clear in my answers under oath....

So let's start with the FCA....The UK regulator was NOT interested the least about what had caused my alerts and what my job had been in reality in 2011 and 2012. The UK regulator had NOT felt the need to know my role all along its "close and continuous supervision" of this "tranche book of CIO" between November 2010 and July 2012. The FCA still would NOT care to learn much about my real role in July 2013 as the extracts will show below.

The FCA -for example- only wanted to question me on what was an "actual" loss in my view- only my opinion- and what was not "actual".... Just as if we at CIO London were the ones to feed the bank with the "actual" loss according the accounting standards and firm policies (remember: we had NEVER been trained to learn the policies)... Just as if I had had a key role in producing the estimate P&L of CIO London (remember: I was usually not involved in the reported final estimate P&L figure)...Just as if some information had been missing, ie my personal opinion on that "actual loss" (remember: I testify

that still all the amounts had been elevated in due time. I am here truthful AND corroborated by FBI investigators)....All this list of pretences above sounded very much like the many excuses of Mr Dimon that he would make "in hindsight". The FCA therefore focused on the 20th March 2012 on this matter, totally ignoring the conditions that had presided to that alert of mine for that day. Of course the FCA did just that, ignoring the context that presided to this call...since the context proved that all the information was already communicated inside CIO "all the way up"... The FCA pretended otherwise.

The FCA had a premise indeed as the following extract will unveil: the "traders" at CIO had tried to conceal part of the loss that they were expected to report, full stop. The FCA has not a single proof, just a "premise" that it would NOT make clear. The FCA knew that the "millions of documents" would disprove this premise. Surely the FCA did not have "enough evidence" for its case... Thus the FCA had to manufacture a brand new record of me that would suit the premise/fiction and cast a doubt on the "millions of documents". In that "investigation" process the FCA simply ignored its years of "close and continuous" supervision, the March 6th 2012 orders and just all the facts mentioned above in the former paragraph. The focus of the FCA is on \$300 million all along the interview...not the \$660 million that the bank alleged in July 2012 and that the FCA "validated"....

-lawyer: "Perhaps if you also answer the question of whether that — what you're referring to there was called the distance, the \$300, \$400 million." IKSIL: "The \$300 that was more to me the change in the distance. That was a certain loss to me, you see?" FCA: "So earlier we talked about you had come back from holiday on 12th March. By the 15th March you felt that the distance was an actual loss?" IKSIL: "Yes. I mean, part of the distance was definitely an actual loss." FCA: "Can you put a figure on that in dollars?" IKSIL: "\$300 to \$400." FCA: "And where is that reflected in this document at tab yy?" IKSIL: "It's not." FCA: "Thank you. zzzz, did you have any other questions on this document?"

I was clear: that was an "actual" loss in my opinion. It could NOT be in the estimate P&L report as the FCA had established in this interview since we had been ordered by New York to remove it from the estimate P&L... And this is NOT because it was not elevated in this estimate P&L report that it had not been elevated through other means already. It had been elevated by Ina Drew herself, Achilles Macris and Mr Artajo "all the way up"! That elevation of Mrs Drew was plain visible in the "millions of documents". The FCA therefore just paints the record as it wants it since it does not specify that the "distance spreadsheet" and my own emails detailed this "certain loss of \$300 \$400 million" here. Next the FCA knowingly tries to create the confusion with my comment by mixing pears and apples....

FCA: "Did you have a question?" FCA: "Yes. You said that on 15th March, you'd noticed that Julien was outside the bid offer spread and you said you'd given him a notice about that. Was it a conversation? An email? How did you inform him about that?" IKSIL: "It's a conversation." FCA: "And was it conversation on the phone or a conversation face—to-face?" IKSIL: "Ah I don't — it wasn't face-to-face. It was either on the phone or on Bloomberg." FCA: "Okay, thank you." IKSIL: "I asked him -- I think it was on Bloomberg." FCA: "Okay." FCA: "And so on 20th March when a US\$40 million loss was shown, was the US\$40 million referable only to this divergence outside of the bid offer spread?" IKSIL: "Um it was caused by that. **Now, I don't know how Julien adjusted the prices but it was caused by the fact that the drift** kept being ignored in this estimate and kept being -- happening in the markets. So as a result Julien told me, "I cannot stay within the bid offer" and I said, "Okay, then you have to ratchet down the P&L and come back within the bid offer". Now how did he do that? I always understood that he stepped out on the main P&L driver, namely the IG9 10 year, the S9 10 year, but I don't know for sure where he saw it and what he did to adjust." FCA: "Okay." IKSIL: "But it's no surprise that it was a big number." FCA: " Why do you say it was not

surprising, sorry?" IKSIL: "Sorry?" FCA: "You said it was no surprise that it was a big number." IKSIL: "Well, because when he announced me that, you know, he said, "It's not possible" it meant that he had a big difference in terms of P&L but I asked him at the time, "Okay, put the loss, whatever it needs to be so that you remain within the bid offer" and that's it."

I would explain that after the incident of the 15th March 201, I had told Mr Artajo of this issue and on the 20th March 2012, I volunteered to make the comment as I wanted to alert once more and this time I communicated to Ina Drew directly through this estimate P&L comment.

FCA: "So can you just point me to the relevant sentence..." IKSIL: "Yes." FCA: "...in this commentary that indicates you communicating the amount of loss in the P&L predict?" IKSIL: "Yes. Do you allow me to start with the first paragraph?" FCA: **"Sure. If it's relevant."** IKSIL: **"Yes. It matters.** Because what I say is, "The roll period creates distortion" na na na na na. And here, I say, "The net result is a loss of US\$40 million and we must expect more to come until investors opt to a profit from the ongoing lag." Okay. So what I say is this loss, this US\$40 million, right, is the lag of performance of the IG9, not just the IG9. And then in the second paragraph that you're interested in, I'm saying, "The IG9 so far has lost between \$450 and \$500 million so far, the year-to-date. The i-Traxx s9 has lost between \$60 and \$80 million so far, year—to date." Yes, you do have a loss of \$100 million or so due to real default events on Kodak but you will see I will walk you through the number. And then I say, "And plus the lag of performance of High Yield 10, High Yield 11 forward investment spreads that amount to \$100 and \$200 million." So now I say, "The lag in P&L is material" right? That's already in the current estimate. Right? I'm not saying there is more -- it's not about the amount that is more to come. Right? I'm saying what's already in the estimate. And now if you want to know how I get to \$600, that's \$450 on IG9, \$60 on S9, and \$100 million on High Yield and the \$800 is \$500, \$80 and \$200. I just round the numbers, just to give, you know, a -- the bracket of what the loss is already in the current estimate. And I say "More to come". So it's not talking about the distance and the additional \$300 \$400 million that I asked Julien to communicate to Javier on the daily basis through the other spreadsheet." FCA: "And so, did you communicate — sorry, first of all, please clarify the \$300 and \$400 million figure. Is that the figure that was the difference that we were talking about earlier that was reflected on the spreadsheet?"

The FCA overrides me to pretend that the document is not super clear given the explanations that I give. Truly one needs to have read the document first to observe that bias in the FCA comments:

IKSIL: "Yes. The number that I told Javier should have ~~been~~ announced to Ina that there's this much to come in form of liquidity reserve." FCA: "And did you understand that Javier had communicated that figure to CIO management?" IKSIL: **"He told me, "Give me one week. I'm going to talk to Ina."** That's why I told Julien to update him daily so I understood that he had already communicated."

Mr Artajo sent Mrs Drew and Mr Macris his own alert on the losses that were to be budgeted by the end of March 2012. He had done it as he had told me. I had seen the email of Mr Artajo of March 23rd 2012, but only on the 26th March 2012 at the time...At the initiative of Mr Artajo, inviting me to see the email on HIS computer screen... I may not have ever seen it since Mr Artajo had not put me among his recipients then. He would forward it to me a bit later if my memory is right.... To be clear here, Mr Artajo had asked me to read it on his screen in his office first AFTER he had sent it already anyway...that was 3 days after sending it... Is there a better "tangible evidence" that the issues were elevated to Mrs Drew independently of me but as a consequence of my own communications?

Reading Mr Artajo's email to Mrs Drew and Mr Macris, I commented to him that I had given him higher figures. That email had been sent 2 weeks BEFORE the co-authored seminal and quite diverting "London whale" articles would go to press. There, 2 weeks earlier, Mr Artajo had announced to Mrs Drew a further loss for March 2012 month end that was to be added in the estimate P&L (itself projected to go up to \$150 million) in the form of a "provision/loss" going up to \$250 million if CIO collapsed with the IB at any point in time.. Thus Mr Artajo did clarify that another loss (than the one reported in the estimate P&L) had to be accounted for due to "if/when CIO would effectively agree to collapse its risks with the IB risks through Mr Ashley Bacon at the firm-wide level"...

These figures were NOT quite the same as mine as Mr Artajo conceded but the orders of magnitudes were there. I elevated \$500-600 million while Mr Artajo formulated a total of \$400 million. My figures and Mr Artajo's figures had been checked by risk controllers and Mrs Drew. That had been done independently from us. However the FCA shall NEVER put that document on the record during my interview. It is really bad because it proved that, yes, the amounts had been elevated indeed to Mrs Drew in due time. The figures differed which must have induced Mrs Drew to ask the risk controllers to produce their numbers on the matter. It also indicates what she would elevate herself at the same time "all the way up". What excuse could the FCA invoke here? "Mr Iksil was not recipient of this email", might have said the FCA. "He therefore could not know that communication of Mr Artajo and thus he has not run his own due diligence. So we at the FCA will charge him if only because, had he done his due diligence by checking the emails of his boss by breaking into his boss's computer, he then would have forced all his management line and ourselves to do their job and our own job... and there would therefore have been no "London whale" scandal"... That was the thesis of the FCA wasn't it? Well not quite... But such was the "premise" that the FCA likely had based my compelled interview on... The truth is that the FCA could not really expect me to break in my boss's computer. So the FCA shall have to find ways round this issue.... Still the FCA will have to "clarify" things and I will provide my account at last...In the communication of Mr Artajo, there was nothing unexpected at all since the 20th March 2012 I had again set Mrs Drew on red alert. In matter of "clarification" the FCA will try to distort my answer:

FCA: "Okay. If you could now turn to tab yy, which is the P&L predict email for 20th March 2012. The Bates number is [redacted]. So on this day, the following Tuesday, the 20th, you've shown a loss of US\$40 million on that day. So bearing in mind the conversation that we've just had, why was a loss of US\$40 million shown on that day?" IKSIL: "On that day Julien Grout told me late in the day, typically, "I cannot stay within the bid offer spreads" and I said, "Okay." That's the event we've been waiting since March 6th when we received the instruction. At least I've been waiting for that -- that you ignore, you ignore, you ignore. It's a small drift. But at the end of the day if you keep ignoring, you just can't stay within the bid offer spread." FCA:" So is it correct to say that previously when you have been ignoring the drift, the pricing, in your view, was -- or to the best of your knowledge the pricing was always within the bid offer spread?" IKSIL: "Yes. Hum, sorry. I noticed on the 15th that Julien was not applying prices on the IG9 10 year that was within the bid offer spreads." FCA: "On 15th March?" IKSIL: "15th, yes, and I made a notice to him and that — and I told him, like "That's not what you're expected to do." Even though you ignore manipulation, you cannot have say the IG9 10 year, 6 or 7 bps away from the mid because the bid offer is 2, 3 basis points." FCA: "And was that an instruction Javier had given you, that you should ignore the loss as long as you stay within the bid offer spread?" IKSIL: "No, the instruction from Javier was to ignore the manipulation and my..." FCA: "Sorry, ignore the manipulation or ignore the loss?" IKSIL: "Ignore the drift, right, which he considered to be a manipulation. I didn't disagree so much on that but I told Javier back on the Friday,

"If we keep ignoring this drift, we are going to have prices out of the bid offer quotes, which is nonsense". FCA: "And what did Javier say in response to that?" IKSIL: "He said, "No, no, no. Don't. Don't step out of the bid offer" but he said, "Don't worry, comes the roll day and all the prices and all the bid offers will come from to where you are."" (The next question should have been made around the line of what I knew for sure Mr Artajo had done. His email of March 23rd 2012 to Mrs Drew was quite illustrative. The freshly demoted Mr Artajo had to report my alerts to his bosses who had demoted him a month ago, namely Mrs Drew and Mr Macris. He was not mad Mr Artajo. It is clear and rather than question on the email of Mr Artajo mentioned before, the FCA shall try instead to blur the account that I provide...) FCA: "Yes. I just want to make sure I've understood what you're saying. It's in relation -- I think the phrase you used is, "This is showing that the loss is already in the estimate". Where you're talking about the lag in P&L being \$600 to \$800 million, are you saying that in your view, if the various positions continued to suffer from the same market performance that they were currently suffering from, there could be a worst case scenario of \$600 million more to come, or not?" **IKSIL: "No." FCA: "You're shaking your head. Okay.** In which case, please can you explain" IKSIL: "to me..." FCA: "Okay, sorry...again what you mean?" IKSIL: "I mentioned the lag in P&L. This is, in fact, the lag in performance of IG9, S9, High Yield, forward spreads, versus the market year-to-date. The forecast of more losses to come is in the first paragraph." FCA: "I understand. Thank you." IKSIL: "Here I'm contrasting, saying, "Look it's going to lose more and it's lost much, much more already in the estimate than what the year-to-date is showing". I want to contrast the year—to—date of \$275 say, versus the actual loss that the drift has already created in the estimate. And the purpose of this is to really tell CIO about the relevance of adding to this position that is big, that doesn't need much to recover. Imagine this lag is reversed because Javier says it's range bound. It's going to bring back \$600, \$800 million for \$275 year—to—date. So, you know, just coming back to normal, the P&L is going to be huge year—to—date. **What's the point to adding to this position? It's again to show that this loss does not really is not an opportunity to add at all. I just don't want CIO to consider that.**" FCA: "Okay, thank you."

"Okay thank you".... I reported since January 2012 that the loss was NOT an opportunity to add at all...This is my testimony. So was the account behind the trilogy 'Lag-drift-Loss'.... The FCA shall not investigate further, cross examine me more. Ignoring in all its future public statements the very "clarification" that the FCA had asked me to provide in July 2013. It will print its grossly flawed account in September 2013 indeed whereby it would allege that the "traders" had not disclosed the true extent of the loss to come and the associated risks. In doing so allegedly they wanted to perpetuate a sort of "successful system of theirs". It was a complete misrepresentation. Instead I tried all the possible forums to warn Mrs Drew in person of that absence of opportunity, of the dangers, of the predictable loss to come. And that had worked its way "all the way up" "very, very, very, very" seriously. One of the main danger was that it "Jp Morgan vs Jp Morgan"...That could not end well...

Of course the FCA shall never submit its coming public disclosure to my comments, against what the FSMA 2000 seemed to clearly stipulate. And using its flawed account the FCA will "settle" with Jp Morgan for a big fine, alleging that CIO trades "may have" caused pressures on prices. That was all wrong as the FCA had "clarified" with me 2-3 months before its public "settlement" with Jp Morgan...

The SEC deposition will dig further in order just to find a flaw in my account...The "lag-drift-loss" trilogy was clear however....as the many extracts below will show... In this cross-examination process, I happened to describe the entrails of what motivated the IB staff to participate to the leaks and fuel the subsequent market manipulation aiming at grossing up the losses of CIO positions. The hope maybe was that I had fantasized on my "explanation" for this "lag-drift-loss" trilogy. I indeed had

elevated that only the IB of Jp Morgan, with the express support of the top management of Jp Morgan, could target so surgically the positions of Jp Morgan. But I mostly saw external dealers pushing their prices sneakily. That could therefore be just a speculation on my part since I was the "marionette" of this "London whale" show...But sometimes speculations are right.

It turned out in my testimony that I had here invented nothing, or expressed anything that the management was not well aware of anyway...My senior management may have been biased itself in its assessment. This "lag-drift-loss" trilogy, being all fueled by the IB of Jp Morgan as per my senior management opinion, came from the bonus negotiations inside the bank....Thus all my alerts were spontaneously corroborated by events happening independently of my actions, within Jp Morgan, with crystal clear motivations: compensation packages for 2012:

IKSIL: what I understood is it's a calendar thing. The year of 2011 finished on the the 31st of December 2011., and at JpMorgan the bonus, I'll say that's not delivered, but you're being told of your compensation, say for the year 2011--you're being told what it will be around the 20th January of 2012. So all the discussion about the bonus from what I learned from Javier, at the top of the firm occurred in the last quarter of the year, like they--all those numbers were more or less decided in the fourth quarter of 2011. But in that--in the course of that quarter, what I'm saying is that the IB, I mean, the department of Guy America was down year to date in P&L or way under their budget targets, I don't know. And what Javier explained me was that Guy America negotiated with the bank to still get nice compensation in January 2012 to the condition that the start of the year 2012 was good. That's the agreement, because they were paid actually on--in--January 2012 based in theory on what they had done in 2011. That would not be good enough. But they would also be paid contingent on what it seems would actually realize at the start of the year.

All the issue for Guy America, the IB of Jp Morgan, and the whole bank Jp Morgan was centered around the "skew", ie the very uncertainty in price that was embedded in every CDS price. And this cornerstone for the bank and the IB altogether, ie the "skew" in general, was the "IG9 10 yr skew". That was NOT an issue as such for the "tranche book" of CIO since this book did NOT have "skew" risks. But, since the book hedged the bank against a crisis on "skew", the book had an indirect exposure to the evolution of this skew. It was not systematic of history was a guide actually. But in the very first 2 weeks of 2012, this indirect exposure showed up like a nose on the face. The reason was simple: the book had an unexpected reaction to the market rally. And so did the IG9 10yr skew so specifically. I quickly checked with CSFB, Deutsch Bank, Jp Morgan IB traders, Citigroup, Goldman Sachs, Société Générale. They all confirmed my stunning observation: the IG9 5yr skew and the IG9 7yr skew behaved as expected while the IG9 10yr did not!...

Thus I could detect rather fast that the manipulation was occurring on the "skew". I was wondering why the CIO positions seemed to be so specifically targeted then while the IG9 10yr skew theoretical prices moved in such a counterfactual way. I had only one possibility in mind for that. I had had indeed to exclude the specific liquidity of the iG9 10 yr versus other indices. I had had to exclude the scenario where a specific component may have induced this distortion on its own 10yr tenor. I had had to exclude any grouping among the market participants. Some rightly so said it was "stupid". Others like CSFB displayed a complacency towards their own IG9 10 yr skew exposures that was too obvious. Others would recognize that this was tied to the skew but in a market that did not trade the skew for want of liquidity. And my managers explained me the context of this imminent internal risk

collapse with the IB that Mrs Drew refused to start in fact. And this is why I could elevate the view that this "lag-drift-loss" was a manipulation of the dealers who had "IG9 10yr skew issues" in fact.

That alone should NOT have induced such a big "drift", such a big "lag" at CIO, and therefore such a big "loss" for CIO. The dealers acted in a concerted way where they both targeted specifically the "forwards spread investments" of Mrs Drew AND their IG9 10yr skew. That was visible when one "noticed" that the IG9 5yr skew and the IG9 7yr skew behaved normally or "better". The manipulators connected the 2 while they should not have done so. I inferred here that the dealers were teaming up with the IB of Jp Morgan because that was in their own interest. Mr Artajo was the first to suspect it in the first 2 weeks of January 2012.

My subsequent analysis and warnings would only corroborate this view. I would confirm Mr Artajo's scenario by the end of January 2012, advising to "take the pain", put this book in run-off, "avoid the fight". This was clear. The consequences on the performance were fully elevated as of March 16th 2012 by Mr Artajo to Mrs Drew, following another alert of mine. This would induce me to make the additional alert of March 20th 2012 that the FCA only pretended to investigate.... And this is the one alert that would spark the gesture of Ina Drew on March 23rd 2012 through a string of events that would lead her to "freak really!" (Irv Goldman Sic to Mr Artajo then)...

In the extract below I had proposed Mr Artajo to start asking firm quotes on the IG9 10yr skew. The idea was to force the dealers to recognize that they had artificially moved the IG9 10yr index price since the start of the year by asking to quote the bid-offer on the IG9 10yr skew. As a matter of fact not a single dealer in the market would accept to show us a bid-offer on which we could trade: there was no market on the IG9 10 skew while this skew had moved down from 20-25 Bps in early January 2012 in theory down to 8-12 Bps in Mid March 2012. For an index that itself traded around 150 bp alone, that was a lot for a change in 3 months time! The dealers all alleged that the single name CDS did not trade at all or so little that this is where they were unsure...And this was why none of them could show a tradable quote on the IG9 10yr even when I clarified that we were looking for an offer price. The index IG9 10yr itself was barely trading as well...All this will be elevated to Mr Keith Stephan. And Mr Stephan will soon after tell me that we could not put any skew trade since there was no NBIA for that... Ah, ah, the NBIA still was the reference...It had to be updated. That consideration was in the minds of all the managers and risk controllers at CIO...

Q: First of all, do you remember what you and he talked about in that first call at noon on the 16th?...IKSIL: On the 16th, the first call **we discussed a bit about this idea on the skew. Javier was interested.** He wanted to dig further on this idea. We discussed on an email that I had sent him about the divergence the day before where he wanted to know how much it was and I started telling him it was 300. We discussed about the -- the events that he expected to happen and I expected to happen around the roll. The roll date was the 20th of March. I mentioned to him that Julien was very close to the bid-offers, and Javier told me that we should stay within the bid-offers. And we discussed about putting the book in run-off mode, stop trading it...

IKSIL: And I told Javier more or less what the size of the long risk trade was required to put the book in run-off mode and in return Javier explained me that he could not do--he could not do anything before--before month end and he would come back to me. He was going to talk to New York and come back to me. That's my recollection for this call....Q: Okay. One of the things that you say in zzz exhibit zzz, the first email in the second, I guess, the second block of text, the one that begins "**As I mentioned yesterday**"...IKSIL: Yes...Q: You say "**the skew has barely changed**" Then you say "it

shows me a **puzzling obstination on dealer side to keep it like that** because this cannot be the result of a HF hold in the market on its own alone." Do you see that?...IKSIL: Yes...Q: HF is hedge fund?...IKSIL: Yes...Q: Does this have anything to do with the manipulation we've been discussing?...IKSIL: It has something to do...

Q: And what does it have to do with the manipulation we've been discussing?...IKSIL I guess it's my reference to the "puzzling obstination on dealer side" and my remark that this cannot be the result of some hedge fund holding the market, the whole market on its own. It's not possible. So there must be some manipulation in prices again by elimination of any other rational explanation....Q: Were you referring there when you said "this cannot be the result of a hedge fund holding the market on its own alone", were you communicating that the dealers must somehow be involved?...IKSIL: yes. It can't be a hedge fund alone like that holding the whole market. No, it's not possible...Q: Did you discuss that with Mr Artajo in the first call on the 16th?...IKSIL: What do you mean by "that"?...Q: I mean this comment that you make that the -- what you were observing cannot be the result of a hedge fund holding the market on its own alone and that the dealers must be involved...IKSIL: We discussed the dealers' involvement, yes...Q: Okay...

Then the SEC deposition would stop here on the matter. And I would be cross-examined on my elevations and communications, staying at the very surface of what I was describing, the focus being actually solely on my self-consistency, not on the matters that I pictured... As if I was a mad man, but I could not be proved insane....The details compounded into what looks a pretty telling story in fact:

IKSIL: I had a different view (*than Mr Artajo who seemed to have an optimistic view of the fate of this book in CIO*)...Q: And what was your view?... IKSIL: I was pessimistic. I reminded Javier that for the dealers to be able to do what they were doing here, either they were all acting together and therefore, to me they would still manage to keep some drift, some manipulated prices. And I said that truly on some non-critical positions for the book and CIO, what he expected would happen. But unfortunately, due to his knowledge and my knowledge that the IB was behind all this, the chance was much greater, actually, that we should see the IG9 and the S9 and the forward spread trade actually at the manipulated levels, not at the levels where we thought they should be. So I told him instead "I agree with you. all this--we need to crystallize the current situation because it will trade, but the result will be negative for us, not positive"...Q: So you felt that the dealers would be able to maintain their manipulation through the roll date?...IKSIL: For a very good reason...Q: And why did you think the dealers would be able to maintain their manipulation through the roll date? IKSIL: Because CIO was targeted and the leaks came from the IB of JpMorgan. So they didn't fear to be harmed on the roll date. They had no reason to side with CIO on this debate at all...Q: Did you feel like if the dealers stopped manipulating, if they stopped submitting their false quotes, **as you've previously described**, did you feel that the positions would--would not incur significant losses?...other Q": objection as to form...IKSIL: I'm --I'm--I'm uncomfortable when you say "submitting these false quotes". That's not what I said...Q: okay...IKSIL: **I said that they send us unreliable quotes...**(*If one says that something is "false" it is because one can verify it. In dead markets one cannot verify anything since almost nothing happens. The issue for me here is that "false quotes" induce that markets were checkable, ie "liquid" to some extent. In fact the markets were almost dead, therefore not "checkable", ie very il-liquid. There was no market for the IG9 10 yr. Thus my emphasis on "unreliable" versus "false" because we could not even check these runs with something else for want of activity in the markets overall*)....Q: Okay...IKSIL: So is it correct for you?...Q: With that change that's fine...IKSIL: Okay. Yes I believe that if they stopped sending those unreliable quotes in such a

concerted manner, yes, the loss would stop...Q: And am I correct that typically around the roll date, more participants would come into the market to trade?....

As to the alleged mismarking that the bank would print in July 2012, this very same mismarking on which all the regulators would "settle" confirming it was true in late 2013, that was actually clearly a gross misrepresentation. I testified under oath in New York in September 2016 after expressing the same account in June-July 2013 already. Indeed the price difference in \$ amount was elevated, reported in every detail by March 15th 2012. It was to be elevated to Ina Drew the 16th March 2012 by the freshly demoted Mr Artajo. He then clearly had no personal interest in withholding this information that came from me and Mr Grout. To be sure here, Mr Artajo with this demotion knew that he would be accused at the very first opportunity, and this spreadsheet was a golden one opportunity for Mr Macris and Mrs Drew to make him the "fall guy". Mr Artajo would not have taken such a mad risk:

Q: did you say "big loss on the S&P"?...IKSIL: No, the estimate P&L...Q: Okay. Why did you want Mr Grout to send your boss, Mr Martin-Artajo, the spreadsheet that day?...IKSIL: I wanted Julien to send that spreadsheet with the current dates because I was communicating myself to Javier that this distance had kept growing; and from Julien's account and my impression, there was a divergence, there was a drift for sure that had resumed, and that divergence amounted to 300 million, about 300 million. And I remember I had sent an email to Javier about that issue and I wanted Julien to, sort of, provide some numerical support to what I was saying "you don't put millions. Put figures, you see, just as you did on the-- you see what I mean?" Q: **Why after he said "you're sure about that?" in a fearful tone?** Did you tell him to be careful about the wording?...IKSIL: I told him that because my understanding was that he was fearful of Javier's reaction, doing something that Javier had not asked him to do. Because when Javier asked him to do things, he could not predict Javier's reactions. But I understood that **I was asking him to do something that Javier had not asked him to do**. And he was fearful of Javier's anger, whatever. So I said **"You just put the figures and I will explain Javier"**. And that's it....

IKSIL: That breakdown in bid-ask analysis is the update of the distance spreadsheet that's going to tell Javier how the distance has evolved, how it is distributed block by block, and if he wants to have more details here for the evolution of the distance, he can even have it instrument per instrument...Q: And was that something that Mr Artajo had asked you for?...IKSIL: After the-- we discussed on the 16th. I told him that **Julien** would send him this detail that **he had sent him already the day before**. And he said "okay send that to me"...Q: All right. My question is **you say here "the P&L breakdown and bid-ask analysis will come soon after". You say "Julien is on it"**. Are you referring to something that already existed or something you had been asked to prepare?...IKSIL: It was something that was in preparation for that day...

Mr Artajo was not mad indeed. He may have tried to silence my alert if I had been the only one making it. But Mr Grout was involved by me in that alert. And that mattered a lot for Mr Artajo who had instructed Mr Grout unbeknownst to me already. Mr Grout was fearful. Mr Grout may speak up. It had been noticed by the SEC and other external pairs of ears that Mr Grout had a fearful tone indeed. Why is that he was to be fearful IF, as I asked him to do and as HE told me he did, he had actually already sent it once to Mr Artajo actually? Mr Grout had in fact NOT done what he had told me he would do. Mr Grout was fearful to say the least because he knew that he was hiding things from me in NOT communicating important data to Mr Artajo against my many requests. Was Mr Artajo unaware himself? No. Mr Artajo had been told by me on the 15th March 2012 already. Thus Mr

Grout had other fears than having his boss Mr Artajo be “misinformed”. As of March 16th 2012 Mr Grout and Mr Artajo, even though they were setting me up here concealing what they were actually doing from my eyes and trying to push the blame on me, they would not withhold any longer the content of my own written alert. This is what the investigations will all uncover through the “millions of documents”.

No doubt Mr Grout and Mr Artajo should be charged just for that lie towards me. And Mr Artajo was already a fuse as Mr Macris had notified him with his demotion. Mr Artajo here knew that Mrs Drew would support Mr Macris. He knew that HR too would support Mr Macris. He could fear that Mr Grout would speak up more likely than not, seeing my repeated alerts. Thus Mr Artajo could not hope that Mr Grout would remain silent now that I had involved him by email to tell Mr Artajo of all the details of the distance.... Their setup against me was failing and Mr Grout was fearful. They knew they both were fuses for senior managers and HR here. And Mr Artajo was wary about Mr Grout's reactions looking forward as he knew well why Mr Grout should feel fearful... This setup deserves a little description.

The FCA shall have to question Mr Grout on the matter of “who was giving him his instructions” (see the July 9th 2013 interview of Mr Grout on the issue)... Mr Grout claimed in few words that I was his “mentor” and that he had always acted as per my “instructions”. His account was inconsistent with the evidence. Mr Grout would alter his story a first time. Mr Grout had actually much more to admit. I would discover an evidence of the duplicity of Mr Grout in early 2016 where he had actually been out of the bid-offers since the 13th March 2012 while he had always told me that he had started being “out” on the 15th March 2012. The reason for the duplicity of Mr Grout is crystal clear in hindsight. This request of mine on the 12th March 2012 had been going against what Mr Artajo had formerly ordered Mr Grout to do during the week when I was on holiday. That week was the one including the fatidic March 6th 2012 day.

Indeed Mr Artajo had instructed Mr Grout in early March 2012 to manufacture a mismarking that would be later attributed to me. Mr Grout was in the loop anyway and complicit of Mr Artajo. So, yes, Mr Grout from then on would be “fearful” of Mr Artajo's reactions and “concerned” all along by my alerts. And the bank, having all the evidence in hand in July 2012, shall fire me but not Mr Grout while finalizing the fake mismarking from the very top. Mr Grout shall leave Jp Morgan only towards the end of 2012, once Jp Morgan would be forced to disclose my slides and emails to the authorities.

In that order of Mr Artajo to Mr Grout to manufacture the future mismarking (starting around the 12th March 2012 for Mr Grout) the freshly demoted Mr Artajo himself was following orders from “New-York”. It remains unsure whether the decoy mismarking had been ordered to Mr Artajo himself by the 5th March or by the 9th March 2012 (a Friday), ie after the SAA meeting chaired by Mrs Drew. It was started up for sure on March 12th 2012 (a Monday)... But the fact remains that I would send an email to Mr Artajo warning him of the distance on the 15th March 2012, and telling Mr Artajo that Mr Grout had all the details on avail in a “document” that he was to send shortly... That one document is quite a piece of evidence in the middle of the other “millions of documents”. And Mr Grout would send that day of March 16th 2012 just a summary to Mr Artajo (I asked him to make all the details available). And while Mr Grout committed in front of me several times to send the spreadsheet to Mr Artajo every day next, he would NOT do that while telling me that he had done it.

Was I his boss/Mentor as he claimed or was I not his boss/Mentor? His own actions provided a crystal clear answer in that instance. It is only in early June 2012 that Mr Grout would confess voluntarily, with a pretty worried face, to me only- not any authority, that he had not done what he had promised me he would do at the time. I asked him why. And his response then was that Mr Artajo had asked him to focus on other things than that distance spreadsheet. I had asked nothing at the start although he wore a pretty dim face, unlike me. But Mr Grout went on then in June 2012....Mr Grout would tell me then that he had stopped updating the distance spreadsheet by the 20th March 2012, not telling me that he had stopped at the time before June 2012.

Instead, back in March 2012, as per my repeated requests, Mr Grout had been confirming to me that not only he did send the details but also that he updated Mr Artajo all along till the end of March 2012...Mr Grout knew he was lying to me on this "distance reporting" matter every single day in late March 2012. He had started lying to me obviously since the 13th March 2012, right after the meeting with Ashley Bacon. Here not only he was NOT sending the details but most of all he was generating an artificial price difference on the sole IG9 10yr index price with the markets...As if Mr Grout knew already what would fuel the future "London whale" scandal and the associated decoy mismarking...That active manufacturing of a mismarking happened 4 weeks ahead of the first publications... I would understand later that he had lied to me since the start of the year 2012 in fact...

That setup had started in the early days of 2012 indeed. So much evidence corroborated this story of mine above. The SEC deposition would secure that the issue with the drift had been elevated since early January 2012 and had been heavily worrisome for the top management of CIO in New York by the 30th January 2012 (remember the secret demotion of Mr Artajo as a result):

Q:referred to in this email as "the lag in the series forward spreads"?...IKSIL: Yes...Q: What did you discuss with Mr Martin-Artajo on that topic?...IKSIL: Well, I discussed many times the fact that the year to date loss that was snowballing **already in January 2012** was not due to, for example, to the bankruptcy of Kodak (20th January 2012), which was one of the high yield names I mentioned above. It was not due to the fact that we started the year with the book being slightly short risk while the market was rallying. Because those losses were rationally compensated, more than compensated by another position that made a lot of money (*called the "decompression trade"*). So I discussed with Javier a lot of times the fact that it was really the lag of performance--the lag in performance of the long risk exposure on the IG part...Q: Did he indicate in those discussions whether he understood what you were referring to when you talked about the lag in performance?

And it would be very quickly confirmed that I had spoken/written directly to Ina Drew on the follow:

...Q: Okay. And when was it that you spoke **with Ina Drew**, when was it that you spoke with Ina Drew about this drift prior to March 6th?...IKSIL: Okay. About the drift in particular, right?...Q: Yeah...IKSIL: **I remember the conference call on the 3rd of February**...Q: Okay any other time?...IKSIL: I have a vague recollection that in the **middle of February Ina Drew asked me to confirm that the loss actually came from the drift** rather than a recent event on-- on rescap, and i confirmed to her that the loss was not due to Rescap, suspected to file soon, but wasn't in--at the end of the day, that just the drift. That was just an email.

And this would have massive consequences in light of what was asked me during this SEC deposition. Indeed, I would explain how the instruction of March 6th 2012 – coming clearly from New-York and

Ina Drew in particular given the recent demotion of Mr Artajo- was sensible and obviously called for a reserve that was out of the reach of CIO-London anyway:

Q: Okay. And after March 6th, there were instances where the Front Office chose prices that were different from crude mids, right?...IKSIL: Right...Q: And before March 6th, the front office was operating under an instruction to ignore manipulation. Is that right? Going all the way back to March of 2007....IKSIL: Yes...Q: And after March 6th, the front office was under instruction to ignore manipulation in recording and choosing their marks, is that right?...IKSIL: Yes...Q: All right. So, what I need you to explain to me is **what is the difference between what was being done before March 6th and what you believe was done after March 6th**....IKSIL: Yes. What was different, the difference is that before March 6th (*ie in 2012, the interview is focusing on 2012*), even though we had this instruction since March 07 from Javier -repeated- to ignore the manipulations, applying judgment on that, we ended up regularly, almost daily, with a loss that, as to my judgment or the judgment of Julien independently so, was due to a residual manipulation of the dealers that we could not really catch except at the end of the day observing this, what I called this “drift”, this dealers' shenanigans, that kept on being reported in the estimate P&L since the start of 2012. That was a very peculiar manipulation that I explained Javier "we can't really do much about that because this is very slight, this is subtle" and Javier said "okay but these are manipulations, these are shenanigans, they should not be in the estimate P&L" and therefore this marginal drift that was, in my belief, intended by dealers, some dealers, that we are to report up until march 6th in the estimate P&L was removed after the March 6th. So that's just one manipulation that was escaping our judgment except that at the end of the day, we saw it in the estimate P&L and we knew at the time that that was a manipulation. But a very particular one. So that's the change. This particular one manipulation occurred starting in 2012, was removed from the estimate P&L through the March 6th order.

The SEC shall also investigate the very genesis of this distance spreadsheet that proved my transperence, one transperence that Mr Grout and Mr Artajo were instructed to conceal in a way that was unbeknownst to me since they were telling me otherwise in front of me. Here is my account, thus not what they did necessarily but what I believed they did at the time:

Q: Let me read back your testimony. "And I asked--"part of your testimony "And I asked Julien"--...”other Q”: No, that's what I object to is the part of the testimony...Q: Let me read back part of your testimony. "And I asked Julien to keep a record of the divergence he saw between the old method to assess the estimate P&L including the drift every day and the new method". What conversation are you referring to here?...IKSIL: It's a conversation we had between the end of the 12th of March and I think the course of the 13th of March where I asked him to build what we could call later the distance spreadsheet that was meant to measure the distance initially that separated us from the dealers that allowed us to monitor the disagreement, the ongoing disagreement, that we would have through the P&L estimates with the dealer's crude mids, as we called them. And from that distance spreadsheet, from a very granular analysis I asked Julien to perform, we could keep a record of the judgments that Julien would make, unfortunately alone, because I was not trading anymore. And that would operate from-- as a sort of sanity check so that he could remember day after day how he judged on this instrument or the other, and he could reconcile himself with the figures. And this distance spreadsheet I hope will have many other uses for CIO ...

Q: Did you have any conversations on the week of March 12 with Mr Martin-Artajo in which you discussed the fact that the distance was growing?...IKSIL: Yes. Sorry. Yes...Q: And what did you tell him?...IKSIL: I--I had a couple of conversations with him. The first one, I'm not sure whether it was at the end of March 12th or early in the morning of March 13th where I informed Javier that Julien had

ended up with a metric of 200 million that appeared to be only driven by price uncertainty and may be some framing. We both wondered whether the drift had resumed. I told him that I asked Julien to keep a record of this difference in every detail so that we could follow it. **Javier was keen to this idea.** And the day after, in the days after, I told Javier that this distance was growing, that maybe that was not some noise around the prices due to unreliability or illiquidity, that maybe the drift, that was starting again. And **then Javier wanted to know--to be updated every day** as to what we saw, Julien and myself. And as it got more certain to me that the drift had resumed, I started offering Javier some ideas as to how to report that. And that's when I proposed a one-off, a special estimate P&L report intra-day with a big number. One-off...Q: a one-off o-n-e, hyphen, o-f-f?...IKSIL: Yeah, o-f-f. A one-off in the P&L estimate out of the normal hours, just to flag that this came only from the drift. Then I--**he didn't want that. He said it would mess up the whole finance department. This was-- these were his words.** So I came back a bit later with the cushion column idea. And he didn't want us to do that. And so after a while I said, "well it keeps growing. It's here to stay". My belief was that this whole distance as it grew very steadily was a good proxy for the effect of the drift itself. And so we started discussing about the number being both uncertain and, I came to the suggestion that then it should be a liquidity reserve. And **Javier said "it's not your job". But he asked me to be posted...**Q: Now on March 15th or March 16th did you believe that the losses caused by the divergence, or the drift, were real losses that should be reported somewhere?...IKSIL: I thought they were real. They should be reported in some way. I understood it should not be in the estimate P&L as such under the normal day to day process. ... Q: And where did you get that understanding as of the week of March 12 that those losses shouldn't be in the estimate P&L?...IKSIL: Well, first there was the instruction from Javier on March 6th. And next there were many discussions where I tried to report it in the form of a one-off, like a scandalous intra-report that would like, raise the attention of everyone-- why would we send an extra report like that?--or the cushion column that was still in the estimate P&L report but separate from the normal process. And that was forbidden by Javier. So I came to the conclusion....Q: Okay. Now, sir, you've talked about a one-off, can you explain to us what you meant and what you told Javier about this one-off bit?...IKSIL: **What I meant was to say every day CIO, Ina Drew, all the Chiefs expected the daily estimate P&L report, not at a specific time in the day,** but somewhere between London close and New York close. And I wanted to flag, since the March 6th order, the fact that the drift had resumed through the P&L estimate report's usual channel, because I knew it would be read by everyone. And this one-off was really to say "you know what? We send a P&L estimate report that is not the usual one. It's a one-off. It's a big, round number, and that's the best we can do and say about this drift". So that this would still be maintaining some consistency between what the estimate P&L was before March 6th and what it was after March 6th, but in a way where the impact of the drift was flagged independently of the rest....Q: And did you explain that to Mr Martin-Artajo...IKSIL: Yes..."other Q": Objection to "that"...

IKSIL: And I thought that here it could be used again to flag the effect of the drift without disrupting the accuracy of the prices that we were supposed to communicate to CIO management day to day...Q: And when you say "to flag the effect of the drift", what was the effect of the drift at that point in time on March 15th or March 16th?...IKSIL: I thought it was a negative P&L impact of about 200-300 million and growing...Q: And who did you want to flag that negative P&L impact?...IKSIL: I wanted to--...Q: --to?...IKSIL: I wanted to flag that to **all the recipients of the P&L estimate report...**Q: Okay. Did you propose the one-off or the cushion or the liquidity reserve options to Mr Macris or Ms Drew?...IKSIL: No...Q: Why did you bring your proposals to Javier Martin-Artajo and not Mr Macris or Ms Drew?...IKSIL: Javier was my boss

Behind all this, I was the sole target for the bank AND for the subsequent "investigations". My colleagues would be officially accused but they were NOT the targets really as the coming extracts will show now. Another crucial question came up on the matter, highlighting once more that the investigations were NOT focusing on the defendant's action or on the ones who had instructed them to deceive me, but just on me as if I was the one decision-maker :

Q: why did you think it was appropriate to give him guidance about the P&L he was submitting without taking into account what you say was 150 to 200 million dollar discrepancy in the marking of the IG9 10 year?...IKSIL: On march 16 right?... Q: 15th when he could have withdrawn the P&L and corrected it and the 16th when by then you clearly knew about the 6 to 7 basis points difference?IKSIL: Okay. It's a complex question. Let me put in my words from what I understand of your question....Q: Sure...IKSIL: Given the March 6th instruction that I received from Javier that he asked me to transmit to Julien, which Julien knew anyway, this estimate P&L seemed correct under this new instruction that was sent by Javier. Yet there was this big divergence that we had received express instructions not to report in the estimate P&L that still had to be reported, in my view, in a way of form--...Q: in a what?...IKSIL: in some form. In some form.... So I had had discussions with Javier about that. And he had rejected my propositions. Still it had to be reported and it had to be reported properly and that's where, aside from the estimate P&L that was under the new instructions since the 6th of March, this divergence as such had to be reported correctly. And this debate I had with Julien the day before was about how to report it appropriately. And to me it seemed illogical to have a total divergence or distance of 300 million and 300 million or more of this divergence on the sole IG9 10 year. This meant to me that Julien was actually marking conservatively other positions and really I didn't see why. Only him could tell. Only him.....

Q: Just from your viewpoint...IKSIL: From my viewpoint, that I expressed to Javier, which he agreed with, what's wrong is we are price based on this estimate P&L process. So, you know, one thing or the other. If you decide to produce an estimate P&L based on prices, right, you have to use prices. If you start saying " well, they are so wrong, I'm going to ignore all of them". That's why I told Javier " you know, let's put zero P&L estimate until we decide anything on the book and let's not bother even looking at the market, that's pointless. If we start ignoring the prices, so that". And he says "no, no, of course don't do that. Use the bid offer, use the prices the best you can"....Q: The best you can?...IKSIL: Yeah. The problem is we are price based.

The SEC deposition like the FCA spontaneously would focus on the March 20th 2012 evidence as this is a damning sign that all was elevated to Ina Drew. In her later testimony, for her defense, Mrs Drew would alleged that- for once- she would NOT be opening a report that she had commanded in 2007 for her own use on daily basis...What a unique coincidence for a person who would call Mr Artajo in the middle of the night ANY DAY when the P&L was larger than \$5 million be that a gain or a loss. Here on the 20th March 2012 she read the email-subject mentioning \$43 million without having to "open" the email itself and read in full. And she would do nothing on the follow...? Like "click" on the email box on the subject line "\$43 million loss ie the biggest loss by far in a record of 7 years"... Really?! No, she would not "click" but she started "freaking"... really... The evidence on that "hands on" attitude of Mrs Drew does exist since September 2007 where CFO then was also demanding to be a recipient of this daily report.

IKSIL: At one point in time Julien told me that it was not possible for him to stay within the bid-offers. And so I told him "okay. You ratchet the P&L. You come back within the bid-offer." Then he asked me "Do I come back to the mids?". I said "no, no, no. You keep ignoring the drift, but still you--

we've got to stay within the bid-offer. So what you do is you ratchet. You come back in the bid-offer. You change the prices that you think have moved most that day. and you record the loss, whatever it is."...Q: Did you have a view on March 20 2012, as to whether the March 6th instruction was still applicable?...IKSIL: What do you mean by "applicable"?...Q: Still applied..."other Q": Object to the form...IKSIL: It was still applied...Q: Okay and you use the word "ratchet". What do you mean by that? IKSIL: That's my understanding of this word, that is you-- you create and offset. When I say "ratchet" the P&L, you create an offset in the P&L, a sort of break, where you actually change the baseline of the estimate P&L all of a sudden by a very significant amount. And in that case that's a loss...Q: Who drafted--well, why don't you look at the P&L commentary. Do you know who wrote that P&L commentary?...IKSIL: Yes...Q: Who did?...IKSIL: Me...Q: Why did you draft the commentary that day?...IKSIL: I wanted to flag to all the management at CIO, especially Ina Drew, the problems that the book was going through, in particular the fact that--the fact that we could not really avoid showing part of the drift in the estimate P&L report. And that there was more to come. I wanted to flag also that if CIO considered to increase further the positions - because they thought that the loss on the drift was only 275 million-, and that was a big number already,- they had better think twice. Because actually the positions they wanted to increase as per Javier Martin-Artajo account, had already lost year-to-date between 600 and 800 million. So I wanted to flag that, that first CIO was sitting already on a huge loss on this position. And they had to expect more loss to come in the near future on those positions. **And I strongly hoped that Ina Drew would read this comment and react**...Q: Now prior to Mr Grout sending out this P&L report showing a loss of approximately \$40 million, did you try to contact your supervisor Mr Martin-Artajo?...IKSIL: Yes...Q: Why did you try to contact him?...IKSIL: That was our process, as Javier wanted it, that whenever that was a big P&L, whether positive or negative, we had to let Javier know first so that he decided what to do. Q: Why did you leave a voicemail for Mr Martin-Artajo telling him that, "we would show a loss of 40 million core and 3 million in tactical, and I wanted to know if that was ok with you?"....IKSIL: Well because I could not get hold of him on the phone. So I hoped that he would hear this message and call me back...Q: And you say **"I'm going to send you an SMS to get your approval."** Why did you want to get Mr Martin-Artajo's approval?...IKSIL: **Because that was the process in such a situation**...Q: And do you see that after introducing yourself as "It's Bruno", you say "again, you know, we can't try to be close to the market prices"?...IKSIL: Yes...Q: Why did you say "again"?...IKSIL: Because we had had the discussions already, on the 15th, on the 16th, on the 19th. And that day was the roll day. And we had discussed on his expectations that things would come back to normal and my more pessimistic expectations. So I say "again" because that was a sort of D-day...Q: Okay..."other Q": I just want to clarify for the record whether the witness said "whole day" or "roll day"...IKSIL: Roll day R-O-L-L...Q: Okay. And do you see that at -- towards the end of this voice mail, you told Mr Martin-Artajo, "I think we should--we should start--start showing it"?...IKSIL: Yes...Q: What did you mean-- what was the "it" there when you say "we should start showing it"?...Q: The effect of the drift, part of the--part of the effect of the drift...Q: Showing it where?...IKSIL: in the estimate P&L...Q: At the time you left this voice mail, did you believe that Mr Martin-Artajo would know what you were referring to when you said "we should start showing it"?...IKSIL: Yes

Mrs Drew was scrutinizing every day the estimate P&L report in New York. And since the start of the year 2012 she quite often was calling Mr Artajo "in the middle of the night" about that report whenever it showed a P&L larger than \$5 million (the very words of Mr Artajo to me).

There was more to see on the duplicity of my colleagues and the one of Mrs Drew. Unlike me, Mr Grout was anxious towards the end of March 2012. I was relieved instead... I certainly had been upset by Mr Artajo crazy optimism by March 16th 2012, especially after he made me understand that all this

“RWA reduction campaign for Jamie” had been a complete setup meant to have me trade, and trade, and trade on and on in illiquid markets knowingly so on the part of my managers. But I was relieved when I learnt on the 21st March 2012 that the book was soon to be “externalized”. Also I was sad because the “tranche book” was dead now. At the same time I was puzzled by this standing reluctance of Jp Morgan to carry a strategic tail hedge. It had been the case since the fall of 2007 actually. But all in all I was relieved since I had elevated all the matters and my managers finally gave up on what I thought was just their internal ego fights.

Mr Artajo had finally shown me a tangible proof that all was elevated to Ina Drew by the 23rd March 2012. This would be confirmed in the 26th March 2012 with an email of Mr Artajo to Ina Drew highlighting this \$300 million difference (mentioned above) and with Mr Macris chairing a daily “post mortem” meeting for this book. The autopsy could start... I was not chosen by Mr Macris to be a participant of these “post mortem” meetings that were focusing only on this “tranche book”. The CIO was in “crisis mod” dixit Mr Macris. That was not my place. I was simply not needed, right? But Mr Artajo was there, Mr Keith Stephan was there and others at CFO and business management attended. That was the book of CIO senior management, not mine in any respect. Thus this anxiety of Mr Grout was surprising. Yet that anxiety of March 30th 2012 that only corroborated the noticeable “fearful tone” of Mr Grout on March 16th 2012 was also to be “noticed” through the SEC deposition:

Q: Sir, so what was Mr Grout's demeanor during that discussion?...IKSIL: I want to be sure I understand what "demeanor" means. ..Q: Yeah. What did he appear like? What did he...IKSIL: He looked a little bit anxious. I had the impression he felt uncomfortable with the idea of announcing this big loss with this big change in the estimate P&L. and maybe he feared Javier's reaction. He told me that he felt unsecure with the idea of being the guy who would send this big loss while the process had changed, that the book was dying. So there were so many question marks, so many changes that he wanted to--to not feel alone in sending this big loss at the end of the month..."other Q": Object and move to strike as nonresponsive to what he appeared like...Q: Now--...IKSIL: So he felt anxious...Q: And what did he say?...

Q: What did he say to you that gave you the impression that he was anxious?...IKSIL: What he did say to me was that there were many things changing at the same time. There was this big loss, this big stress, because the book was in post-mortem mode. It was dead. It had been elevated all the way up in the firm, which involved big chiefs. And Julien did not want to have the impression he was sending this estimate P&L loss like that all alone as per his decision...Q: Okay. And did he discuss the fact that the process had changed with the P&L..."other Q": Objection. Vague...IKSIL: You're talking about this in the same conversation where he appeared anxious?...Q: yes...IKSIL: He mentioned that there had been many changes. I don't remember he specified the process change as such of the estimate P&L.

Yes Mr Grout was anxious despite the fact that I had ensured that all had been elevated above his head “all the way up”. He was anxious despite the fact that Mrs Drew had raised the matters “all the way up”, despite the fact that the autopsy of the book had started a week ago already, despite the fact that the whole CIO was actually in “crisis mode”, despite the fact that “New York” was selling assets to balance the projected total loss. Mr Grout knew better than me on all that, didn't he? Mr Macris had declared the “crisis mode” since March 23rd 2012. Ina Drew had elevated all the issues all the way up. Her accusations were “very, very, very, very serious”. Ashley Bacon had elevated a key problem with ICE and that was ALSO a problem for the IB to solve about this “tranche book” of CIO.

All was known in fine details and discussed “all the way up” the chain.... But Mr Grout was lying to me every day since March 13th 2012 about his standing within the bid-offers in IG9 10yr specifically so. And Mr Grout had also been lying to me every day since March 16th on his continuing the communication and the maintenance of the distance spreadsheet. Yes Mr Grout had a rational ground for being anxious. HE was NOT doing the right thing on his part. Maybe his anxiety was precisely that I had elevated all this change while he was NOT doing what he had told me he would do... as per the secret instructions of Mr Artajo...who himself relayed orders from New York...“New York” here was NOT CIO New York but Jp Morgan New York. There is a clue indicating that actually in a email that Mr Artajo had forwarded me on March 6th 2012 that showed firm-wide RWA figures. That could not be managed by CIO New York.....

These instructions were a secret only for me if one remembers that Jp Morgan will NOT fire Mr Grout in July 2012. Had Mr Artajo only followed orders from “CIO New York”, given the blame that was put on “CIO only”, Mr Grout would have been fired in July 2012. But Mr Grout will stay with CIO until the end of 2012. Mr Grout will NOT be fired actually. He will opt to leave Jp Morgan.

Yet Mr Grout had actively contributed to the mismarking both the real one and the fake one in March 2012, doing that in my back and acting against my alerts. Indeed Mr Grout had committed towards me that he would send the details of the distance spreadsheet **but he had not done that**. He had committed to remain within the bid-offer. He had violated his own self-defined rule here. That alone was a “books and records” violation. And, each time I would ask him “did you update Javier?” He would say “yes”. The fact is that, unbeknownst to me, he had stopped processing the updates by the 19th March 2012 without letting me know that.

Next I would make the comment on March 20th 2012. The bank would cover him up in full in July 2012. However, that would not be enough to make me fall. Even though I did not know everything by far, I would make Mr Grout write that I was done executing the instructions of Ina Drew by the 22nd March 2012. Then Ina Drew would “freak really!” as per Irv Goldman confessed to Mr Artajo in an email. Mr Goldman had not put me among his recipients on the matter. Mr Artajo, the freshly demoted executive, would call me in his office specifically in order to have me read this email of Mr Goldman. Noticing my surprise he would laugh in a sardonic way...Mr Artajo would only comment saying it is going all the way up” with a smile.

Later that day of March 22nd 2012 Mrs Drew would pretend being “unaware” of the most recent trades that yet she had ordered the week before. This pretence would puzzle Mr Stephan who had updated every day his own managers sitting IN New York. Mr Stephan did not “get” why they pretending ignoring his own daily reports about these brand new trades, so that Mrs Drew could be updated as well.... There were HER trades.... Mrs Drew was pretending already by March 22nd 2012.

But she would utter her “very, very, very, very serious accusations” “all the way up” still against the IB of Mr Pinto, the CEO of JP Morgan UK. And on March 26th 2012 Mr Macris, stating the “crisis mode” at CIO, would chair “post mortem” daily meetings on this book where I was NOT invited, and not needed for sure. So yes, Mr Grout was anxious by March 30th 2012, and although he asked me to “approve” his estimate P&L for the first time in 2 years, he would also ask Mr Artajo to “approve” him. That was quite peculiar, unusual and actually useless in theory....Wasn’t I the “man in charge”? if “yes”, Mr Grout did not even need my approval. The Answer as per the very choices of Mr Grout was: “No, I was neither Mr Grout’s manager in Mr Grout’s eyes. And I was not the man in charge anyway”.

His request to have Mr Artajo “approve” as well was in theory “not needed”. Why ask me to validate him then since Mr Artajo surely superseded me anyway? Answer: Mr Grout had a concern related to his ongoing lies towards me. He followed Mr Artajo instructions BUT did not trust his boss actually. Mr Grout on paper, as the bank would pretend in July 2012, had nothing to fear, hadn’t he? Unless Mr Grout was aware that he was participating in a mismarking that was all being manufactured already, ie way before the articles, so that it would be put on my shoulders. Given my own communications, Mr Grout had had then many reasons to be “anxious” and he was not the only one in this situation...Thus Mr Grout had just hoped he was hedging his bets here.

The SEC deposition, like the FCA interview of July 2013, showed that indeed a mismarking was visible and another fake one was under construction sometimes since March 6th 2012. One should know that, as per the Sarbanes-Oxley laws of 2003, a change in the valuation process of CIO should have prompted a update on the NBIA of 2006. A trade on the IG9 skew required ALSO a change in the NBIA of 2006. Thus there was a will to knowingly NOT update the NBIA here at CIO. Yet that update was mandatory irrespective of whether this estimate P&L process was “mark to market” or not. That estimate P&L was changed and it was one recognized step in the overall valuation process. As such the March 6th order required an update of the NBIA. That would NOT be done although the freshly demoted Mr Artajo knew it quite well, as much as Mr Macris and Mrs Drew did know it as well.... That was the complete responsibility of CIO management which I was not part of despite my chocolate medal MD promotion of late 2010...The NBIA was a document made FOR the use of regulators. .And not a single regulator would blame anyone for this later on...Not a single “investigation” will try to document that the March 6th orders should have induced a change in the NBIA. That was a gross “books and records” violation....Instead, all the “investigations” will try in vain to show that Mr Artajo did that March 6th order on his own mind, alone....They will drop it in August 2017 altogether....based upon my testimony that they would have to judge truthful....and was corroborated by “millions of documents” and market experts as per the FBI methods....

Mismarking

At this stage the knowledge base of the regulators has been shown. Yes the bank did NOT update the NBIA as it should have over the years. That is a lasting “books and records” violation as such. It plays as sort of Ariane’s thread since 2006 that shows the close connection of the watchdogs to the genuine mismarking. This one lasts since 2007, is massive and bears of liquidity reserves.

As the US Senate report pointed out the “post implementation review” of the NBIA in 2008 had not been performed at all. The book then was not dead yet. It was there and huge. It had been started up based upon this NBIA in 2006. The review had to be completed and it was not. That already was a violation of the “books and records” done by the firm about this “strategic hedging book of CIO”. That violation had occurred by mid May 2008 ie 6 months after the internal auditors report of November 2007 was at odds with the November 2007 firm policy that had just integrated the FAS 157 accounting standard...That was all about “hedge efficiency” measurement.

Then the regulators had at least been told of this “strategic hedging initiative of CIO” in 2006. They been told of the change implemented on this book for the FAS 157 (there is an SEC letter of Jp Morgan at that time that can be found on EDGAR on this matter). They had also been reading the internal auditors report of November 2007. They were involved and aware enough as the US law wanted it since ENRON. And the regulators should have done their job, ie enquiring upon the “post

implementation review” at least and reserves. They did not perform their duty....This is how they could allege that they had not known everything in the following years, ie 2009-2010-2011-2012. They would have to miss additional golden opportunities however...independently from my own communications...

In 2009 they had to monitor the bank that had had to change its firm-wide VaR report so that to include the Var of this “tranche book of CIO” next to the one of the IB in a page that was devoted to the IB in fact. They could have wondered why this book had such a big VaR. Had they simply been investigating the cause for the reporting change above, they would have secured that the VaR was based on “revenue” as the annual reports of the bank certified. Then they would have realized that the VaR, based on revenue, was computed at a firm-wide level and only next was being attributed to each unit inside the firm. Then they would have secured that this “revenue” could only be based upon one single price for every instrument entering in the computation of the VaR.

Actually they did verify all that if only to prevent the creation of a typical Ponzi scheme inside Jp Morgan. Had it not been the case, they could have fined the bank for another massive “books and record” violation. Indeed IF (this is a big IF) the bank had not been using one price per one instrument across the firm, then its 10-Q and annual reports had been misleading the markets when they stated that VaR was based on” R-E-V-E-N-U-E”. This misrepresentation here on VaR and “revenue” would also have induced an investigation as to whether Jp Morgan was not another Ponzi Scheme in fact. That would have been a serious matter.

But, had they investigated, they would have discovered that there was no such risk. They would have also secured that CIO did not control its mark to market for that string of reasons “VaR-Revenue-Ponzi scheme risk”.... And therefore the authorities should not have endorsed the restatement of July 2012... and therefore their case should always have been quite different in 2013 and onwards...But they did not check that Var reporting change of Jp Morgan in 2009, did they?...I testify on the opposite in fact: they did investigate and check all these matters before 2009 already. I indeed testify that in 2007, in 2008, in 2009 Mr Artajo mentioned to me meetings with regulators who “asked a lot of questions about this book”....So it must be that they had asked the wrong questions...but only then, in 2009...Because in the following year they did ask (again?) the right questions....

In 2010, for whatever reason most of them worried about this “tranche book of CIO”. They spoke of “concentration”, “correlation”, “mark to market”, “valuation process”... A coincidence... The FCA met several times, asked a lot of questions and ended up being highly concerned. On November 2010 the FCA sent a warning letter targeting the CIO and its “correlation book”: the latter was the “tranche book”. The UK regulator demanded in the future to run “close and continuous supervision”. It had had several meetings in 2010 already. It would meet several times more onwards in 2011 with risk controllers like Mr Stephan, with managers like Mr Macris and Mr Artajo. It would not meet with me or even consider it however.

During the fourth quarter of 2010, the Federal Reserve opted to run not one but 2 deeper investigations on CIO. One was “transversal” and the other targeted the way risks were being managed in the unit (see OIG report 2014 on the non-redacted parts- this is not a long reading). In December 2010 the OCC sent an MRA – standing for “Matter Requiring Attention”- about CIO targeting the valuation process in relation to mark to market positions. The “tranche book” represented about 90% of all the “mark to market” positions at CIO and weighed 40% of the firm in

VaR terms as regulators knew since 2009 anyway through the 10-Q reports. But once again, although they were officially worried and targeted the “mark to market” risks of CIO (90% of which were in this “tranche book), they did not have the right questions to ask. It must have been the case... Otherwise they would not have supported the restatement of July 2012 and they would have pursued a very different thesis since 2013...But in 2011 they did have to ask the questions (once again)...

In 2011 indeed, while the regulators were highly concerned they received reports that could only heighten their worries about this book in particular. Jamie Dimon had launched his share buybacks. He had openly criticized the train of reforms and the regulators mandates themselves. The bank sent misleading reports about this book causing a massive violation of the stress test limits for CIO. That was in February and March 2011. The Federal Reserve itself during the spring of 2011 met a significant failure when it tried to wind down some positions of Maiden Lane, a fund in which Jp Morgan was closely involved too. The cause of the failure was: il-liquidity in credit markets. As the firm 10-Q reports testify, the regulators were questioning the bank on its actual “excess liquidity reserves”, ie the very amount that the bank gave mostly to CIO for “wise investments”. That “tranche book” was the hedge for these “wise investments”.

Thus the Fed in 2011 had all the leisure and the need to review the reserves with bank all the more so as, since June 2010, the regulators had all been informed that the bank had instituted an “off the run” rule to assess the liquidity reserves attributed to CDS credit indices like the IG9. They had noticed however that the bank had NOT applied the corresponding reserve to the IG9 indices strangely enough. And still the regulators had imposed to “credit hybrids” at the IB to take reserves on the skew, in particular on the IG9 skew.

Thus they certainly had not asked the right questions so far, but they were involved in the right matter anyway by July 2011 ALREADY. More the regulators were the ones who would impose to the bank and its CIO a review of the limits of the unit, noticing that it should have been done a year ago as prescribed by the firm policy anyway (see the US Senate report). By the end of 2011, the same regulators were asked to approve the RWA-Basel III model of Jp Morgan where this “tranche book of CIO” showed up in the figure like a monster. The RWA scenarios for some predicted a potential loss of more than \$5 billion already for this book alone. And they were told that the book would be “dismantled” in December 2011. Right after that the Federal Reserve, in straight connection to its CCAR supervision, asked for an estimate of the “wind down costs” for this “tranche book of CIO” specifically. The regulators would learn that for year end, the firm ran 2 valuations for this book and the CIO altered its CIO-VCG control introducing “tolerance bands” on prices. That mandated a reserve that the contemporaneous internal audit report recommended. The firm-wide CFO was to launch an “action plan” for the early days of 2012.....

Thus, since 2007, the regulators did not miss any information to enforce this liquidity reserve... even if they had never asked the right questions... They saw the reserve was required at the bank in straight relation to this “tranche book of CIO”. Were the regulators “misled” or misinformed by the bank, preventing them from doing properly the job that they were actually performing so badly?

The following extracts will show that the genuine mismarking was visible as per the “regulators’ optics” to borrow Mr Ashley Bacon’s or Mrs Ina Drew’s language. To be sure, they just stated at regular intervals that their own actions or instruction were driven by the “regulators’ optics”. Of course the investigation teams shall look at what they had under their eyes in 2013. These “optics”

were quite visible themselves. They knew from the start that the official mismarking was just a decoy, ie the one decoy mismarking that the bank claimed publicly in July 2012 and that all the authorities endorsed knowingly so as if it was genuine. As a matter of fact they only tried to support the fake mismarking on the public stage and leave the real mismarking in the shadow of the “London whale” diverting myth. I was an embarrassing witness in that context.

Truly I was a “central” obstacle to the mere credibility of this “London Whale” tale. They had to discredit my future answers. But as they were digging only for an inconsistency in my testimony, the regulators top chiefs actually were uncovering their own direct responsibility in the genuine mismarking. It knowingly had lasted since 2007 and it had commanded that this “Core credit book” disappeared from their “radar screens” since then.... That was a drama in the making since 2008. This is what the following extracts will show, namely how their investigation focusing on their own smoking mirrors uncovered the genuine mismarking on reserves that was associated with this book since 2007 through the FAS157 rule and SOX “spirit” via the NBIA of 2006. However, since “that was not my job” to participate in “reserve determination”, and since the real mismarking was on reserve determination, my answers were often less revealing than the absence of surprise on the questioner’s side.

Better to start with the FCA that had commanded a “close and continuous supervision” on this “Core Credit Book” of CIO since November 2010. This meant that the FCA wanted to know “everything that mattered”. I was clearly not “anything” or “anybody” that mattered for the UK regulator. Although my name as one “key person on this book”, my compensation and my new MD title was known to them, the FCA would never try to talk to me BEFORE the fake mismarking would be made public in July 2012. Thereafter the UK regulator had to put me in a role – hopefully through my compelled interview- that it knew from the start never was mine. The “millions of documents” would be an issue. My compelled interview would underline the manipulation of facts that the “UK investigation” would be engineering. Truly they had not “enough evidence” to support their future morphing stories....

The following extracts are a bit long but they are useful in that they describe the issue for the FCA in full. None of what I said was new to the UK regulator. Remember that between 2010 and July 2012 the FCA had never tried to meet with me...They had not needed either my opinion, or my understanding, or my belief, or my thoughts, or my explanations, or my description all these many years....Until 2012, when after June 2012, the FCA had suddenly a “compelling reason” to have me talk on the record based upon falsified evidence. The FCA thus in July 2013, after a long preparation, had to create a new fiction on the record out of my compelled interview, rather than try to challenge me or cross-examine me in depth. T

The main trick employed by the FCA occurred towards the end of the compelled interview of early July 2013: it was all about inserting this “to keep to our system, right?” and thus validate a “premise” that had to remain undisclosed for the record. But here is how things happened during the interview....The FCA had heard earlier that this estimate P&L process was not a mark to market, thus NOT targeting the accounting “fair value”. This amounted to say that the bank had lied in July-August 2012, again...through its restatement that still all the regulators endorsed as “true”....The FCA had also heard me saying that in particular the “fair value adjustments” including reserves were not our “job” at all. Here the FCA heard of the genuine mismarking that it had been complicit of since 2007 and that it would not make public. More, the FCA had heard that the contents of the “distance” to “mids”

had been also communicated by me, by Mr Grout and by Mr Artajo. Why would the “traders” do that elevation if they had wanted to hide part of the loss so that to “keep to our system”, right? Thus the FCA also saw through my testimony that the UK regulator persecuted people that it knew were not the ones responsible, therefore covering up the real wrongdoers. That FCA had a perfect “miss”...

My answers to their questions dismissed their own story that was quite hard to gobble anyway in many aspects. My own public trajectory was an ongoing puzzle. I had been first this “huge trader” that the bank had not “seen”. Next I would become “our collective mistake” as per Mr Dimon. Next it had been a perfect “storm of misconduct” where I sat as a central witness with no charge at all.... The FCA had targeted me and finally had not been able to gather “enough evidence” after 3 years of scrutiny among “millions of documents” and “market experts”....The truth was subtler than that grossly inconsistent scenario backing the “story” of the FCA and others: I had shown everything I knew to my managers and timely so. More, it is only thereafter, as the “millions of documents” showed, that my colleagues started hiding things from me upon orders coming “from New York”. That facet of the scandal here was plain in the “millions of documents” as soon as one focused on my role and actions. Why then were my colleagues hiding things from me while elevating the figures with me still? The UK regulator shall try its very best ignoring this question.

That FCA team was not alone in that case, ie ignoring the story that I depicted in my answers to them. The investigations simply did not do what the bank and all the regulators had claimed they would do on the public stage about this scandal. They would entertain a pretence of “investigation” all these years...They would fail to find the slightest inconsistency between my story and their “millions of documents”, most of which I never saw actually.... My testimony was to become public one day. Hence their morphing stories as they realized they would not be able to discredit my testimony between 2013 and 2017...

They had struggled from the very “start”, ie in August 2012. My answers were all true. My memory was damn good. That was a problem since my story demolished the tales of the bank, whatever they had been or could be published in the future... Then, imitating Mr Dimon, in July 2013 the FCA could have hammered its points in a kind of a bluff in the style of this “to keep to our system right?”... “The bigger the better” after all was the “strategy” driving this diverting “London whale” myth from its inception.... One will see instead that the UK regulator will have to go sideways actually bumping against my very first answers. Unlike the bank, that invented its tale without having to support its misrepresentations with hard evidence, the authorities had to work from some of the “millions of documents”. This is what cornered them....

In the extract below the UK regulator wanted to anchor somehow that, still, based upon a carefully selected extract of ONE written chat and one recorded phone call of March 15th 2012, Julien Grout was instructed to target mids and actually he was not doing that. As per the official (morphing) stories, what mattered was that I was aware of that and that I was conflicted because Mr Grout was NOT following what looked to be “my instructions or his job whoever his boss was”. The tale was that Mr Grout had integrity issues in front of my eyes and that therefore I had had integrity issues myself.

As per the FCA plan, I had to verify every one’s actions up to Mr Dimon potentially. To start with, I really should have broken into the computer of Mr Artajo then, right?... In that tale the FCA simply aimed to put all the blame on me as the “moral supervisor” of Mr Grout. It was easy next to explain how Mr Dimon “may have been misinformed”....It may have worked since everyone would like to

believe that the FCA is an honest institution. At least one would expect the FCA to try and perform its job at best given its means and competence. Everyone wants to believe that the regulators in general did investigate what the truth was. They did "investigate" how to manufacture some "supporting evidence" of their morphing stories out of the "millions of documents".

It could have worked since they always could leave my answers under confidential seal... But on the process the FCA for example failed in ignoring the context and beyond that it did NOT "notice" that Mr Grout was running his estimate P&L figure ALL DAY alone. He would most often do HIS job without me. He would, more often than not, fully disregard my advice although he had asked for it in the first place. This is what I would highlight in my answers. Irrespective of what my input could be day to day, this process for Mr Grout to operate was in breach of one key accounting standard that mandates that the fair value through a mark-to-market process should be determined at one given time on the day. It should anyway be just "estimated" by "traders" at a "fixed time of the day" known in advance.

Here, "yes it was estimated", but "No, it was never finalized at a fixed time of the day". It will appear indeed that already at 13h45 London time Mr Grout had already processed a first estimate P&L. As such this proved nothing. But it indicated that "London close" was not necessarily the sole target moment. Why would Mr Grout do that since the standard "closing time" was 17h00 for those who had to make a "mark to market" estimate in London? That was what the "traders" at the IB did. That was ALSO what the "traders" at CIO did, other than for this "tranche book" specifically so. That 13h45 "first batch" thus was just a clue, not a proof of what I said. To blur the truth underlying this clue here, the FCA tried to print something on the line of "Mr grout and Mr Iksil were cooking the books and knew they had to do that ahead to the key 17h00 time". But the FCA will not be able to reach that "17h00" stage ever as the extracts will show below....Usually Mr Grout sent his final daily estimate much later and at fluctuating times day to day.

But the FCA tried to argue that Mr Grout was under the influence of "Mr Iksil" and was diverted from his "correct" duty by me. The extracts show instead on documents of the time very explicitly that I was advising him the very right thing, that he concurred with...and that he would do otherwise without telling me. The FCA then had its ace in alleging that I should have checked what Mr Grout did after concurring with me. The issue is that I did check, not only with Mr Grout, but also with Mr Artajo and with Mr Macris and with Mr Stephan... Then the FCA alleged tentatively that still I should have paid a special attention to what was the official "cause" of the "fake mismarking", ie the "bid-offer" and the fact that Mr Grout stood out of this "bid-offer" for wrong reasons. The documents showed in detail what I did when I learnt that Mr Grout had been out of "bid-offers" ie real far from "mids" anyway....My description leaves no doubt: we were NOT aiming at a "mark to market" estimate...Indeed I speak of "first batch", then a second one and may be a third one run all along the day and the final one that would be issued beyond the closing time of London usually... at an unspecified moment that could even spread till "the day after".... The "bid offer" of the day mattered but not so much since the one of the "day after" would prevail whenever needed...And the bank was more than aware of that: it had ordered us to work like this for this "tranche book of CIO" since 2007.

The FCA saw even more than that in the "millions of documents". When in late 2015 after I learnt that Mr Grout had concealed from me that he was out of the bid-offers since the 13th March and not the 15th March 2012 (as he had told me at the time), therefore learning only in late 2015 that Mr Grout had deliberately lied to me, I could read the extracts below as the sign that Mr Grout was knowingly

building a fake mismarking in my back, a mismarking that the FCA tried to paint later as true against the evidence below. To be clear here, Mr Grout is participating in a fake mismarking on the IG9 10yr, 3 weeks before the articles, while he should not do that anyway. Here it is NOT a problem with "mids" or "mark to market" anyway. It is a problem of "deceptive behavior" on the part of Mr Grout who knows what he is doing here. The FCA sees it. This is clarified here...

FCA Okay, great, thank you. Thanks. Now, we just want to get through a few documents in the next session. If we could start with tab x, please. This is a Bloomberg chat, the top of the chat says that it is from Eric De Sangues to Bruno Iksil, Luis Buraya, Eric De Sangues, Julien Grout. The date is 15th March 2012 and the Bates number is [redacted]. Let me just find the reference. I just want you to turn to the page ending zzz. Well firstly, have you had a chance to remind yourself of this Bloomberg chat in the last day or so? IKSIL: Sorry? FCA: Is this something — is this document familiar to you or do you need a few more minutes just to remind yourself of which one it is? IKSIL: Yes, I mean, I remember. —That's the document I mentioned to you, you asked me at one stage whether it was a call on 15th that... I was thinking of this. FCA Okay. IKSIL: So I don't remember exactly what's inside but... FCA So if you go three lines down from the top of that page, "What do you see on metric?" Can you just confirm in what sense you are using the word "metric" there? *(the FCA would not offer me to take time and read the contents)* IKSIL: **As I described earlier in the day, after the first batch, we don't know** yet what's really the explanation but Julien keyed in the prices, best bid, best ask, he takes the mid, he gets the first batch and sees — from yesterday and that's how the process starts where I'm asking, "What do you see as a metric?" and then he's going to start investigating how he can explain the P&L, I would provide some guidance as much as I can. FCA: Okay, and **can I just double check my understanding of that. The metric is the sort of first estimate that Julien has done, or is it the difference between last night's P&L estimate and the first estimate that Julien has done?** IKSIL: My assumption here is the difference between what we had the day before and what we have today. FCA: Okay, so it's a sort of -- it's measuring the difference as opposed to being just a term that you used to describe your first estimate? IKSIL: Yes.

FCA: Okay, thank you. Then I will just read ahead down the page, **at 13.43.03 you say "I'm a bit puzzled,** depending on runs IG9 10 year can be seen tighter. We have 6 basis points in IG9 after all, is that realistic?" And further down you say, "I question here how we position ourselves, aren't we making IG 9, 10 responsible for all here?" **Julien replies, "Oh yes, it's definitely PB number 1"** I assume problem number 1. Could you just put this into I— actually if you read over the page it may make a bit more sense. The next thing Julien says further down at 13.45.22, "I mean I'm trying to keep a relatively realistic picture here - IG9 10 year put aside". And then please read ahead, I am paraphrasing a little because there are quite a few bits of text. Then 13.46.14, "That's what I'm saying, **I'm not marking at mids as per a previous conversation."** **So can you put this exchange into context for us first of all,** this discussion about IG9 10 year being problem number 1 and what this discussion was getting at? IKSIL: You see, I say, "I'm puzzled," "I'm confused" and "I'm confused." I can tell you how I read it, **so if you flip back to 13.39.18 and 13.40.57,** what I see is that main has barely moved, IG17 has barely moved, high yield has barely moved and IG9 is 6,7 basis points out. So I'm really wondering, you know, what Julien is doing. Is it really, you know, an overnight move of IG9 10 year? Of course not. This is the result of the several former days, **the increase of the distance that Julien is maintaining all the prices other than IG9 around mids, close to mids. And he is putting all the cause of the distance into IG9.** I said, "Well, that's not the thing I expect you to do. I expect you to stay within the bid/offer, stay close to the market mids." And here it can't be, because **I'm not aware that the IG9 has moved by 6 or 7 basis points overnight.**

FCA: **And I'm slightly confused** because earlier on today we did discuss, you know, whether there was general marking to mids and **my understanding was based on conversations with Javier you had had in 2007 that wasn't generally the approach** and it was more of a — it was more subjective than that. IKSIL: Yes. FCA: But here what you're saying is that as at 15th March, Julien was generally marking to mid, other than on the IG9, is that correct? . IKSIL: **Okay, I think we need to rewind a bit to the process** that -- yes, at the end of the day you don't have to stick to the mids but in the process, right, to apply judgment from the mids, you need first to see where the mids are. So when he's there, with the metr... at the metric level... **he's just produced the first batch**. And yes. Now starts the analytical process. That was difficult enough already, acknowledging the drift and the lag effect on the P&L but what I realize here is that, in addition to that, ignoring the lag, it becomes a very, very difficult thing to roll day after day, just for practical purpose. **So I was confused also when I picked from Julien that he was so much away**. I expected him to be slightly different a bit everywhere potentially or not necessarily but I definitely did not expect him to put everything on the IG9 10 year and that's what I'm discussing with him here.

FCA: Okay. Then it appears from the Bloomberg chat that you then get on the telephone to Julien and the transcript of that call, I think, is at tab xx. Please let me know if you disagree. So this is a transcript of a telephone conversation between Julien Grout and Bruno Iksil **dated 15th March 2012, timed at 1.51 to 2.11**. There's no Bates number on this document but the original reference was [redacted], and the second — well, the first named paragraph, Julien says, "Right, so maybe I misunderstood what you said to me. What I did, what I am doing is marking everything at mid as far as the tranches are concerned. Most of the indexes are marked at mid." Then at line yy, "Now for the sensitive stuff, things like that, it is mostly IG9 actually because S9 is more or less on target. We are doing it directly at mid on the roll, I am within the bid offer but I am not at the precise mid, do you agree?" **Then you reply, "No, no, all right but look there's a difference 280"**. So what is the difference that you are referring to there? IKSIL: Okay. All I'm saying is what Julien told me is initially, you know, this 200 million distance, that really thinks, that if you refined the prices that would shrink to something like zero. And what I'm saying is at this time, right, it's okay but he must have told me that, once he does the refinement, he has a disagreement of 280 between his prices and the crude mids. And I say, "Fine, but what you show me here is that you already have 350 million of difference on the sole IG9 10 year". And my thinking is to say, "Okay, if you have this 350 here, plus a number of other components in the distance and your sum is 280, it means that somewhere you are conservative versus the mids". So I said, "Fine, you can do that of course but that's not really the purpose of what the spreadsheet is meant to do." **You're supposed to ignore, you know, manipulation**. So to me it would be better to have I mean, what I expected him to do is to be much closer on IG9 in particular I tell him you stay in the bid/offer because it's nonsense to have a price out of the bid/offer. And then you will see from this rule of thumb, where you would put, at the end of the day, the distance. And to me the distance is supposed to be the sum of numbers that are all on the same side so that you can really scan the areas where you have a disagreement with the mid- price. And I explain him that the purpose of this spreadsheet, as I explained this morning, is also to provide some analytical figures for CIO management to know whether it should eventually deploy capital, fight the view on the market on this strategy or this one or this one. So typically, you know, if you end up with all on the IG9 even more than the distance and other positions being conservatively marked i.e., they should be unwound instead of being increased, that's fine, it's just that I'm confused because that's not what I understood we were supposed to do here. **So I tell him to review the way he selects his prices so that there's no confusion about the distance**.

Towards the very end of the compelled interview the FCA will have given up on trying to paint a scene where I was either conflicted, or giving instructions, or that “mids” were the reference point for us ultimately. But the UK regulator will try to force the view that, still, “we” were ignoring something using the double meaning of “you” again and again for the record: was it just me or many persons in one group? More the FCA shall distort once more what had been clearly explained by me before about what the “bad thing” was (ie disobeying Mr Artajo’s orders coming from New York) and the “worse thing” was (ie to remain outside of the bid-offer ranges):

FCA: **“But you were ignoring something. I mean, you have told us you were ignoring some things so what was that?”** (*unlike what the FCA would pretend in its ambiguous phrasing, reading this sentence above, the first “you” included Mr Grout, Mr Artajo and myself, while the second “you” clearly was only me*) IKSIL: “ Well... well ignoring in the estimate -- but I was reporting the consequence of this change to my management, so to me there was this impact **that was reported through the spreadsheet and I expected Julien to do it daily and Javier told me that he was talking to Ina Drew about this** and that was to be a liquidity reserve. So nothing was ignored. It's just that, yes “ (*it was clear, Thus the FCA will know distort my own recent answers about what the “bad thing” was and what the “worse thing” was... pretending I had said otherwise in quite a shady fashion*) FCA: “But the bad thing in that paragraph is **ignoring to some extent** -- you're ignoring something in the price estimate that you're providing and that's the bad thing.” IKSIL: **“No, the bad thing is I don’t follow the instruction of Javier.”** FCA: “Okay. Let me ask you again. What is the bad thing in this sentence?” IKSIL: **“I remember how I was thinking, right.** The bad thing was that if we kept — I mean. No, the bad thing is that we were asked not to report this drift because they were tired of this and Javier didn't want to see it. So you were ignoring the drift. **Yes?**” FCA: “That was the bad thing?” IKSIL: “No.” FCA: “You said the bad thing was ignoring the instruction of Javier.” IKSIL: “Yes [6 seconds of French spoken](*here in French I am upset commenting that what I just said is crystal clear*). Yes, I mean, I knew that I was not following the instruction he gave me back in March 6th because this loss was the lag. That was the bad thing. ’

FCA: “But I'm right in thinking, correct me if I'm wrong that by 15th March you had come to the conclusion that that drift was a real loss?” IKSIL: “Yes.” FCA: “Is it not also a bad thing to ignore that in a P&L estimate?” IKSIL: “That's “ **lawyer: “Well, I mean, I think we should be clear here. Are you asking what he meant by “A bad thing” in the conversation? I think he's given you that answer. _**” IKSIL: “Yes. It's a different question.” lawyer: “ **And now, you're asking him a different question which is that a bad thing to ignore...**” FCA: “But the reason I ask that is because he's given two explanations for what was a bad thing. One being ignoring the drift and one being ignoring the instruction of management and I'm asking whether what he's saying here is a combination of both those things or whether, in fact, it's just ” IKSIL: “No, it's just. Okay. There is one thing here. **Bad and worse. I repeat. Bad is not following the initial instruction. Right. And that's how I think at the time. And the worse thing is to remain out of the -bid offer spread, right, for different reasons. Now if you ask me for my judgment today, about whether that was a bad thing to do this it's a different question.**” FCA: “When you say “this”, what do you mean by this?” IKSIL: “Sorry?” FCA “When you say, “It was a bad thing to do this”. ” IKSIL: “To ignore the drift. If you ask me as of today, what I think of it, that's a different question.” FCA: “Okay. And you just said that going outside the bid offer spread was worse for a number of reasons. What were those reasons? Why was it bad to go outside the bid offer spread?” IKSIL: “Well, I explained you, because we are price—based first. So the prices -- the bid offer spreads were our basic material. So if you build an estimate you apply judgment and you ignore the thing you start with, you can produce any number, you know. It doesn't matter. It's nonsense and you could ignore the total market, have a distance going

to \$10 billion and say, "Oh yeah". No, it's nonsense, just nonsense. You see, it's fundamentally illogical.””

The FCA shall NEVER ask what I think of this decoy mismarking versus the real one in which the UK regulator was involved since 2010 at the latest through its own "close and continuous supervision" process... that had ignored me so much...

The FCA could have ignored my testimony forever – technically speaking- as its confidential seal put on my answers allowed it to benefit from a complete impunity. The Office of the Complaints Commissioner would be just another screen in that case, for people to believe that the scandal had really been investigated.

Still the FCA had to investigate the key date for the official misrepresentation, namely the 30th March 2012. Once again the FCA would hear details that did not fit at all with its future official "settlement" with the bank. Among the crucial details: some would say that I was "sent back to France" by Mr Artajo before the estimate P&L process was finished for the day. Mr Artajo ordered that to me AFTER the close of London and BEFORE Mr Grout had finalized his estimate P&L. That situation was NOT unusual actually. I simply was not needed for the estimate P&L to be processed in the last stages.

Was I important, "central" or else at CIO? I was just very helpful sometimes. But this time, for March 30th 2012, I was almost useless. It was a very critical day however. That way of sidelining me was another clue indicating that my colleagues manufactured something dodgy... still ... "in hindsight".... But what was it? The FCA would not care to "investigate" that with me EVER. It was a peculiar context that still I would describe shortly. That was a peculiar one. Updates were regularly demanded by New York while Ina Drew was selling assets from New York in direct connection to this estimate P&L, the latter being notoriously quite different from what Jason Hugues at VCG would find...

The whole context had been set by the "elevation all the way up" of Mrs Drew in the form of "very, very, very serious accusations" against the IB of Mr Pinto the CEO of Jp Morgan UK, one week before the end of March 2012. And all this, while dismantling the "mark to market" tale, my "important role" myth, the "awareness of Jp Morgan senior management", was also suggesting that Mrs Drew was cooking the books leaving me on the sideline as well. Was she doing anything else than participating in this decoy mismarking that she had instructed Mr Artajo and Mr Grout to operate next to me? She had sidelined me for sure. An exhibit in the US Senate Report shows that Mrs Drew at month end solely cared about my future holiday projects at the time that I had not announced yet. And rather than ask me straight, Mrs Drew will ask Mr Goldman to investigate urgently by sending an email to Mr Artajo only and calling him soon after. No one at CIO will ask me anything about my holiday projects for early April 2012 then....Thus Mrs Drew would do that "investigation" of hers without asking me directly while Mr Artajo was queried by the CRO of CIO Irv Goldman on HER behalf. Still knowing all that Mr Artajo would "send me back to France" earlier than he could have, just like that "good job man! Go back to France. I am sure you want to see your family" :

FCA: "Okay. So just coming towards the end of the day then on 30th March, what time did the book close?" IKSIL: **"I think it closed at New York close."** FCA: **"Was that typical?"** IKSIL: **"No."** (No, that was not "typical" at all.... this book had no closing time) FCA: "What was the usual time that the book closed?" IKSIL: "It was most of the time around 6.00pm London time. It could happen that it was at New York close but it was unusual." FCA: "And given that it was unusual, what was the reason for it to close later on that day?" IKSIL: "Well I think that was a... I don't know for sure

because **Javier told me -to leave, you know, at around 5.00 - 6.00pm London** so what I saw in the documents afterwards and what Javier told me already, but I had confirmation, **he told me in the day, “Keep me posted because I'm communicating the number to New York because they need to see it because they are doing operations in New York depending on the number you give to me”**. And, I saw a document, you know, an email that I was not in the loop; an email to Irv Goldman was asking Javier late in the day what it was, so I guess New York was waiting until the close of New York to have the final number but I don't know for a fact, you know. [unclear] Yes, I just wanted to specify one thing before I left and I said, **“You know, don't forget Jason”**. Before I left, Javier says, **“Yeah, no worries, I will talk to Jason”**. FCA: “What did you understand him to mean by that?” IKSIL: “For me, he was telling Jason, **“Hey, Jason, you know what? You're going to see a big difference and we are not going to try to reconcile and shrink the difference like as we did at the end of February. We're going to stick to our prices and they will materially differ from your mids”**” FCA: **“Okay. I think we might break for lunch just now actually. So we're going to break for lunch**”. We can talk about how long when we switch the machine off.”

The FCA does not want to learn more upon what Jason Hugues at CIO-VCG (price control) did change for March 2012 alone in HIS process and how much it contrasted with what I expected. The FCA starts the LUNCH BREAK at 1 PM LONDON TIME...They were hungry, no doubt. Towards the end of the interview, the FCA will only try to paint the record setting the emphasis only in February 2012 where there was some interactions with Jason Hugues, while there would be no such interaction in March 2012. Thus if anyone could try claiming that the “control function” of VCG may have been influenced in February 2012, anyone would recognize that there was NO such “influence” in March 2012. All the investigations paradoxically concluded that there was no mismarking in February 2012 while there was one in March 2012. The price differences were there already between CIO and the IB, ie in February 2012. They were there in January 2012 too in fact. The best proof of that is that, otherwise, Mrs Drew would have finalized HER talks with the IB with a success. That tale of the FCA is thus fundamentally inconsistent and the “investigation” itself is actually dishonest. More, as the FCA saw in the documents and heard above, we claimed to differ from ‘mids’ in March 2012 and this was loudly elevated by Ina Drew since March 23rd 2012 in the form of “very, very, very, very serious accusations” going “all the way up” ie to the very top of the bank. The FCA broke for lunch and did NOT investigate further what I said above. That testimony of mine became a big issue....a corroborated one even by the standards of the FCA whatever “negligence” one could lend complacently to the UK regulator....

In what follows, it will be seen that the FCA admitted that the differences had been recorded. Thus there was a track that could be audited proving the “awareness”. That audit track was generated by the “suspected traders” themselves. It mattered. Were they insane enough to keep this record and elevate it thereafter if they had wanted to “conceal part of the loss”? No they were not that stupid. That was another fundamental consistency issue for the “settled official” theory of the authorities and the bank of late 2013. That was big proof that the restatement of July 2012 was a fake. Indeed, why would the “traders” record and next communicate what they had allegedly intended to hide? The FCA betrays its issue in the following extract:

FCA: And then why -- So why was it being recorded -- sorry, why was he not marking to mids initially and then separately analyzing a distance rather than analyzing the distance consistently across all the positions?

Ah, the FCA wished it had always been like that: ie CIO transmitted a “mid” and then analyzed a “distance” separately so on behalf of the firm. That was what the FAS 157 wanted back in late 2006... That was what the firm had committed to perform back in late 2006 as the correspondence between the bank and the SEC indicates on the EDGAR database. And CIO was NOT mandated to perform this task that concerned the firm as a whole....That was plain sensible. CIO was just an investment vehicle for the “strategic liquidity reserve” of the bank Jp Morgan... as the FCA and all the regulators had always known....why was that sensible to operate like this? That was the only practical way to measure what they all targeted with this new accounting standard, namely the “hedge efficiency” at a firm-wide level... Yes they knew that the “basis risk” was absolutely critical for whatever “hedge” that was expressed in the firm on derivatives contracts like CDS. CIO was not an “experienced practitioner”. CIO was even less an independent “business” inside the banking group. CIO from the very beginning delegated the capture of “mids” to the IB of Jp Morgan as every regulator required. More CIO was by its own reason of being a completely “tied up” unit embedded rightly so into the business called “Corporate”. The valuation of CIO, including this strategic hedging book, was performed away from CIO. It was a collective effort involving the IB, CFO, treasury, risk control, accounting, and regulators themselves....

It could not be otherwise for what was the “strategic hedge” for the “strategic liquidity reserve” so that this reserve remained liquid in dire straits. Thus the “mid” was captured, not at CIO, but at the IB. And CIO was solely meant to complement the knowledge base about the liquidity issues faced by the firm. For that purpose CIO was meant to provide a concurrent and subjective set of prices. That was it. The issue revealed by this “distance” was that even CIO was quite unsure of the reliability of its own “subjective judgment”. That mandated a reserve just for that, a reserve which spread throughout the whole firm.

The FCA betrays the issue mentioned above in its self-correction... Against the abundant evidence, the FCA tries here to say "why was the estimate P&L process not what suits our case?" the “sorry” of the FCA is lighting up its internal conflict...This is not cross-examination as this question is at odds with my testimony already in the course of this compelled interview. It does not even cross-refer with the facts. It just hints at an imaginary situation, a fiction. I am unsettled by this denial of the facts as expressed by the FCA after these long descriptions that the FCA had asked me to make already. I just do not understand what the FCA is looking at here..... The FCA admits that my account on Mr Grout has some credibility that it checks

IKSIL: Can you ask it again, please? FCA: Right, I think what I understand you to have said is that in order **to calculate the metric on 15th March, your understanding was that Julien hadn't used the IG9 mid prices to calculate his metric figure.** IKSIL: **What's the question, sorry?** FCA: So I'm just checking that I've understood what you've said in order to **put the next question because it relies on a premise.** IKSIL **Okay and the premise is?**

The FCA had a premise “sorry” so...The FCA shall NOT clarify its premise but one can guess what it was from an earlier “mix-up” that looked “accidental” initially.... As a matter of fact this premise was in contradiction with the facts. Thus it would not be spelled by the UK regulator on purpose. The last time the FCA mentioned a ‘premise’ in this interview was when the questioner made a very weird sentence earlier on made by one FCA staff to its colleague: “You asked a question based on a premise that the loss of \$40 million had been shown on 15th March”. The \$40 million loss was shown on the 20th March 2012, not the 15th March 2012. Initially the FCA had slipped that premise apparently by

'mistake' in the question: "So on 15th March in fact, the book was priced outside the bid offer spread, despite showing the USD\$40 million loss?" It looked like an innocuous "miss" on the face of it...although this sort of Freudian slip was surprising given that the FCA had already run many interviews before reviewing the facts and dates... That premise was known by the FCA staff to be a mistake actually when they interviewed me. That "incident" had occurred in this interview a couple of hours before the extract right above. The FCA will NOT express the 'premise' to me here but, given the "repeat" here, what looked to be an 'accident' was intentional in fact as it was a "premise" that the FCA wanted to document still... knowing that it went against the facts....

That fiction embedded in the "premise" echoes quite well the other fiction around "too keep to our system, right?" The FCA will thus NOT express its "premise". It will not try to sketch what the "system" could have ever been in that case. And rather than repeat the question the FCA would ask a different compound question, so that it avoided acknowledging the obvious, ie that the estimate P&L process at CIO was NOT a "Mark to market" knowingly so for the bank and the regulators alike since 2006. Indeed it had no pre-defined closing time and no requirement to adopt mids or consensus prices...It was "business specific", ie not "independent" even after the CIO-VCG price control check.... So, "yes" this "CIO estimate P&L" could well have been "out of the bid-offers" ie potentially far from any "mid" price.

But this did not mean that it could be done recklessly. That "recklessness" so visible about Mr Grout yet was NOT what the FCA was looking at as my interview shows. "No closing time" and "no commitment to mids" were two salient violations of the accounting standards for mark to market. The evidence was clear on that. Rather than dig on the duplicity of Mr Grout, Mr Artajo, Mr Goldman, Mr Macris, and Mrs Drew, the FCA tried in fact to paint the tape be that with the initial "mix-up", the refusal to express the "premise", the fictional "system" to be kept. It targeted me here with this biased question that follows....

Yes the FCA is "sorry" but it shall not make its "premise" clear as it knew it was a dishonest assumption given the very knowledge base of all the regulators about CIO and this tail hedging book. This part of my compelled interview that follows was meant to support the future denials that the FCA will later "print" in September-October 2013, namely the myth that they had not been "aware" of the contents of the NBIA of 2006.

FCA: So what I really want to know is when Julien says to you, "I'm not marking to mids as per a previous conversation" what did you understand that he wasn't marking to mids in- in calculating the metric- or in reference to the spreadsheet behind tab zz, or both? IKSIL: My understanding on when he says not marking at mids it's a consequence of the instruction from Javier, right? That necessarily you observe the drift from the mid prices. If you ignore the drift, there's somewhere in the book where you are not on the mids, especially on the forwards spread investment indices, right? Yes?....

Mr Grout acts as per an "Order from Javier" " right? Yes?"... In order to close the matter with the conspicuous awareness of the FCA of what the decoy mismarking was and what the real mismarking had been since 2007 at jp Morgan in relation to the "core credit tranche book" of CIO, let's review how the FCA itself had prepared its questioning plan to me in the very beginning of the session:

FCA: "Right, thank you. So just to sort of set up the day and how we're going to run through for you first of all. We've divided our questions up into four main sections. The **first** being the process for **marking the book intra-month**, in particular marking in March 2012. The **second** section we'll be

covering is **how losses were reported to management**, in particular in March and April 2012. The **third** section we'll be talking about the **trading strategy** at a high-ish level, and also the purposes of trading at the month-end in February and March 2012. And then the **final section** we'll be talking about the end of month process, in terms of marking the book and **interactions with VCG**, and there's also **a conversation with Alistair Webster** that we'll cover in that section. And then we will be done for the day, okay? So moving on to the first section, therefore, marking in March 2012.

In the first section, the FCA wanted to print on its tape that this "marking process" targeted the "fair value estimate" and I testified that it was not at all the case. The FCA could simply not even challenge me then or even allege later that I had been untruthful. The FCA also wanted to print that I was in charge while it had many documents proving otherwise that unfortunately it had to discuss with me. In the second section the FCA wanted to paint its record with the view that the "actual loss" was NOT communicated properly or at least not elevated by others than me while I was watching. The evidence showed that I had had all the tangible evidence that it had been elevated and the "very, very, very, very serious accusations" of Ina Drew "all the way up" at JP Morgan proved that indeed the "awareness" was complete. This means that the bank was on red alert and that all the regulators, 2 weeks before the first "London Whale" articles, had been already very concerned. The third section for the FCA was to establish by forcing its account on the record- not mine- that the senior management had stopped only "too late" the "trading strategy" the risks of which it had been "unaware of so far". I will prove that this is rubbish and the FCA will stop fast, coming back to cross-examine me on the "marking process" and the "loss elevation". The UK regulator then will invent then a lot of things that it will slide in the documents of the time. In vain, it had produced here false documents to "keep up to our system, all right?"....In vain indeed...

The interview had run its course almost. The FCA had failed on its "premise" as it was just shown above. Its "system" had failed as well. The "bad thing" and the "worse thing" had been clarified unfortunately. The FCA could have scheduled another interview observing that one day would not be enough anyway. On that point they were damn right. Instead of digging in the right direction next, the FCA will turn to VCG and price controls as summarily as it could. Here rather than investigate the events of March 2012 that was "the mismarking moment" in the official tale, the FCA will solely look at February 2012. Then it will hear what destroyed fully the "settlement" tale of late 2013, namely that even Jason Hugues at CIO-VCG willingly accepted prices that applied the "day after". This meant obviously that not only this book had no "closing time" for the "traders, but ALSO that it had no real "closing time" for VCG, ie the price controller itself inside CIO! This meant that even in the eyes of the price controllers, reporting here to CFO, that was NOT a "mark to market" following accounting standards. The information will be corroborated by Mr Grout in his own interviews. The FCA then shall stop here with me and shall NOT discuss with me EVER my interactions with the global controller Alistair Webster who audited the "marking process" BEFORE the bank would publish its results and reports on May 10th 2012. The FCA knew what it would hear and likely did NOT want that to be carved on its "investigation" record.

I will offer however the FCA to interview me again, if only to address the information that Mr Webster got from me and to address the market manipulation suspicion. The FCA will interview Mr Webster who will say that I had been quite helpful and transparent. The FCA shall ignore that fact. And the FCA will "settle" again with the bank on a very flawed tale about this market manipulation allegation. But the FCA will NOT even try to meet with me again anyway afterwards. Had the FCA interviewed me

again, it would have heard factual evidence that disproved what it did publish in 2013 without letting me comment in advance....Thus the FCA deliberately did NOT complete its investigation, did publish a knowingly misleading tale, and did NOT comply with its own duty to let the persons concerned comment on the record on their disagreement.

This string of events was not fortuitous and is completing the context of this case whereby the UK regulator knowingly backed a flawed mismarking account and covered up a known longstanding and much bigger mismarking.

It is time to see through the SEC interview some extracts that would only corroborate the duplicity of the authorities be they UK based or US based....With the SEC deposition, one can sketch what the history of the mismarking was...I must emphasize that this is all the more obvious as the SEC staff whom I talked to asked the very right questions. My story once again was clear and consistent and unchanged. It started in 2007 at the IB on subprime derivatives based upon models that the IB applied firm-wide including to this "tranche book" of CIO:

Q: When you first joined CIO--well, let's strike that. When was the first time that you remember having a conversation with Mr Martin-Artajo in which he discussed his views of the IB?...IKSIL: You mean on this topic?...Q: About the IB in general...IKSIL: It was around July 2007...Q: What do you remember him saying?...IKSIL: He said that the **IB was very pissed off after the month's end of June 2007. CIO and IB had had a big issue on subprime derivative tranches, prices.** The IB had--there was a big difference. **The IB had first claimed that CIO was wrong. It turned out that the IB was wrong.** And Javier explained me that the IB was not accustomed to that. Usually the IB controlled the risk models, the prices, everything. And CIO was now a challenger and the chiefs at the IB hated that.

As the anecdote shows, any difference was reconciled, discussed and gave way to an adjustment across the whole firm in 2007 already...Why pervert a bullet proof process afterwards? No such thing like a "loophole in the valuation process" occurred at Jp Morgan...There was already no room for any price difference like the ones that the bank would allege in July 2012 to remain un-reconciled. That stringent reconciliation was the case already back in June 2007, as per the NBIA of 2006, as per the FAS rule 157 and more generally as per the SOX "spirit of the rule". Mr Cutler knew that "very, very, very" well! This issue here in 2007 uncovered ALREADY that the IB had a big issue with its model for CDS and tranches in particular. The root cause was well known: it was called the "skew" or the "basis" in jargon.

It is worth reminding now a key extract that showed that a similar mismarking issue was quite visible and un-reconciled in September 2011.....One wonders why...

IKSIL If I look at the columns L and M showing the price difference between the front office marks and the TOTEM/ICE marks on the **IB credit hybrids marks at 30 September 2011, what this column tells me is that he IB at JpMorgan was marked much farther away from these benchmarks than the CIO.**Q: Do you have any knowledge of that?...IKSIL: The only--..."other Q": objection to the words "by that"....IKSIL: Yeah. What do you mean by "that"?...Q: Well, do you have any knowledge, any personal knowledge or any knowledge you can share with us why it was that the IB at JpMorgan was so much farther--had marked their books, their positions so much farther from these indexes and these benchmarks than the CIO in September of 2011?...IKSIL: The only

knowledge I have of that was **what Javier told me once in December 2011, and later on in beginning of 2012, yes.**

The spreadsheet had been communicated to the firm-wide CFO at the time:

Q: okay. **Are you satisfied that that's been disclosed to the chief financial officer of JpMorgan and not concealed from him?...**other Q": Objection to that. Objection to lack of foundation. Objection to basis for the witness's knowledge... IKSIL: Yeah, I'm confused by the word "satisfied". **All I can tell you it seems obvious to me that, as I always believed, the price differences were transparent,** but.--... Q: okay. All right. Let me ask you a few questions as we start to wind down in time here about a letter that I started asking about before. And I didn't want to have run right up to that seventh hour and have--have the examination stop. So let me--what exhibit is this? Exhibit zzz. Can you pull out exhibit zzz there? While they're looking for that, the spreadsheet that we were just talking about, when did you first see that spreadsheet?

I was truthful and this document proved me right: the real mismarking was quite visible before the end of 2011 already. This real mismarking was happening at the firm-wide level on liquidity reserves.

As a result, the amounts that were given to CIO for investment purposes had been wrong all along since 2007. I had suspected that since July 2012, and hinted at that missing reserve in front of the FCA in July 2013. But I had had no "tangible evidence" of that. Until September 2016, I had had many, many inferences that just all pointed to that. But here, during my SEC deposition, one questioner showed the hard evidence of that miss. I will reply that I discovered it here in New York in the course of my deposition. But the SEC deposition shall NOT go further down this road whereby the actual mismarking was so visible in September 2011 already. It was known by the CFO and was actually originated at the IB, not CIO. No adjustment would be done and no reserve would be added by CFO then. The rest of the events surely was just a coincidence that led both regulators and the bank to push the blame on CIO... and manufacture a fake mismarking...where I was to be so "central" all of a sudden...while they never had felt useful to talk me before June 2012...despite the articles...

Yet as I referred to here, this issue standing between the IB and CIO since at least September 2011 had crucial consequences in early December 2011 when I tried to collapse the positions with the IB. Had I been supported by my managers in my offer to collapse, it would have been quite something which would have prevented the future scandal to occur no doubt since the book would be dead for good then already. Helping me was NOT was they did :

IKSIL: And I relied on him...Q: Okay. Now I might have misspoken and said I referred to Pat Hagan. I meant you referred to Pat Hagan...IKSIL: Yes I referred to Pat Hagan. Yes...Q: Just to note for the record. Sir, **in December 2011, did the topic of unwinding the book come up?...**IKSIL: Yes...Q: How did it come up?...IKSIL: Well, it came up first with this instruction of Javier to me to go and see the IB traders, since Credit Hybrids had closed. Then at the same time I--I took advantage of the big gains that came from American Airlines to unwind as many positions as I could with regards to the RWA reduction instruction. And I realized--and that's the second aspect where my trading was influenced--**I realized and communicated that reducing the book by 10 or 20 percent in the best conditions had cost 200 million**, which meant that it would be extremely difficult to unwind with the IB at a decent price, or a less decent price, if possible...Q: In December 2011, did you--well **you said "unwind with the IB"**. Were there discussions in December 2011 about unwinding with the IB?...IKSIL: Yes...Q: Okay. Who did you discuss that topic with in December 2011?...IKSIL:

Javier...Q: Are those discussions you talked about approaching the credit index desk at the IB, or is it something else. Can you give us a brief description of what those discussions entailed?...IKSIL: Yeah. There was a first discussion, as I said, where **Javier asked me to go and talk to the IB on tranches**. So these were the credit Hybrids traders. And I went to talk to also the credit index traders. And I had a very limited success. And I went back to Javier, explaining what I could do and what I could not do. And then we had a conversation where Javier said that that's **what he feared, explained me that he was not surprised by what I was telling him because the IB was setting bad collateral marks to CIO**...Q: Is that "setting" or "sending" bad collateral marks?...other Q: did you say "setting" or "sending"?...IKSIL: I understood "setting"...other Q: Okay...**Q: Now sir. Did you say previously that a credit desk at the IB was closing or something to that effect?...**IKSIL: **Yes**...Q: Okay. Can you--I missed part of that. Can you explain what was happening?...IKSIL: What was happening is that a desk called Credit Hybrids, which was market--making markets for tranches in CDS and all sorts of complex derivatives products based on credit default swaps, was closing its activity on tranches...Q: Did you have an understanding in December 2011 why the credit hybrids desk at the IB was closing its activity in tranches?...IKSIL: I had one yes...Q: What was your understanding?...IKSIL: My understanding was that they had many problems at the same time. **They had too much notionals, too much skew exposure, no liquidity in the index tranche market to hedge their own risk at a decent cost**. And on top of it, they had no--not a lot of activity in the tranche market anyway...Q: Okay. Let's--okay. It's--one of the things you said was that they had too much notionals and too much secure exposure...IKSIL: **No, no, too much skew exposure...s-k-e-w**...Q: Okay thank you. So what was the basis of your understanding that the credit hybrids desk had... "other Q": well do you want to make a proffer to me as to what his understanding that credit hybrid desk had too much notionals in the credit hybrid desk in December 2011 has to do with this case? Just in 2 sentences, 3 sentences, tell me why it's relevant and I'll stop objecting...Q: How about I do that proffer when it's your turn to ask questions? But right now I'm going to ask the witness to answer the questions that I'm Asking. Can Madam Court reporter read back the question? [record read]...IKSIL: The basis for my understanding was both discussions I had with Javier face-to-face and discussion that Javier, Tolga Uzun, Achilles Macris had had back in 2008, when Tolga Uzun had just joined CIO from Credit Hybrids...Q: Okay

That "s-k-e-w" was a very well known issue across the banking industry. The other questioner obviously did NOT want to make the link be established between the issue of liquidity and this scandal that was in the making in late 2011 already INSIDE JP Morgan. And the SEC deposition process would give up actually after that "Okay". It matters to say that one lawyer representing the interests of the bank jp Morgan was in the room listening and taking notes. The bank was advancing the representation fees that were counting in \$millions for each individual involved... as long as it deemed that its reputation was not endangered....That string of "legal expenses" was peanuts for the bank. That was a fortune for each person involved...

The fraud was there, in plain open skies for all the gate-keepers to see. I could not see it as they all knew. Then there will be a first year end valuation around the 15th December 2011 whereby Jason Hugues at VCG will run his price check with no tolerance band applied. Then Mr Artajo will tell me that the IB saw \$300 million less in the performance from the collateral marks it applied to the book of CIO. Then the Federal reserve of new York shall send CCAR questions related to the winding down costs of this book of CIO around the 22nd December 2011 and another request around the 27th December 2011. These were just coincidences with the fact that this liquidity reserve was missing since September 2011 so obviously, right?

Since the 16th December 2011, orders had been given to Mr Grout while I was off, to freeze CDS prices on tranches and some indices. This no doubt was another coincidence with the fact that the positions had been notoriously illiquid since August 2011. This order would be cancelled on the 28th December 2011. I was still on holiday and had learnt all this from Mr Grout accidentally. Then the firm shall run another year end for the book of CIO where Jason Hugues this time will use tolerance bands....VCG had just altered the valuation process for this book. The internal auditors were finishing their audit report. An 'action plan' led by CFO was to start... But the NBIA would not be amended, this being in plain violation of the Sarbanes Oxley laws of 2003....That was one more mismarking coming on top of September 2011.

These brand new "tolerances" mandated a commensurate liquidity reserve. But still no price adjustment and no reserve would be added. That was another mismarking that added up to the former ones. Mr Grout will tell me that there had been no issue for the any of the 2 year end valuations as far as he knew. But the same Mr Grout on the first active day of 2012 announced me that he had "found" a loss of \$250 million for the very first day of the new year 2012 starting while the markets had barely moved in the meantime. When I asked Mr Grout where this massive sudden loss came from he could not tell. I then asked whether this loss was due to the price freeze that seemed to have occurred between the 16th December 2011 and the 28th December 2011. Mr Grout told me only then that they had run a second year end close on the 31st December 2011. He then told me that there had been no problem.

Note here that this freeze was in very gross violation of every "mark to market" principle and that Mr Grout had been told to do that. That was a third mismarking just for December 2011, IF AND ONLY IF this estimate P&L had been expected to provide "mids" for "fair value estimate" as per the firm policies of "mark to market". But that was NOT a mismarking this time. No. Note as well that not a single investigation will think once to blame Mr Grout for having accepted this order to freeze the prices. On paper it went straight against the US law. We were in London though and the "mark to market" of this "Tranche book of CIO" was done in New York ANYWAY.

Back now to the deposition, I got the conviction that Mr Grout had been lying to me all along 2012 and that it probably started in December 2011 while he received quite peculiar instructions and I was on holiday then.....Here is a key extract where I would be judged truthful:

*"other Q": hypothetical and calls for speculation...Q: He said he assumed so I'm going on his assumption..IKSIL: Yeah absolutely. So if indeed, Jason Hugues had not even turned to Julien, as he did usually year after year, that would remove my extremely strong belief today that Julien concealed this important thing from me. That would not remove my suspicion still for other reasons...**Q: And the suspicion on that you're talking about is that he was lying from the first business day of 2012?...IKSIL: About the real problem he was facing with the estimate P&L, yes...***

Here is my account of why I believe that Mr Grout manipulated me from the very day of work in 2012 with a clear purpose:

*IKSIL: And there was the first incident where unlike the past year, Julien at like late in the day, 5pm or 6 pm, could not even provide me with a metric, a first cut. He said that he saw a loss so far of 200,250 million, but the prices were all over the place. And so I told him "well, you know, I need to execute. I need your prices. I need to know what you see." And he said "well, let me refine". And then he refined and **at the end of the day he told me "well, actually, you know, maybe it's the start of***

the year, the illiquidity, I don't know exactly, once I filter out the crazy quotes, the book is doing nothing." And the day after, so the 5th, the day before that day, that was the same issue. So I couldn't rely any longer on Julien's first batch and first indications to trade. So I went in the markets and I started to unwind first positions....

And more precisely, since I would be cross-examined of course,

Q: You testified a moment ago that you believe he stopped giving you the metric during this time period right?...IKSIL: That's not quite what I said....Q: Okay. Why don't you tell me exactly what you said?...IKSIL: **What I said is, since the first day of 2012, Julien stopped informing me with the metric at the time he usually did up until the end of 2011.** Usually, he gave me the metric between 1 and 2 pm London time. Starting in January 2012 I couldn't get it before 5-6 pm, when the market started closing and therefore I couldn't use it as an information for my own sake...Q: Okay. So here on this date he did give you the metric, although, as you indicate, later in the day, right?...

This process reminded all the audience that this estimate P&L process was a never-ending estimation done for a purpose that was NOT to "mark to market at one pre-defined closing time" as required by policies, regulators and accounting standards since 1992. As to the broader awareness that Mr Grout was here participating in a very dodgy setup where I was the target, the SEC deposition gave more light that would be next buried in oblivion in mid 2017. The extract below shows that Mr Macris pulled some strings as well above the head of Mr Artajo. These are likely my "recent statements and writing" that forced the US authorities to stop suing my close colleagues for they fatally led to charge all the executives on the follow up that would involve also Mr Dimon:

IKSIL: That was the context in the beginning of February...Q: Okay. All right. Thank you. Were there any other lies that you thought Mr Macris told in his FCA testimony that you can remember?...IKSIL: I would not call it a lie but it's true that **when I read in Javier's testimony that he had been demoted by Achilles somewhere in the beginning of February, it felt very strange to me.** I saw in the testimony of Keith Stephan that that was a significant event, significant event. And **really it felt to me I was the only one in the office to be unaware of that. never--no one told me** before I read that in Javier's testimony... Q: Okay...So--..."other Q": Sir, you said Javier's testimony. Did you mean Javier or Achilles's?...IKSIL: Javier's testimony because I read Javier's testimony before I read the one of Achilles. And I remember then what Javier was describing the things as he was the man in charge, that he had never-- he was also in charge of other books. So never one told me--no one told me at the time what had happened. But it surprised me because Javier gave me all the time the impression that he was charge still of all the books and that Achilles had only taken the investment books from him after the incident of the 10th April. **So I realized that Javier had actually lied to me** on that. He had not told me the exact course of events...Q: Well, someone may have lied to you about that?...IKSIL: Well a couple of people lied to me anyway, so--...Q: From your vantage point did it appear to you that Mr Artajo continued to have responsibilities for other books?...IKSIL: Yes and he maintained this impression. We had a discussion in May probably the last one where he explained me that Achilles was a very dangerous personage, that he had taken the books away from him in April. Well, from what he said next to the FCA actually it happened earlier...Q: Okay. Let me ask you, if **you can just describe for us briefly what was the December valuation problem that you referred to earlier?**...IKSIL: **Well that's something that really became more and more obvious to me this year--only this year**...Q: All right. And you had no-- when you were at-- when you were at the CIO in December 2011, you had no belief that there was any problem with the profit and loss reported in December of 2011, did you?...IKSIL: As far as the estimate P&L report is concerned no (*here I made*

*an hint at the IB that was mismarked but no one wants to hear it)....Q: Or the year end profit and loss for 2011?...Q: For the estimate P&L report I thought everything was fine...Q: Okay. If you can, just briefly--and I don't mean to belabor it, but Let me ask the question a little differently. You had a disagreement Mr Artajo about whether the CIO should continue to fight against these dealers in the first quarter of 2012, didn't you?...”other Q”: objection, mischaracterizes the testimony...Q: GO ahead . You can answer the question...IKSIL: **I think I disagreed with, for a time, with the resolve to Javier to keep the book and keep trading like that. I disagreed with that. But in February, that was not Javier decision any longer. That was Achilles' decision. And next that was Ina's decision.** That's why this disagreement that I had with Javier really in my view was sorted out at the end of January....Q: When you say "in February" and in March, it was Ina's decision and Achilles' decision, what do you mean by that?...IKSIL: I refer to my understanding of the events as they happened and the account that Javier was giving me about the meetings and the decisions that were in the pipeline. **That was not in his hands anymore...***

Mrs Drew was so involved. Mr Dimon was fully “aware” of what she was doing.... The implication was far reaching in that that would hit the regulators and the board of Jp Morgan as well. One gets a better sense why some board members were called to resign and why heads rolled at the OCC before July 2012 already.

That was a big deal. Of course the SEC deposition shall come back to the key days of March 2012. The SEC had my FCA compelled interview answers and heard the very same answers in September 2016. The SEC would finally judge I had always been truthful in August 2017, for good reason. Here I had described that Mr Grout had lied to me since the start of 2012. I said that Mr Artajo had concealed his demotion of early February 2012. Mr Macris was manipulating Mr Artajo next. And finally Mrs Drew on March 22nd 2012 “freaked” and pretended ignoring her own trading instructions. That smelled like a big setup all being organized around the “priority No1 for Jamie” that itself was just another decoy. So this decoy mismarking that hid a much older and bigger mismarking was indeed what has been the backbone of this “London whale” myth and this had started way BEFORE the first articles. This setup was engineered inside Jp morgan from the very top of the bank. And many regulators were involved in this setup. The extracts that will follow will provide the cornerstones of this genuine scandal. They were also quite visible through my answers even though I had not been so “central”. The irony in what follows is that my candid answers uncovered their early involvement through the questions and the reactions to my answers....

The 3 cornerstones on the case that paved the genuine mismarking

So far it has been shown how the media were knowingly misled by Jp Morgan in this trading scandal. Against the tale placated by the bank, the “trader” at Cio was NOT me but Mrs Drew instead, following quite specific instructions of Mr Dimon. Against the legend, I was not central at all, be that on the design, on the valuation, on the timing of the trades. But regulators like the OCC, the Federal Reserve, the SEC and the FCA had been “central” on the matter since 2006. Their “expectations”, their “optics” have driven the fate of this “London whale” book all along. Not a single authority pretended that it had not been “aware” of the evolution of this book, its programmed dismantlement for 2012, and its high “concentration risk”. They would argue tentatively that they had not known the full extent of the loss in a timely manner....

Against the official versions of the future morphing stories the mismarking that would be alleged by the bank and the regulators in July 2012 was a fake. It was a known decoy meant to conceal a real mismarking, one that dated back to 2007 in relation to the “tranche book” of CIO. The regulators had had all the leisure, the powers and the information to check that since 2006. More they had been closely involved in a stringent supervision of this book in early 2010. The recent train of reforms was the root cause for this close monitoring. These reforms would soon uncover the real longstanding mismarking on liquidity reserves at Jp Morgan. That mismarking would likely unearth a big shortage of “tangible capital”, one that had been blurred by a sudden \$42 billion increase in “intangible assets” in January 2004. Time was running out in 2010. They would be involved in the setup that the bank had manufactured around my name since late 2010. They were not “unaware” of this setup as their choice to never try to talk to me proves it. I had been chosen to be their “fall guy” then. They had the “guy” but they had not yet the “proofs”. They had to manufacture the “proofs” and fast. In that regard Jp Morgan failed to address this objective all along 2011. And regulators were nervous in the first quarter of 2012. Ina Drew “freaked really” because of that failure soon after. She even pointed the finger back to her boss on March 23rd 2012. The bank reputation was lethally threatened. The London whale scandal would thus be just one more step in a much longer term attempt to conceal a huge mismarking on liquidity reserves at Jp Morgan.

No matter how plausible my story may sound, this “London whale” scandal remains an unbelievable outcome for any outside observer. Indeed the official morphing stories only pretended blaming the senior management but truly targeted “traders” in CIO London, whoever it could be since it was not me....And they would all give up in 2017. So what? Was it a trading scandal where no “trader” was found guilty? This conclusion, the official one so far in 2018, sounds like “unfinished job”. Given what I described here, the story is very different from what the bank and every authority has stated publicly. The question now is: how has it been dealt with from 2007 till 2012 for that scandal to become the only possible “catharsis”? In that part, the reader may discern some elements that I explain further in “JPM gains in 2012.PDF” and “Var History. PDF” (available on this website). Here is the story a little more developed now...

Way before the first articles I had already been the “target” for the senior management. This setup was NOT about paying me a fortune to bear huge responsibilities. As I would be explained in 2006 already, I was paid to follow instructions, and in that I served knowingly as a screen for the very top managers of Jp Morgan who officially were managing a “tail strategic hedge”. This book was to be quite big and therefore visible. I was fine with that explanation as to why they used me as the “human face” for what was actually a firm-wide crucial strategy. This is what I would explain my counterparties and all the hedge fund people who came to visit CIO between 2007 and 2012. I made no mystery of my role in this big, big book that was not mine. Thus I had to provide my advice on strategic issues but always in a blind fashion be that to my managers or to my counterparties. I had to execute the orders and report on what I saw in the markets. My ideas were welcome but not required. The “tranche book” was a commitment of Mr Dimon and the Board of Directors of Jp Morgan to address “regulators’ queries”. The regulators knew much more than I would always be told. And part of their participation was to avoid talking to me before the T-time. That also was quite sensible in my eyes since, from the very start of this “tranche book” of CIO in mid 2006, Mr Dimon was allegedly dealing with “regulators’ requests” on subprime, AAAs, super-senior tranches, basis risks and High Yield.... The board of Jp Morgan was committed and therefore would be held accountable as well. And Mr Dimon had to take the necessary steps to implement the commitments taken by the board of Jp

Morgan towards the regulators. I was nobody and I could be replaced overnight surely so. That setup was crystal clear.

Things started going sideways in the fall of 2007. To paraphrase Mr Macris then, "Jamie wanted to declare victory" towards the regulators, and for that I had to wind down the "book" "as much as possible- down to zero...as fast as possible". That was NOT doable. I reported on that. The orders became conflicting in the course of 2008: the legacy positions of the "hedge" were themselves ill-liquid and the book had to be "neutralized" in risk rather than be further wound down. A massive liquidity reserve already was missing in relation to this book that simply could NOT be wound down in the markets at will. That should have given way typically to a run-off whereby the trading would have stopped almost totally and the positions would have been let expire over time. But things went further sideways then.

I explain on this website what went wrong: the application of the FAS 157 uncovered that there was a huge mismarking in the "fortress balance sheet" amounting to \$50 billion or so. That was equivalent to 2 full years of record profits... The big hedge was just a revelator here. It was not "enough" to reduce the sheer size of the CIO investments by this amount of \$50 billion and store it in overnight loans day after day. Indeed the "tranche book" was in a "basis risk" with some positions of the IB and none could be eliminated. However big it was in Var terms, it remained a dwarf compared to size of the basis risk that Jp Morgan carried as a whole entity. Thus either reducing partially the size of the CIO book or putting it in run-off led to the same conclusion for the bank and the regulators alike: a massive provision had to be taken against the basis risk. It obviously could not be "hedged" by the CIO initiative. Thus capital was needed in quite a tangible form here to cover this standing basis risk. And neither the regulators, nor the board, nor the bank executives wanted to raise the matter to the light of day in late 2008 when all the banks were short of capital because of this very same basis risk... Jp Morgan was truly too big to fail...The "fortress balance sheet" was mismarked on the basis risk. And it was the still big "tranche book of CIO" that uncovered the mismarking.

In the course of 2009, it was agreed- unbeknownst to me though- that one guy should fall for all and I would be the "chosen one". This is when the bank paid me a genuine fortune while my duties did NOT change by an inch. I was explained that my compensation was based on "long term considerations" and in the present case this book was bringing steadily a 25% reduction in the market risks of the firm. That enhanced dramatically the overall profitability of Jp Morgan, in particular its ability to absorb Bear Stearns, WAMU and other assets being sold by AIG, Lehman, Fortis, SIGMA and others.... And I was rewarded, among many others, for that. Also this happened at a time when the instructions became more openly conflicting and when my senior management showed signs of anxiety in different forms.

After a first failed attempt to make me fall in shame in mid 2009, the bank ratcheted up its involvement in late 2010. I was promoted "MD-Chocolate Medal" and the bank visibly started breaching its own policies as quietly as possible at CIO. This setup had become a deceptive scheme and was running full steam in early 2011... but it still failed... Probably because I did not trade despite the repeated injunctions of Mr Artajo then... This was what all the regulators saw in their frequent meetings with the bank. My head should have been served on a silver plate already and it was not rolling yet... Indeed I barely traded despite the renewed instructions of Mrs Drew to address then "priority No1 of Jamie" by trading and trading on and on.... The regulators must have wondered what

was going on with this matter, namely the “fall guy who does not fall yet”. They froze their pending investigations on CIO and on this book like one man. They could not “discover” what they wanted to “discover”... Not yet as they knew...And they would not want to meet with me while they had recently expressed official “concerns” on this book of CIO. They would NOT try to elucidate. No they would wait all along 2011 and rather pretend later in 2012 to have been “unaware” in the context of the “London whale” “already settled story”. The fact is that they would have to change this “already settled story” over time anyways as they gathered my answers to their question that they left under confidential seal....

The authorities could see clearly in the course of my FCA interview and of my SEC deposition that the cornerstones of the scandal that I described right above (CIO is a hub-CFO and treasury manage- Mr Dimon commands) were very visible. This is likely why ALSO my testimony is kept under confidential seal in 2018. The coming extracts are going to complete what has been shown in that light. To be a bit more precise here were the 3 cornerstones:

- CIO was just a hub of information with no control over the risks taken or over the valuation of this hedging book,
- treasury and CFO were in control as per regulators’ requirements, and
- they here implemented a strategy through the very direct instructions of Mr Dimon who was quite “hands on” and not at all “remotely involved”. Mrs Drew executed...Regulators supervised quite closely.

CIO was just a Hub

This the one cornerstone that one has to start with. It has been acknowledged by the bank, by the OCC, by the Federal reserve... But it would be systematically done in covered words through highly distorted accounts on the tune of “unawareness”... Yet it was crystal clear, absent these misrepresentations of the facts that occurred in the official morphing stories since 2012.

By original design CIO was an output of what formerly was an integral part of the Treasury of Jp Morgan-Chase. This part of Treasury historically had been investing day after day what was recognized as “steady excess liquidity” at the firm. It was deemed to be mostly coming from “deposits” of the kind that had to remain idle as per the “spirit of the rules” protecting retail depositors.

Since this excess liquidity was here every day Treasury had had to develop some kind of medium to long term trading strategies in fact. And this had caused internal conflicts and “questions” from regulators. Treasury was indeed not supposed to run some kind of “prop trading” scheme. But the fact was that it had had to invest proceeds on more than 3 month horizons knowingly so. Things had to be clarified at Jp Morgan-Chase-BankOne and in no other bank in the world it seems in that “inquisitive” fashion... What follows is a summary of what Mrs Drew would describe to me in February 2006 when she interviewed me for a job at CIO....

In that “inquisitive” context CIO would be created by Jamie Dimon, at the request of regulators, to segregate the management of the “steady excess liquidity” from the usual day to day treasury management of liquidity. And Ina Drew had accepted what Mr Dimon had asked her to do: run the CIO that had just been created by him. That was thus an “initiative” that “Jamie” had taken to satisfy

the questions of “regulators”. This “initiative” was the very inception stage of what would morph into this future “London Whale” book.

This picture above is what I understood from what Mrs Drew described to me in February 2006 face to face when she offered me a position in this brand new CIO. All this was driven by “Jamie”. It is likely (this could be checked easily) that the very birth of the CIO of Mr Dimon at JpMorgan-Chase-BankOne was one consequence of the combination of the “spirit of Sarbanes-Oxley” laws (2003 after ENRON) and the “merger of equals” with BankOne (January 2004). That “merger” was quite a peculiar “merger” where \$42 billion of “intangible assets” were created overnight almost to generate a total \$110 billion banking behemoth in capital controlling the largest network of deposit taking branches in the US. The figures added in a very counter-intuitive fashion, underlying the need for an “inquisitive” approach of the regulators.

Before this “merger of equals”, JPMorgan-Chase was worth about \$50 billion and BankOne was worth about \$22 Billion. Through this “merger of equals”, JpMorgan-chase was worth still about \$50 billion and BankOne was all of a sudden worth about \$60 billion....Before the “merger of equals”, the two initial entities had not much had intangible assets to claim (about 10% in total). Through the “merger of equals” the intangible assets weighed suddenly 40%-50%. Was it creative accounting? The regulators approved: DOJ, SEC, OCC....They had to watch it closely after the demise of Arthur Andersen and Enron.

If that had not been creative accounting that felt very much like it anyway. That context would be the genuine “central thread” that would determine the fate of this “tranche book at CIO” all along. It is enough to remind that Ina Drew, commenting on the imminent publication of the first “London whale” articles (ie 5th April 2012), would send an email to Mr Dimon and the whole Operating Committee of Jp Morgan where she would not speak about me but instead she would mention the “merger” and the “drawdown”. No question was reported to have been asked on the relevance of this reference of Mrs Drew by any member of the Operating Committee.

One may be tempted to summarize the “London whale”, as it was seen inside Jp Morgan at the very top, as “the merger of equal whales”. They all saw the connection that Mrs Drew saw on the eve of the “London whale” first publications. And they would NOT associate my name with it for sure between them the senior executives. And yet they were all focused on the coming first seminal “London whale” articles. One can find this email among the exhibits displayed with the US senate report.

The answer of Mr Dimon to Mrs Drew then was , “ok send me the info. How does it relate or not to our exotic credit wind down?” That was also very telling of what really mattered in all this “whale” of a tale. “Merger-Drawdown-earnings unchanged-our internal exotics wind-down plan”. It was THEIR stuff, not mine. One would also find among the exhibits of the US Senate report the NBIA that shaped the future “core credit tranche book of CIO” in 2006 referring itself to Sarbanes-Oxley laws.

The rationale driving the writing of this NBIA in 2006 was crystal clear for those who remember the period 2001-2006. Indeed with this mix of the largest deposit taking unit (BankOne) and this already hugely leveraged trading unit (JPM-Chase), now sitting on \$42 billion of intangible assets backing a total of \$100 billion capital, regulators wanted to have a clear direct oversight. They had to closely supervise this “strategic liquidity reserves” that the new bank saved everyday for its operations,

especially for the margin calls, protecting in that their retail depositors from a market crash.... Just in case market players may doubt one day that the Bank had enough capital....

It was customary to have this management of the excess liquidity to be done at Treasury. The Jp Morgan business mix was unique somehow in the magnitude both of the trading leverage and of the protected deposits. CIO units usually existed in other banks. But they were mostly here to manage the "excess capital" on a long term basis looking at ALM considerations rather than looking at "trading opportunities" to invest excess reserves. Now, in the case of this JpMorgan-Chase-BankOne group having 40% of its capital in intangible form, one could really wonder what use was made of this capital AND what use was made of the stated excess liquidity that the group held for precautionary reasons.

This is thus likely the regulators themselves who provided the impulse for Jamie Dimon to create HIS CIO for HIS group JpMorgan-Chase-BankOne, sitting outside of Treasury with a very unique mandate. And, as I was told by Mrs Drew and Mrs Macris in 2006, no doubt the board was fully "committed" which in turn indicates again that regulators too were very familiar with whatever occurred with this peculiar CIO of JpMorgan-Chase-BankOne.

As to the need for having within this "safe and secure" CIO here a huge derivatives tail hedge, that concern obviously occurred to all regulators' eyes that it may one day turn out to be just "another massive speculation" indeed. Thus they readied themselves, the authorities that had approved the "merger", to monitor this necessary "tail hedge" like milk on fire. Would it be efficient for one? What was the share of speculation in it given that it targeted "rare scenarios" for two? All the "questions from regulators" that Mr Artajo mentioned to me over the years 2007 till 2012 were hovering around those themes.

Still the rationale for creating this special CIO and this special hedge was quite spontaneous. 40% of the capital was backed by intangible assets that had popped up through the "merger of equals" with BankOne. This CIO would have no leeway in the case of JpMorgan-Chase-BankOne... Indeed, the \$42 billion of "intangible capital" induced that the bank had to mobilize a huge "strategic liquidity reserve" anyway. For the group to just "survive" quarter to quarter as a listed company, this strategic liquidity reserve had to be invested, preparing in advance for potentially drastic margin calls; and still match long term liabilities.

How big should this special CIO/Reserve be? Well the \$50 billion tag was the order of magnitude... It had to be available day after day, spared from Treasury routine business... In case market all of sudden doubt of the value of the "intangible assets" that had been created in the "merger of equals".... And one had rather apply a multiple of that given the high leverage ratio that Jp Morgan carried in its market activities.

Thus this "strategic reserve" that CIO would be was likely bigger than the total market cap of the bank... much bigger actually... This "preparation for hardship" here could not be a standard "treasury business" running margin call issues or bills overnight. This could not be either a standard "CIO investing over the next 30 years for the pension fund and other long term liabilities". The reason was "man we have 40% of our capital that is backed by intangible assets that we created almost overnight in January 2004. And we are already highly leveraged on trading liquidity overnight! Worse, our excess liquidity is actually made of sleepy insured deposits that BankOne had harvested over the

last 4-5 decades in what is the biggest branch network of the USA!" This sounded like a house of cards. The problem was outstanding. It required an outstanding set of management skills. Mr Dimon embodied the skill set, no one else....

This structure had to show some consistence over time, no doubt. Then the question was asked, "how one can be 100% confident that any long term investment made with this "strategic liquidity reserve" would be liquid on the D-day at the H-hour?" More generally the question was, "what gave the assurance that this "strategic liquidity reserve" had been adequately scaled ahead of time for the next crisis to come that would "surprise" everyone?" To try and address that questioning, the CIO had to warehouse a "tail hedging strategy" against extreme and rare scenarios that specifically would hit JpMorgan-chase-bankOne.

And regulators, who had approved the "merger" not ignoring the sudden surge of \$42 billion of intangible assets, would be quite pro-active in "suggesting" what Mr Dimon should order its CIO to implement through the "tail hedge". Regulators ordered... and Mr Dimon skillfully implemented... And central banks in return over the years would flow the "bank deposits" amounts at Jp Morgan. This is this cooperation plan between the bank and the regulators that induced the birth of this "core credit tranche book". This book would hold finely tailored strategies all being designed by the senior management of the bank, not any trader.

Thus CIO had indeed no control over the timing, the risks, the size, the strategy itself and even less the valuation of this "tail hedging book". CIO was here to "execute and report". Regulators would convey their "optics", their "expectations" and their "concerns". And only the senior management would decide between what simply was a tentative projection of a stress scenario (regulators input) and what was a rational instant "need for hedging" of the balance sheet (Mr Dimon input).

In few words, CIO was just a hub of information for the senior management, for the regulators and for the board alike at the bank-wide level....This does not preclude in full the fact that CIO management may have tried to mislead the bank top executives. But this shows that each of the official "settled" or future morphing versions was a gross misrepresentation of the facts in the very eyes of those who published them. The "traders" indeed had no weigh and were transparent by original design. The same applies to their "managers" at CIO about the transparency. If they had tried to conceal anything, that was completely stupid on their part. To allege that they succeeded was plain dishonest all along. This is why this "CIO is just a hub part" is a cornerstone in the "London whale" case: any "betting" intent was done either at regulators' stage or at Mr Dimon's level. Armies of risk controllers, IT controllers and price controllers knew that and secured that all along...

The following extracts will put the emphasis on this matter by just completing what has been described earlier. The reader may thus usefully first come back to the former parts and keep in mind the key items. And next the reader can dive into this part that regulators had had under their oversight since 2005 actually...

As to the FCA compelled interview the attempt of the FCA to try establishing its "premise" or its "system" on the record would unearth quite often that CIO was just that, a hub of information for the bank. Only a selection of extracts shall be used here as others will serve the purpose of the following parts thereafter....

The first extract shows the awareness of the FCA that since 2007, I was to follow quite specific instructions about how to execute and provide my opinion on the marking of the book day to day:

FCA: "And so just going back to your synopsis of discussions with Javier and Achilles in early 2007, my understanding from what you said is that you were receiving push-back from them, in terms of the sort of volatility of the P&L and that led to a conversation with Javier about the process by which you were marking the book." IKSIL: "Yes. I mean, "push—back", you know, it's a term, you are -- you know all the connotations of this, I don't know this term. You know, I have a good English, but on this, you know, I cannot say yes..." FCA: "That's fine." IKSIL: "...or no. I cannot say." FCA: "So would you -- would you say that it's fair to describe them as you were having discussions with Achilles and Javier in relation to the volatility in the P&L?" IKSIL: "Yes. I mean, I would say in my words that they made me understand that if there was a day — a up day and a down day after, I had to substantiate this by something that was other than, "Oh, you know, the mid moved and I don't know why, but that's it"."

In that other extract, the FCA uncovers the fact that I was not always told all of what Ina Drew told Mr Artajo to trade when it concerned this "core credit tranche book". Here it appears that Mr Grout may have traded that day on this book without telling me but as per specific orders of Mr Artajo obeying Mr Drew here. Against what the questioner here alleges, the FCA shall NOT put on the record what "disconnected things" meant despite my invitation to do so....

FCA: "Yes. We will come back to that in a second. Before we get on to the very end of the day though, I wondered if you could explain a little better the reasons for the P&L, for the loss for the day coming down during the day. Can you explain to me how that -- what the reason for that was?"... IKSIL: "**I don't know for a fact why it went down**, right, except that that day, you know, the market was bullish so, if I remember, every basis point gain, right?, With no lag, would translate into 15 million loss -- or, 15 million gain for the book. Just a long risk overlay. So I could understand, you know, that it went down from 250 to 200 in a bullish day and, you know, as the prices had changed, of course, at the New York open all was not factored in and, you know, say by the end of the day in London, you will have some refinements and you will end up with this 200 million. **I had my own prevision at 300** so that was relatively good but that was sensible. **Now I don't know for a fact what Julien saw**, you know. I just wanted to send a message to Javier and that was it." FCA: "Did you carry out any trading on that day?" IKSIL: "I don't think I did any trading that day."

The FCA had checked that since it had all the trading blotters. Why ask me all these question if no trade had been done? The fact is I had not traded that day....as far as I remembered...What was the point that the FCA tried to secure here in such shadowy fashion? If I had traded, the FCA had simply to confront me. The FCA would not even suggest doing that.

FCA: "Did anybody else trade on the core credit book that day?" IKSIL: "**It's possible that Julien did some of the trades** which were maintenance trades on the "O to 3" IG9 10 year maybe because that was a program that had to be performed every single day." FCA: "What sort of volume are we talking about?" IKSIL: "I don't know. I, you know — I don't think I was trading and that was not big in any case because that was not liquid." FCA: "And it was just the IG9?" IKSIL: "**Well that's the one I think because you know, from the stop trading instruction of Ina Drew**, that only concerned the long risk, because we had to anticipate the coming expiry of the protection of the IG9 index that would come in December 12 and the thing to do was to buy protection on the equity — on the first loss tranche on the IG9 10 year slowly every day given that we couldn't trade a lot but .that was the thing to do. It's been approved; it's been explained and approved."

The FCA would clarify the context of “who” could have done trades on this “London whale book” while my not knowing about it....

FCA Thanks. And there was one point we wanted to clarify just in relation to the March month end trading, so trading after the instruction to stop trading. Earlier we discussed IG9 and you explained there might have been some small trading going on. Were you aware of the trading going on, on the IG series 18? IKSIL: Maybe there was some small trades, yes. May be small. FCA And on the series 17? IKSIL: IG, i—Traxx? FCA: CDXS17.

The FCA did not look at what the CIO and the bank had wanted to put in its hedge for years, including in 2012 in fact. The FCA displays here its sole focus on IG (IG9 10yr was in IG) while the issue was also on Itraxx and HY- remember that the FCA had scrutinized the trading blotters on which the executioner's name was always specified....They knew that I had not traded and still asked in the hope that I had given the instruction “hiding” behind someone else...Or that someone may have “understood” that I wanted him to trade in my stead...whatever.... As the FCA wanted to prove charges against market manipulation against me only.... The They had the answer to their questions already. The FCA thus had a very weird way of questioning me, not getting to the facts at all... staying on a very superficial stance

IKSIL: Yes, maybe there was small trades, they were refinements for the long risk that had to be put in front of the bearish positions on the book. FCA And were there trades that you were involved in executing? IKSIL: I don't remember. Maybe I did some small but that was really fine tuning. I think they were small trades in any case. (*the FCA does not try to know what I meant by “fine tuning”*) FCA Would Julien have been involved in trading on those particular instruments? IKSIL: That's possible, Yes. I don't remember whether it was he or me doing that. **At the time I delegated a lot of the trades to him but...** FCA: Would there have been anybody else who was part of the trading desk who would have typically traded on the core credit book at the end of March? **IKSIL Yes, it could have been Luis or Eric as a service. FCA: But am I right in thinking that would have been at your instruction if Luis or Eric had done it, or not necessarily? IKSIL: No, not necessarily** because I was giving some general, again, guidelines about -- to Julien about, you know, think of this IG9 – I think I make a reference to 15, 25 high yield tranche too, where I tell Julien more or less what he should look at for the purpose of the day to day management of the book yes.

Where they “right in thinking?” No they were not s they had seen it already looking at the trading blotters. At another point in time I display how the communication chain is ensured all along March 2012...

FCA And was there something that you wanted to clarify? IKSIL: Yes. I mean. The problem I have here with Julien is that he's putting the six basis points in IG9 and it has no connection with the distance spreadsheet as such. **The thing is: Javier wants to add to the IG9. I have the concern that he adds with the wrong idea, with the wrong view, or he's communicating the wrong thing to the CIO executives.** So I tell Julien to straighten this up and make sure that, whenever he gets to a distance number it's made from a price selection that is consistent. Because you would not see from the distance spreadsheet, you know, which prices are selected as such. You would just see a P&L impact, that's what I tried to explain. So it has no connection. But it's part of the same story. But here my concern is really on the price selection out of any distance number, if you prefer. **Now, it matters to have the right prices first before you start analyzing the distance.** FCA So your concern in this conversation is about the ingredients as opposed to what the cake ends up looking like? Is that a fair

analogy? So what you're concerned about the prices that Julien is picking as opposed to the conclusion that he's reached on the basis of those prices? IKSIL: My concern is really on the starting point. FCA Yes. IKSIL: That has to be right. FCA: Okay. **IKSIL: Especially in the context where I know that Javier, and CIO, want to add to IG — the IG9 position. So I want to ensure there's no misunderstanding or misleading information baked into what the distance is going to show.**

The FCA sees that I am constantly thinking of conveying all the information to the higher-ups while executing their trades in the markets. That was my role at CIO. I would explain how the trading strategy, the loss, the valuation process that we had at CIO London was all lined up in a consistent manner, namely to channel additional information to new York for the bank's sake:

FCA: And on that bit, were you ever asked to maximize profit? I mean, was that one aim of adding the long list positions? IKSIL: **No, the concern was to, say, manage the economics of this book**, okay, and if you buy protection you expect to lose money in normal times, and the use of this protection is that it doesn't lose too much money so the whole action is going to control the loss to some extent. FCA: **So to do it -- try and do it in a cost neutral fashion.** IKSIL: **As much as possible**, but cost in terms of, you know, on very — general considerations like if you buy protection you pay every day for this protection so it's going to cost you. FCA “Yes.” IKSIL: It's not — it's different from trading cost. FCA Yes. And are there any other reasons for adding positions that we haven't identified? In terms of the strategy between January and March 2012. IKSIL: For the, I would say 95% that was for that reason but there were some small trades that were meant to, as we express it, **defend the P&L**, which is more price discovery action where still according to the guidelines had them for the estimate to trade on some prices, to defend the view we had on the prices we were selecting. **And if you have 500 million uncertainty in the bid offer that you don't think the bid is the correct price**, it's okay for one day or two but at one stage what you want is to actually trade in the market to know where — whether you are right or wrong on that. So these were very small trades. FCA And in relation to defending the positions, was -- that was something that was happening even whilst you'd been instructed by Javier not to show the drift. IKSIL I'm sorry here, ‘even whilst’, I don't understand what this is. FCA At the same time, **So after the 5th -- after the 6th of March.** (*the FCA makes another Freudian slip admitting somehow that the orders that Mr Artajo instructed me to convey on the 6th March 2012 to Mr Grout had ALREADY been given by Mr Artajo to Mr Grout on March 5th 2012. I am confused myself then: which day had the FCA in mind here?*) IKSIL: Can you say it again, please? FCA Did you trade to defend the position in the way that you've described after Javier's instructions to you regarding ignoring the drift on the 6th of March? IKSIL **I did few trades on IG9 on typically March 16th to help Julien**, and after those trades were done I suggested him with what I thought were the appropriate levels. He didn't seem to disagree with me and I assumed, you know that's what he would do, more or less, because he had many other things to look at but I thought he would use that as a backbone and I traded exactly for that purpose....

This was it for the trading investigation on the FCA part by the way. All the instructions came from New York. The Freudian slip between “March 5th” and “March 6th” above of the FCA betrays this awareness that CIO was just a hub of information. This also uncovers the awareness of the FCA itself of its own dishonesty in trying to charge me for what had happened on March 6th 2012. Indeed the FCA above admitted that the orders had been ALREADY channeled from New York down to Mr Grout by the 5th March 2012. Why did the bank put me in a loop that I was not in? why would all the “investigations” try to put me back on that loop so artificially next?

As the extracts and the documents show, I am really at the very end of the chain, ie in charge of nothing almost. The FCA 'moved on' with the manipulation allegations on the follow although displaying a surprise when I advised the UK regulator to look at the trading chats. It seemed that the FCA did NOT have a clear view of who did what then in late February 2012 between CIO, Boaz Weinstein, Citigroup, CSFB, ICE and Bloomberg.... It should have investigated already before interviewing me and it should have stated "do not worry! We have carefully reviewed your trades... and by the way, what specific document or days would you advise us to look at again?" But the FCA did not say anything close to that... Thus this comment of the FCA shows that the UK regulator had issued accusations on market manipulation while deliberately NOT looking at the trading evidence that mattered. That is quite suggestive for any counter-investigation of the FCA behavior...The complaints commissioner should have asked me what I meant here...It did not even ask any question...

IN manufacturing what it knew to be a complete fiction the FCA "investigation" made another misstep. This is what the extract below will show. While it was clear that "New York" meant "Ina Drew" to me, the FCA was not so sure actually. At another point in time indeed the FCA will hear what the "core credit book" "estimate P&I" report was meant to convey within all the ranks at Jp morgan "all the way up":

FCA: "And Mr Grout says, "No, no, no, no, no, no". You say, "One point on the high yield and we're back to flat. That's the problem that we have. It's not the big range that you see we need for —" Mr Grout says, "Flat, you mean?" **You say, "Yes, because they don't care. In fact, what they don't want is for us to be down."** (one may interpret this sentence in many incriminating ways. Whatever... what shows for sure here is that my former alerts had been heard, weighed, doubted, criticized, one full month BEFORE the allegedly "surprising" articles. They in "New York" did "care" about things and would not "care" about other things that I had elevated already. And it was all around the loss. Another sure thing is that we got a feedback from "New York" through Mr Artajo. Nothing was sort "lost in translation" then) And Mr Grout says, "But, Bruno, this in fact puts us up what you just said". **Did Javier instruct you to ignore the drift to the extent that you would be showing a profit? "** IKSIL: "No, it's -- it's all about again the discussions with New York and all the crazy considerations. I keep trying to explain that this loss, no matter how big it is, it's very small versus the liquidity issue, right? **What I tell Javier here, I'm referring to, is I tell -- I tell Javier, "Look, Javier, it's a big loss, right, and you guys, you eventually consider by the end of March to add to the IG9 or the S9, the forward spread investment,** but think of it, you have so far this year-to-date loss that you think is big that could be an opportunity, right? It's only three basis points. I -- basically, it's a bid offer spread on the current quote". So what I'm trying to say here is that even if it's a big loss, it's not a big market opportunity. It's just that it's a big cost of trading and big liquidity issue, right? That's what I'm saying here, xx;yy." FCA: "Where you refer to basis points on different instruments?" IKSIL: **"Yes, because they think in millions and hundreds of millions and I'm thinking in market price moves,** "what does it mean?" If you lose 500 million because the market has moved a lot, because you had a small position that lost a lot. Okay. if you like this position, that's an opportunity to add. But if in fact you already have a huge position and the market has moved a little, and you're considering adding and saying, "Look, the market has not moved that much" Okay. "lawyer: "I think -- just to make it clear, I think, Bruno, you said that it was a conversation with Javier, but this is a conversation with Julien." IKSIL: "Yes." FCA: "Understood, understood. I..." IKSIL: "So I explained Julien what the -- the — some of the contents of the back and forth I had with Javier on this discussion." FCA: "And the discussion you're referring to with Javier is the conversation on

6th March that we've already discussed?" IKSIL: "Yes." FCA: "And at that time, did you say that Javier was in New York, or he had been discussing with New York?" IKSIL: "He had been talking with New York, yes." FCA: "And what did he tell you about New York's views? And when ——— sorry, when you talk about New York in that context, do you mean CIO management in New York?" IKSIL: "I understand he mentions CIO New York, yes." FCA: "And what did Javier tell you about his conversations with CIO Management in New York?" IKSIL: "Not much, except what is referred here." FCA: "Okay."

The FCA is not sure itself whether "New York" in Mr Artajo's mouth to me was actually "CIO management in new York". To me there was no doubt. Had there been no room for the doubt in the FCA's knowledge, the question would NOT have occurred. The FCA should have asked "who at CIO New York". Instead the FCA asked whether it was "CIO New York" actually... as if it was actually "JpMorgan New York top management"... This question of the FCA alone confirms that CIO in London is just a hub of information for CIO New York, which itself is a hub for CEO, CFO and Treasury, ie the very senior most managers of Jp Morgan. And they report directly to Mr Dimon. CIO was indeed always addressing "Fortress Balance Sheet" issues, not "self contained CIO issues" like any typical business would do. The SEC deposition in September 2016 would only corroborate what all the authorities knew since 2006....and heard by July 2013 from me before they ALL "settled" with the bank in September 2013 using a flawed account...

To start with I described the context of March 30th 2012, ie the day when the mismarking is supposed to have materialized in the official morphing stories. Yet, one will see that our estimate P&L figure was reported all along the day. In special situations like the one of March 2012, "New York" was synchronizing, all day long as per New York hours, asset sales and balance sheet management operations. It all was depending upon the updated estimate P&L figure even though it was just a temporary one estimate that was to change.

The further loss in the "tail hedging book" was directly impacting the total "excess steady liquidity" amount that was under investment at CIO. This is what these asset sales, executed "live" against the estimate P&L of the day, suggest. This alone uncovers a shortage in liquidity reserves at March month end 2012 for Jp Morgan. In the context of the "london whale" case that "asset sale" really smelled like cooking the books but that was occurring in New York, not London. It remains that the extract here shows again that CIO was indeed just a hub of information for the bank since that setup "London-NewYork" was operating since 2007:

Q: Okay. And how many conversations did you have with Mr Artajo on March 30th?...IKSIL: I had a couple of conversations...Q: One, two, three, can you estimate for me?...IKSIL: I remember three of them...Q: Okay. And what time of day were these 3 conversations?...IKSIL: I think it was in the course of the afternoon...Q: **So all 3 were in the afternoon?...IKSIL: Yes...**Q: Okay, is the one that we already talked about talking to do with the train, is that included in the 3, or are these 3 additional conversations in addition to that one?...IKSIL: The one with the train is among the 3 I think...Q: Okay. So tell me about the other 2 conversations then...IKSIL: So the first conversation came with the first estimate P&L that Julien could produce. I came to see Javier and I told him that Julien had found 250 million loss for the day. I am not quite sure whether it was at that moment or in a former quick conversation that I told him that Julien wanted to have Javier's validation for this estimate P&L, but that was around that moment.... [part redacted but the transcript contains all of it]... Then Javier said "okay. Do you think it can go down to 200 million." I said " well, you know, it will be what it will be. I will keep you posted when Julien has a new update." And I come back. I tell Julien what Javier told

me. Then a bit later Julien tells me "it's 220 now". So I get back to Javier and he says "okay, thanks. Keep me posted." And at one stage, Julien arrives at 200 and then Javier says "okay, great. Do you think it can go down to --to 150?" And I say "well, you know, to me this has gone down, this loss, it's because the market is rallying. So the long risk is just making money. But it's unlikely it goes way beyond the level we are." I said "at best, maybe we can have one more basis point so that we--in the hope that there's no other drift or problems that come in the day, that could go down to 170 million, but not 150.....IKSIL: **Then Javier explained me that he had told Irv Goldman a bit earlier on that he thought, Javier, that the loss might be at 150. He explained me that in new York they were selling securities to lock gains that could balance the extra loss that was happening that day and they could find 50,100 million, but probably not 150 million. And he said, "okay, you can go take your train". and I said "But don't forget, Javier, Jason is going to see a difference". And Javier told me "Don't worry. I will talk to Jason". And I went away...Q: Did he tell you that he had already told New York that it could be as much as 200 million for the day?...IKSIL: I don't remember that...**(the questioner knew more than me. This question indicates an ongoing back and forth between Mr Artajo and "New York" where I am NOT even aware) Q: Are you aware that New York was told that the loss for the day could be as high as 200 million?...IKSIL: You mean, was I aware? Am I aware today?...Q: Were you aware then that New York was told that the loss could be 200 million?...IKSIL: **I was not aware of that...**Q: Were you aware then that New York already planned to sell 200 securities?...other Q": Objection...Q: Sell enough securities to generate 200 million in profits?...other Q": **Objection to the extent you keep assuming facts not in evidence...**

"You keep assuming facts not in evidence"... what a weird sentence... what a weird objection....a fact is just that, a "fact", a stubborn proven thing that does not need "supporting evidence". The "evidence" is indeed uncovering "facts" which it may not be able to prove as such. "Assuming facts" is a pretty strange locution. But the start of the sentence helps understanding what the questioner objects to: he objects to the fact that the "evidence" does NOT mention the "fact". Yet the objection does not suggest that this is a "flawed interpretation" as such. Thus the objection here points out that one must "assume" the "facts" based on the "evidence" that is being discussed. The objection was NOT: "this is not a fact", or "you fantasize", or "you are biased". No, it was a fact of the kind that could not be objected. This locution shows that the "fact" is known by all the attendees BUT me! I was not aware of it although this "fact" shows who was making the decisions in New York and who was making the reports internally. And I was NOT aware of this "fact" above in September 2016....

As part of this setup that had governed for years the CIO, ie the information hub for Jp Morgan, Mr Artajo in London would be called at night by Ms Drew whenever an estimate P&L daily result was bigger than \$5 million or worse than a \$5 million loss. For lower figures Mrs Drew would not bother but one has to bear in mind that the daily VaR of the "core credit book" was ranging between \$40 million and \$160 million. Thus a \$5 million result, positive or negative was a very likely outcome since it was just a small fraction of the daily VaR anyway. It therefore was a rather high probability that Mrs Drew would call Mr Artajo in the middle of the London night. That was well understood: Mrs Drew was "hands on". Thus London was itself a hub for New-York inside CIO:

IKSIL: Because Javier--**we knew that Javier would be called by Ina Drew at night if the estimate P&L was beyond 5 million plus or minus.** So when I said that would make less questions, I was referring to the call that we knew would happen if that estimate P&L number was beyond 5 million plus or minus...Q: Now you said just now--...IKSIL: Can I clarify one thing?...Q: Yeah sure...IKSIL: **The call would be done between Ina Drew and Javier...**Q: Okay. And how did you know that javier would be called by Ina Drew at night if the estimate p&l was beyond 5 million plus or

minus?...IKSIL: Because **Javier told me that**...Q: What did he tell you?...IKSIL: He told me that whenever the estimate P&L number was beyond 5 million, Ina would receive the report as every day, and in such circumstance **she would call him after a long day, which would be in the middle of the night for him, Javier**. And that this would be usually a long call with many questions because Ina wanted to know all the details... Q: What was Mr Martin-Artajo's tone in that conversation if you recall--strike that. Was there only one conversation on that topic with Mr Martin-Artajo?...IKSIL: No there--we knew that it happened and when Javier had explained me that, he just said "look, you know, when that happens I'm woken up in the middle of the night for an hour or so with questions of Ina. I sleep bad. I'm tired the day after. I'm just telling you that so that you are aware.".....Q: Now if you look at page xx of this exhibit, do you see at timestamp HH:MM:SS Mr Grout types "minus 3,5"?...IKSIL: Yes...Q: What do you understand him to be telling you there?...Q: That he had adjusted his prices one last time and that the core estimate P&L that he reached was a loss of 3,5 million for the day

A bit later on the same evidence and same day, I explain my interaction with Mr Grout and the light comes finally: Mr Grout was the man processing the estimate P&L all day for CIO New-York top management to have "live" updates all day long if needed:

IKSIL: because that's his decision ultimately...Q : If you look at page xx, do you see at the top of the page at HH:MM:SS where **Mr Grout replied "yes, minus 3 million I'm more comfy"**?...IKSIL: Yes...Q: What did you understand him to be saying there?...IKSIL: That he had a range of P&L estimate that he could send and that he felt more comfortable sending minus 3 million...Q: Okay. And then you state "OKay. Go for that". Why did you tell him that?...IKSIL: Because that's part of our process when we can discuss. But his final stage, I had nothing to comment...Q: Okay. and then if you look at HH:MM:SS do you see where **Mr Grout says "damn, minus 5 million, I went too far"**?...IKSIL: Yes...Q: What did you understand him to be saying there?...

Mr Grout applied his judgment independently from me for the marking of the book. He may listen to my views. He may not. That was his job. Mr Artajo was his boss.

In the following extract, there is a proof that my July 2013 compelled interview with the FCA had been scrutinized (as anyone should expect). And there is a picture of what happened on April 10th 2012, ie 3 days before Mr Dimon would agree with a financial analyst calling all this "London Whale" tale a "tempest in a teapot". I testify that Mr Artajo was stating what the estimate P&L figure would be with Mr Venkat, namely the New York based firm-wide head of risk modeling, along with Mr Macris and Mrs Drew.... Among others that day at least...

As usual, I was NOT aware of what they discussed in "New York" and what they told Mr Grout to do unbeknownst to me. A first instruction had been given to Mr Grout to select prices so that the estimate P&L of the day would be \$5 million. That had been done unbeknownst to me in full. Mr Grout would send his report without even referring the event to me. The snag is that I had elevated to Mr Macris earlier, from a first estimate P&L of Mr Grout for the day, a daily loss of \$700 million. Mr Grout knew it. Mr Artajo knew it of course like Mr Macris obviously. In the meantime- ie from the \$700 million first estimate of Mr Grout and the "ultimate" one of \$5 million ALSO processed by Mr Grout in full- a lot of meetings had occurred where I was not invited or made aware of... And Mr Grout had been ordered to only post a \$5 million loss for the day of April 10th 2012 without even bothering to tell me in the first place....

The question here is “who decided then that the estimate P&L loss should be \$5 million only?” I testify in a way that shows that Mr Artajo was NOT the one who could have originated this order even though he had been the one who told Mr Grout to do so. Here are the facts... It will turn out that Mr Grout will tell me matter of factually that he was to send his \$5 million loss report and I will react visibly so. Then, seeing me standing up all of a sudden, Mr Artajo and Mr Venkat will come back to our desk and order Mr Grout to send instead a \$400 million loss for that day. Thus Mr Artajo did not decide alone for sure on the figure that would be sent.

Who could have told Mr Artajo to order Mr Grout to send \$5 million that day earlier on? It was not Mr Macris. Mr Macris had reacted strongly earlier when I had reported the \$700 million first estimate of Mr Grout: he shouted in the open space against Mr Artajo for anyone to hear. Mrs Drew is unlikely to be the one who told Mr Artajo to send this \$5 Million, ie the amount under which she would NOT have to call him in the middle of the night. The freshly demoted Mr Artajo who had just been shouted at so publicly by Mr Macris would have been mad to do that. Mr Grout would have spoken up.... Was Mr Artajo mad? At the least he discussed the loss figure with high level executive of New York who was not at all part of CIO. The presence of Venkat suggests only one name for this “send \$5 million today” order... The guy was above Mrs Drew and was in New York: there is only Mr Dimon left....Here is what the SEC deposition put in the record while knowing all the story above:

Q: Okay. And I've read your FCA testimony about this. So I'm not trying to re- re-plow all the ground, but just tell us again what your understanding was of why the one estimate was sent, the first estimate I think was a loss of, I don't know, 4 million or something like that. The second one was a much larger number. Do you remember what the circumstances were that caused the first one to be sent?...**IKSIL:** I have my recollection of the circumstances around this 4 or 5 million P&L. As far as I know, I arrived at the desk back from some other task I had to do and Julien told me that they were planning to send a loss of 5 million. Then I stood up and I said "that's not possible, not today, not after all this mess. That's not possible". And then I was looking for Javier, standing up, trying to find him. And he was at the other end of the row discussing with Venkat. Javier also was standing up and he came towards me with Venkat, and as he got near me, I said "Look it's --it's not possible". He said over me to Julien "we are going to send 400 million"... **Q:** Mr Artajo said that over you to Julien?...**IKSIL:** To Julien, Yes. And then he turned back to Venkat and he said "sorry, we are going to send 400 million today, sorry". And Venkat smiled and said "It's alright. It's alright. Let it flow". Then I sat back to my desk and I saw Julien was annoyed. And I asked him why he felt so bad. And he said that he had sent already the 5 million estimate. Then I asked him why and the explanation he gave me was that he had 2 monster truck open at the same time and he sent this 5 million estimate P&L by mistake, to which I concluded "doesn't matter that You've sent the former P&L estimate. That's the right one." and that was it.

Here there is an interesting extract where the defense is showing that the SEC, way beyond this sole deposition, had had all the leisure to question me and prepare its questions carefully for this September 2016 deposition, knowing my testimony of July 2013 with the FCA:

Q: And then do you see where you write, "we would lose money now on a default in US High Yield, and make money if the default occurs in the IG world?...**IKSIL:** Yes...**Q:** What are you saying there?...**“Other Q”:** I just want to record my objection as sort of a standing objection, but every once in a while there's a question that really brings it out. **You had 27 days to talk to this witness and ask him what he meant by "Jump to default", and you're using time in a very limited five-day window to ask him that same question.** And I just want to make my record because I want to explain to the judge

when we ask him for more time to complete this deposition...Q: Sir, do you remember the question?...IKSIL: Yes, you asked me what I meant by "we could lose money now on a default in high yield US and make money if the default occurs in IG world". So what I mean by that is that since the 20th of December 2011, the book is exposed to some losses if there are some defaults in the high yield universe which was new for this book. On the other hand, **this book keeps having very protective features for CIO and the firm**, if there's ever a jump to default happening in the investment grade world. And I tried to contrast the fact that, okay, the book has some exposure and some defaults in high yield world, but it also has a lot of protection in a jump to default in the investment grade world...Q: In the phrase "make money if the default occurs in the IG world", does that mean that the book would lose money if there are no default in the IG world?...IKSIL: **No. It's only the focus of this book since the start**, that was to make money if there were jumps to defaults or crisis or stress scenarios. And all the --the objective was to be able to have this protection all the time while not losing money precisely if nothing happens. So if there is no defaults, this book is expected to lose a little or lose nothing...Q: Okay. Now, if you look at the next paragraph, do you see the last sentence where you wrote "the gain in IG is lower than expected due to the lag in series forward spreads"?...IKSIL: Yes...Q: What were you conveying there? What were you communicating there? Or what were you saying there?...IKSIL: That the book also aside from this jump to default protection, had also a long risk exposure in IG, investment grade. And in the rally at that point during the month of January, this long risk exposure in IG should have made a lot of money. And it didn't make that much money due to the lag of performance in the series--I forgot to write 9-- in the series 9 forward spreads which included the IG9 and Itraxx main S9 indices....Q: In January 2012, did you have any discussion with Mr Martin-Artajo on what you ...

Mr Dimon is at arms length from the orders of Mrs Drew since the end of 2011. Of course I had many discussions with Mr Artajo in January 2012. I discussed also with the risk controllers like Mr Stephan or Mr Kalimtgis. My story was always the same. At that very same time I also had had discussions with Mrs Drew face to face and with risk controls as well, alerting all of them on the liquidity and visibility issues that the bank shall pretend to "discover" only in May 2012...The fact is that, because of my "discussions" of January 2012, Mrs Drew with Mr Macris and Jp morgan Human resources will demote Mr Artajo by early February 2012 in a way that prevented Mr Artajo to claim it was a "constructive dismissal"...

In the following extract one can see that all the investigation teams saw that the risk control department was scrutinizing the daily estimate P&L loss with the person of Mr Keith Stephan who reported to New York independently from any trader. It matters to say that Mr Stephan will be promoted MD in 2012, ie right after the "London whale" scandal had blown up. I was talking to Mr Stephan face to face quite regularly, and I warned him in person several times in January 2012. The fact is that Mr Stephan attended the meetings with management and with UK regulators while I was not since 2010 about this "core credit book". And Mr Stephan validated the orders that I received from CIO managers although he heard my alerts and concurred with my warnings. He would be promoted by the bank and never be targeted by the authorities....It remains that as of the 20th March 2012, he went to me as he did customarily before he would report to New York the contents of his conversations with "traders" or "managers" from London:

Q Does this help refresh your recollection that some time early in the day, noon, one o'clock, 2 o'clock in the afternoon, you had had a discussion with Mr Macris and/or Mr Stephan about the expected amount of the loss that day?...IKSIL: Yes I had in memory a quick discussion not with achilles. With Achilles, it had been what we discussed formerly. **But I don't know who came to**

whom, whether it was me to Keith or Keith to me, but at one stage, we were discussing about the outcome, because that was the roll day, and we knew that this would act as a catalyst with regards to all this uncertainty on prices, this big disagreement that we had with the dealers. And I remember we discussed that there could be a big potential loss for the day, yes....Q: Okay, we take a break now...

Mr Stephan was monitoring the growing loss every day at CIO. And he came to me and heard what I was elevating all along: no liquidity and manipulation and "worse to come"...And in the following extract, one will see how indeed in practice the orders to me were justified, against my sole good common sense, because somehow CIO was just a hub for the bank. Therefore I could never have had the full picture. And this connects directly to the mismarking, both the decoy one and the real one:

Q: During this call with Mr Grout on March 16th, did you tell him that "either we do a one-off immediately before the end of the month so we don't have to worry you see?"...IKSIL: Yes... Q: Prior to this call, had you discussed with Mr Grout your proposal to do a one-off?...IKSIL: Yes...Q: What did you tell him about your proposal to do a one-off?...IKSIL: I told him that-- all this story about the RWA, the investment spread trades, the notional increase, the fight with the IB, **all this was a complete setup. I come to realize that in the course of this week. And I felt I had been completely abused by the management of CIO. And I was convinced that the only thing that was reasonable to do was to put this book in run-off mode so that it disappears from the radar screens...**Q: That's the run-off. What about the one-off?...IKSIL: And in the context I said, "we really should do a one-off, show the full extent of the loss, so that CIO management really thinks twice before growing even further this book. Because to me it was a complete setup. That was a trap...Q: And what did Mr Grout say when you said "we should do a one-off to show the full extent of the loss so that CIO really thinks twice before growing even further this book?"...IKSIL: I remember he did not disagree with me. Maybe he thought I was a bit pessimistic...Q: I'll move to strike as nonresponsive. The question is what did he say right? Not what he didn't say or what he thought... IKSIL: About what he did say was he sort of agreed with me on the idea that it was not manageable...Q: And what about with respect to the actual one-off proposal itself? Did he express any opinion on that idea?...IKSIL: He expressed an opinion when--....

Mr Grout was listening and thinking. That was it. He did not "comply" or "yielded" to my views. We were blind within the CIO. I was blind and NOT aware of many things that were decided between London and "New York". Was this "New York" just "CIO"? No. Mr Hogan was involved through the "IRC-CRM" split. Mr Hogand was the Chief Risk Officer of the whole JpMorgan-ChaseBankOne group. His deputy Mr Bacon was involved through the "externalization-Offshoring-exotic credit wind-down" for Mr Dimon. That was "priority No1 for Jamie" since late 2010. The chief of Compliance Mr Zubrow was involved via the Volcker Rule. Mrs Drew was involved too as she was executing "Priority No1 for Jamie" as per "regulators' optics". The Chief Financial Officer of JpMOrgan-Chase-BankOne Mr Braunstein was involved via the "action plan" that internal auditors had triggered in December 2011.

All was driven by "New York" indeed based on RWA computation, based upon a NY model that was not finished and not even "approved" by regulators yet in NY. At least this is what we were told then. The "regulators optics" where thus setting the agenda for the dismantlement of this future "London whale" book. What share of all this was simply reliable? CIO was a hub and I stood at the very end of the information chain. We had our opinions but we were blind and aware of that structural blindness. So was the bank, ie aware of this licit setup. So were all the investigation teams subsequently, ie aware of this licit setup.

They all knew that treasury and CFO in NY were in possession of the crucial information while we at CIO-London were left in the blind on purpose. And this purpose was very well understood to come from the very spirit of the Sarbanes Oxley rules (2003). It thus matters to see that my testimony exhibits some clues of that too!

Treasury and CFO control liquidity

The licit setup for CIO was quite rational and straight: it was to invest wisely what had been earmarked within the balance sheet of the whole firm as “excess liquidity reserves”. It was done in plain “knowledge” for ALL the regulators that \$42 billion of intangible assets had popped up through a peculiar “merger of equals” in January 2004. The bank could neither afford to leave all this spare currency idle, nor to expose it unduly to market risks (valuation being the No 1 risk) nor expose it to other immediate payment risks. This is thus spontaneously that the Treasury department had a continuous monitoring over the outstanding amount that CIO was charged to invest day to day.

This amount yet was strategic way beyond Treasury and immediate payment needs as the \$42 billion creation of intangible assets had boosted the intangible capital in January 2004. Thus this amount inherited from this “merger of equals” was in close connection to the “excess capital” that the bank claimed to have as another “cushion” against unforeseen hardship. How tangible were these \$42 billion of intangible assets that had been born through this peculiar “merger of equals” with BankOne? The answer was quite uncertain in case of a sudden margin call. And therefore Treasury had worked closely with the CFO to determine what amount of “strategic liquidity reserve” was required knowing what “excess capital” was ALSO theoretically on avail to pare possible surprises in valuation.

Of course the risk control department would monitor what CIO was exposed to so that, through risk standard measures and stress tests, the bank could make projections as to how the volumes invested by CIO should change or not in the future. This is in this quite licit setup for CIO, all designed and commanded by the CEO, that the “core credit book” aka the future “London whale” book was deployed, scrutinized and instructed since 2007. Regulators were not far at all as explained before....

Let’s put names on those who were in charge of this “core credit book” sitting next to Ina Drew (CIO) and Jamie Dimon (JP Morgan CEO)... There was the Treasury CEO since July 2010, namely Mike Cavanagh, who will head the Task Force Investigation at JPM at Mr Dimon’s order in May 2012. There was also Mr Braunstein heading the CFO role at the order of Mr Dimon since 2011. And there was Mr Hogan who headed the Chief Risk Officer role under Mr Dimon instruction since January 2012. It is useful to remind that Mr Hogan then replaced Mr Zubrow who would then start heading Compliance and Legal teams at Jp Morgan, reporting to Mr Dimon as well.

As the US Senate report indicated consistently so, regulators did send their warning letters to Compliance at Jp Morgan for Mr Dimon to read and acknowledge in the fall of 2010. My compelled interview with the FCA (July 2013) and my NY SEC deposition (September 2016) will provide some light on this licit setup that was so logical even if it would be fully ignored by all the subsequent investigations in their public disclosures post May 2012...As one will feel in the coming extracts, no regulator needed some “clarification” on these otherwise crucial issues like financial leverage, intangible capital, missing reserves, ill-liquidity, visibility, valuation process and so on...

The FCA connected spontaneously our estimate P&L, the control of CIO-VCG, the liquidity reserve that had been debated then inside the bank and during this interview of July 2013: that was the "distance spreadsheet" that Mrs Drew depicted as a "shadow P&L document". It was not at all "shadowy", in the "shadow" of anything, or concealed. Instead I elevated its very existence, its main consequences, which Mr Artajo recognized on evidence and elevated himself at the time. Mrs Drew herself would rely on this "distance spreadsheet" to elevate "all the way up" her "very, very, very, very serious accusations" against the IB of Jp Morgan as of March 23rd 2012. The UK regulator could also connect the dots with the reporting going all the way up that Mr Artajo was in charge of making from the hub of CIO-London. The FCA asked about the "distance spreadsheet" as of March 30th 2012, allegedly the key date for the official mismarking :

FCA: "Were VCG aware of it?" IKSIL: "That I don't know. I mean with hindsight - with hindsight, right? – I could tell you but that's my speculation, right?" (*The FCA does NOT want to hear that speculation of mine which was "VCG knew its existence and would make no use of it anyway since it had its own prices sources and its tolerances to apply"*)....FCA:" Okay. Well then we'll come back to that when we get to the VCG questions. " (*no the FCA shall not come back to that at the end actually. The FCA knew the answer through the review of some documents, in particular the May 10th 2012 report of the global IB controller Allistair Webster*)...IKSIL: "Yes. So now that's the reason why I happened to say "approved" because he asked me and I gave him the guidance for me to approve that. Now when he sends this first estimate I don't see the email on my blackberry is not a..."FCA: "Sorry, just to — I think we're sort of skipping ahead a little bit." IKSIL: "Okay." FCA: "So you have a conversation with Julien in the morning about the estimate process that day and did you agree that you would validate the P&L estimate at the end of the day in that conversation with him?" IKSIL: "Yes, I said in -- **because I was telling them** that they should expect this additional 300 million and the book was recording 40, 50 million losses because, guess what, it was mimicking the drift I announced the Friday before. Even the 28 and the 29th , you know, Javier asked me, you know, "What's your forecast?" "Well, you know, you still have this 300 and we are likely going to converge somewhere" and then I told Julien, "Look, the loss will be what it will be but do it like clean. Don't fear about any big number. Just do it clean. Now, you still can interpret what you see but you have to be consistent, be clean about that." So..."

Mr Grout would not do it "clean" despite once again what he assured me he had done. And Mr Hugues at CIO-VCG would not do it clean either... None of them will be fired by the bank however. A thing that I would discover one month later, ie in late April 2012, through a question of Mr Webster to me was that none of them had done their job properly about IG14 and IG 15 prices. For those 2 indices I found out that neither Mr Grout, nor Mr Hugues had done their job as they were expected to indeed. They had left these il-liquid indices be marked outside of their bid-offer references but with no good reason! Mr Grout had NOT respected the rule of thumb that consisted in staying within the bid-offer unless there was a sensible and compelling reason not to. And Mr Hugues had failed to spot the mistake of Mr Grout here through his own tolerances.... Despite the fact that I had told Mr Hugues face to face to review his analysis after telling him that I was very surprised by his conclusion so far and stressing upon OUR own uncertainty. As said the bank will not fire them and keep them at their position at CIO. I will be fired and threatened of much more than a mere dismissal. And none will face penalties on that on the part of regulators. How strange and coincidental!

That kind of coincidence, whereby both Mr Grout AND Mr Hugues had failed so grossly on their duties, had not occurred in the past 5 years before 2012... In March 2012, yet, they did not do their

job here. That was a mismarking, ie a “books and records” violation. Who ever heard of that in the public? They knew what they were doing here, ie “documenting the future decoy mismarking”. The bank covered them up in full. The regulators would NOT go after them for that thereafter. Both men would remain employed at the very same position in July 2012 when the bank would make its false restatement.

This intentional decoy mismarking did not stop at them. Mr Wilmot the CFO of CIO would NOT do it clean either when determining the additional liquidity reserve.... And Mr Braunstein, Mrs Drew, the OCC, the fed, would NOT do it clean as well claiming that the S9 indices were still “deemed liquid” invoking for that a daily traded volume that was 5 times larger than what ICE had been telling them for months. In that statement of theirs they were dismissing just all my alerts dating back from early 2010, specifically on the “S9 indices”..... And Mr Webster, the controller, would not do it clean one month later despite my “useful small tables” that allowed him to compute the needed adjustment on the back of his head...And the regulators along with the Task Force of Mr Cavanagh will NOT do it clean in June 2012 when they will try to paint the record ignoring that this book never had a “closing time”....They all would do that unbeknownst to me.

They had a strong motive for not doing it clean: they had been involved in the manufacturing of the future decoy mismarking since the very start of the year 2012. That was their “priority No1 for Jamie”. Differing from the one I had been assigned. All this was done to substantiate the long prepared tale of a “prop trading scheme running underneath an official hedging mandate”...

But there were things that none of them would erase, like the fact that this book had had no limit ever. Any “trader” in the firm operated on a book that had limits. Therefore only the very senior management of the bank could be the “owner” of this book in the firm. The senior managers overrode my advice at crucial times, several times while receiving accurate and timely alerts. The “millions of documents” showed only that story. That was an issue that would surface in 2013. That was a fact that disproved the tale in full once one understands that CIO was just a hub. In this other extract, I show that the limits of CIO could be changed at will so that the orders of Ina Drew could be completed “for Jamie”. Obviously for that ongoing adjustment to occur, only Mr Dimon could back Mrs Drew here. That was well known across the bank and across all the regulators.

In this extract below the FCA sees that Mr Stephan is fully aware and involved. I describe how I operated within the licit setup that I described above. This makes the illicit setup appear in the watermarks all along. One will see the internal consistency of the trading orders of Mrs Drew and the permanent approval that the teams of Mr Hogan gave. Mr Stephan was central in uncovering both the licit setup and the illicit setup. Indeed he reported to Mr Hogan through Mr Kalimtgis, Mr Weiland and Mr Goldman at CIO. He both was monitoring and reporting daily on the limit breaches, on the balance of risks, on the size increase via the CS01 and the CS10W, the RWA figures, on the projected impact on firm-wide stress tests, on the projected impact on firm-wide VaR figures from his seat at CIO London. He also was involved in the coming IRC/CRM split albeit indirectly then. But Mr Stephan, as he told me, knew that I was NOT supposed to be informed of all this. That was NOT my job. Mr Stephan talked to Mr Artajo and Mr Macris for that purpose. All this was connected to the loss that grew almost every day:

*FCA:” There's actually just one sentence in the first paragraph that I wanted to get you to explain to me, if that's okay. It's the third sentence, “**The book does not have enough CS01 to balance this***

lag". Can you just clarify, in what context you are using lag in that sentence and explain it to me, please? ” IKSIL: “Yes. I attribute the lag in performance to the lack of liquidity of, say, the IG9, the S9, the High Yield forward spreads investments. So you have a rally and the investments CIO has are less liquid than the general market move. And a less liquid investment underperforms a quick market. That's always been the case. So I explained that, to me, that's the genuine reason for the lag.” FCA: **“But I don't quite understand the correlation between that and CSO1, which is a measurement of potential credit spread risk...”** IKSIL: “Okay, sorry because...” FCA: “Yes.” IKSIL: “Okay. That's technical. Do you know what the CSO1 is?” FCA: “It measures the sensitivity to a one basis point movement in the credit spread.” IKSIL: “Yes. Yes. The book is conveying — I make it short, right. The book is conveying an option on defaults. It's a bearish view and it's an option on default that has zero CSO1. And CIO instructed me to remove the bearish bias on the book back in December. So, to balance a book with a bearish position, I have to have long position somewhere. But the CSO1 limit was never designed to allow this book to have a long risk that balanced the bearish bias. So, since the end of January, I asked Keith Stephan to allow me to put this long risk in front of the bearish positions, warning him that if I did that, I would cross the CSO1 limit. So in many occasions -- so I was allowed to do this, under the close monitoring of Keith Stephan and risk managers at CIO, increased the CSO1 on the fly, as I was balancing the book with the long risk. And here I'm saying there is an additional long risk that is required to balance the book overall. And what I'm saying is this additional long risk is because of the lack of liquidity of the current investments in the book.” FCA: **“So what I want you to connect for me is the need to add further long positions to the 'balancing the lag' comment. How does adding further long positions balance the lag?”** IKSIL: “What I want to say is that if the market keeps rallying, the lack of liquidity of the IG9 position, right, will create a further lag in the performance on the book, a further loss. The only way to balance that is to add more long positions. I don't connect, right?” FCA: **“I'm just not quite understanding.”** IKSIL: “Um you have — if the book had for an investment part, to finance the protection on High Yield and other protection on default, the on-the-run indices, the most liquid ones. There would be no lag. There would be less requirement to have the long risk to balance the short position. Right? But now we are in a bullish market. Market is rallying and the investment leg is less liquid and so its performance is lagging the general market. So in the case of a further rally in the market, you will have further losses just because of the lag on the investment side and the only way to balance that loss will be to be longer risk.” FCA: **“And so the only point that I don't understand is how being even more longer risk will help you balance the lag.”** IKSIL: “Because if you are longer risk in a market that rallies, you are going to record a gain that will balance the lag.” FCA: **“Understood. Yes.”** FCA: “Fine, thank you.” IKSIL: “And I said, to be sure, that it's going to breach the CSO1 limit. **So I want CIO to be well aware of whether they still want to put off the CSO1 limit, either because they want to add the IG9 forward spread investment or if they just want to add to an “on the run” long risk position that is — the thing that's approved already.**” FCA: “Okay.”

“They”, namely Mrs Drew and risk management (Macris, Goldman, Kalimtgis, Weiland, Stephan) decided on the risks they wanted to take AND on the limits they wanted to have. Mr Artajo is in charge of telling them the market data that they need for that. My job is to report to Mr Artajo and address any of “their” queries that they send me in person or through Mr Artajo. Often in 2012 this is Mr Stephan who conveys their queries to me. I have to address them and revert either to Mr Stephan or Mr Artajo. That is my job. This is what I sketch in the extract above. I reported accurately and timely ALL ALONG. Even with falsified documents the FCA could not allege otherwise even internally. The SEC would confirm my full truthfulness.

In the next extract the FCA sees that Ina Drew had quite a lot of information about the scale and fine timing of the loss, all the more so as she had asked for it. The evidence below is likely what triggered the elevation of Ina Drew on March 23rd 2012....Here I write that I will stop trading at all but Mrs Drew has NOT yet issued her own "stop trading order". I alert on the whole loss by the way another time....That will be a problem for the bank that this evidence here exists.....

FCA: "Okay. If we go to tab zz just now, please. This is a Bloomberg chat dated 23rd March 2012 involving yourself and Javier Martin-Artajo's name also appears, as it appears he has joined the chat room. There's no Bates number on this document. **On page 3, you say in the message, "I reckon we have today a loss of \$300 using the best bid-asks and approx \$600 M from mids. I see it coming. I will stop trading at all now."** (*all was said in 2 sentences using layman's words*) First of all, obviously, this is a Bloomberg chat in which you are obviously active and Javier Martin—Artajo, you know, there's no active response from him on this chat." IKSIL: "You mean, "active", not trading, no?" FCA: "Active on the chat." IKSIL: "Yes, okay." FCA: "So there's no comments that are attributable to him. Do you know if he -- sorry, did you make him aware of these two figures, the \$300 million and the \$600 million in conversation as well?" IKSIL: "Him, you mean Javier?" FCA: "Javier." IKSIL: "I sent a Bloomberg chat to him. -- What I remember is I was frustrated because I could not talk to him and I don't remember whether I actually talked to him but I asked Julien to tell him the numbers." FCA: "Okay." IKSIL: "And I sent him a chat — Bloomberg chat to Javier for him to know." FCA: "Okay. **And what were the numbers that you asked Julien to tell him?**" IKSIL: "Those numbers were the result of all the tools I had developed from the 12th – 15th to help provide the estimate within the context of the new method, where at the end of the day, the issue was that when you want to ratchet down to account for the drift, right, you've got to make very, very difficult decisions as to how you do that, what — do you stick back to the mids everywhere? Do you select one price, the other one? So what I knew for sure is that the loss on the book could be explained very well, 80% of it, for the main bulk of course from the forward spread investments and you could really mimic those grossly with the indices. **So I designed a tool and I could demonstrate that I could replicate the path of the P&L by simply looking at a handful of prices.** So my tool was ready and I was looking just at the prices and I could tell, if my analysis was right, that the drift was speeding up. And at the time, **Javier had talked to Ina. He told me, "I'm going to tell her — I'm going send her an email. It's going to be official."** It's going to be the number in the liquidity reserve. And he told me that the day before. And I saw in my analysis, using just index prices, that by the end of the month, because that's what the number that Javier wanted to know. He wanted to know both how much loss should we expect in the estimate and how much liquidity reserve should be put by means of measuring the distance or the change in the distance since the 12th say. Right? And so he asked me to provide the bulk numbers. **And I knew that on the 23rd because he told me he would send the email to Ina with the final number that Ina had to be aware of for month end, quarter end.** And I realized that day -- so we had back and forth the day before, like we are sort of flirting around \$200 \$300 million, you know, estimate loss plus distance or liquidity reserve. And I wanted to tell him, "Look, no, no, no no no". You should add another \$300 here because the drift is accelerating and the bid offer is widening so you should rather consider a range of \$500 million. **So \$300 more on the estimate by the end of the month and a gross number of \$600."**"

Thus, against the future allegations of the bank, against the many future morphing stories of the FCA or the DOJ or the SEC or the CFTC, the licit setup at CIO and my communications had secured that not only my management but also the risk controllers were aware of the issues many weeks AHEAD of the first seminal "london whale" articles. The channel of communication had existed since 2007 and had worked quite well actually throughout the financial crisis and its aftermath. And as I wrote here,

repeating what Mr Grout had written in HIS estimate P&L report on the 22nd March 2012 already, "I will stop trading at all". That was happening thus BEFORE Mrs Drew issued her "stop trading order" of March 23rd 2012 that she would misrepresent later under oath before the US Senate commission in March 2013. She indeed would pretend under oath that she not "aware" of the trades done in London. She lied then. She had been instructing them and monitoring them all along 2012 calling Mr Artajo at night almost every day at times.

The fact is that I did not want to trade any longer since the very start of the year 2012 because the liquidity was too limited. But Mrs Drew would insist, repeat her orders, demote Mr Artajo for her instructions to proceed anyway whatever my alerts. In early February 2012 Mr Macris would order the freshly demoted Mr Artajo to take the plane to new York and "knock on everyone's door" to get the limit extension (thus in NY) for the orders of Mrs Drew to be executed in full. And as the US Senate report described, Mr Hogan would be involved along with Mr Braunstein to manufacture an RWA extension at the firm-wide level based on model arbitrages by the 10th February 2012. They were all personally involved in the notional increase of this "tranche book of CIO" by facilitating it knowing that these were Mrs Drew's trading instructions. And they knew as well that this was "temporary" anyway.... For Jamie...

They knew that what prevailed was Jamie's plan to "externalize" the "tranche book" soon....Such was the setup for this "core credit book" of CIO. That was what I had started picturing already in July 2013 towards the UK and the US authorities. Needless to say that the bank was aware. The FCA did not want to review with me what it knew quite well, ie what the FCA had officially demanded to scrutinize 'closely and continuously" since November 2010. The UK regulator only wanted to "suggest" that I had not made sure that my boss had conveyed the right information to his bosses. How could I check actually? The FCA knew that I could not check since actually the UK regulator could check all this independently of me all those years. The FCA also knew who the decision makers had been all along.

Thus the FCA only tried to ambush me in July 2013 with questions that it knew in advance I could not answer fully. How easy it was for the FCA next to pretend that I had not told all the truth in my answers! Still the FCA "investigation" will be dismissed in full by the FCA itself through the RDC "rubber stamp" stage in 2015.... 3 years of "efforts" wasted in the UK...

My SEC deposition would further describe this licit setup as the following extracts from September 2016 will show. The SEC had much less of a conflict although it shall remain on the surface of the criminal setup and will never review with me how indeed my boss did communicate to the higher ups all along, while he had been demoted since early February 2012 by Mrs Drew, Mr Macris and JPM Human Ressources, this demotion being done unbeknownst to me...Were the regulators "unaware" of this peculiar demotion that my alerts had triggered? Not a single authority would claim that actually.

One must therefore assume that they knew in early February 2012 of the peculiar demotion of Mr Artajo. Then one must wonder why they let the media and the bank repeat that I had been so "central"...Through the very choices of Mrs Drew, Mr Macris, Jp Morgan Human resources, Mr Artajo was the "central trader" of this "London whale" book. And Mr Artajo never tried to say otherwise under oath even before any authority had talked to me...He just claimed that he relied on my reports and did not know everything himself.... Regulators knew much better when they all let the public think that I was "central"... In that they misled everyone but themselves or the bank chiefs.

In this first extract, the SEC established that when Mrs Drew ordered Mr Artajo to “maximize P&L”, ie on January 10th 2012, ie before Mr Artajo’s demotion, (see the US Senate report exhibit to access the email of Mrs Drew to Mr Artajo), she was aware already of the following:

IKSIL: This is the activity of defending the P&L, interacting and defending the view we have on the prices. Doing so in the first 2 months of the year, we managed to limit what I call the mark-to-market, which was that--the mark to market loss and that's the connection...Q: Was this March 19th email the first time **you had warned Mr Martin-Artajo** that if we limit the mark-to-market, we risk increasing the notional further and weaken our position versus the rest of the market?...”other Q”: Objection to the form of the question and the word "warned"...IKSIL: No...Q: Okay when was the first time you gave him that **warning?**...”other Q”: same objection...**IKSIL That was in early january. I mean, I'm not sure about early. I would say by the 10th of January**

Still the SEC would not go after Mrs Drew on the reason of her demotion of Mr Artajo while I had kept warning and raising red flags....

On the following extract I described what I knew of the process involving CFO:

IKSIL: deciding on this. **I assumed it was Finance, from Javier's account**, and Javier simply told me "they are going to take a reserve. What do you think it should be?", he asked me that. I said "well, I think it should be 700, 800 million". **He said "what are you talking about? You don't know what's going on.** NO they are going to take a reserve only for the S9 tranches. It's going to be 150 million." That's what he told me...Q: Now, when you would get the month end price adjustment memos, would you look at the attached spreadsheets that went with the price adjustment memo?...IKSIL: No...Q: Did you ever look at the spreadsheet that was attached to the price adjustment memo...IKSIL: I don't remember doing that...Q: Did you know that Jason Hugues would compute on the face of that spreadsheet every month a liquidity reserve calculation that would show the amount of the liquidity reserve depending on whether you applied it to all of the positions, some of the positions?IKSIL: I cannot answer completely your question. I knew that Jason was computing a liquidity reserve...IKSIL: Yes. I didn't know how it was computed. **My understanding from 2009 was that it was actually risk department which was the one deciding on the size and the instruments that Jason would take into account.** So Jason was just computing the number...Q: Now Javier said "What are you talking about?"

The SEC would ask me about the conflicts that I saw in the instructions I received from either Mr Artajo, or Mr Macris or Mrs Drew since early 2011. The bottleneck was clearly the RWA, this “complete setup” organized within Jp Morgan as “Priority No1 for Jamie”. Yes that was. The SEC would make no public comment on that. The DOJ would make no public comment on that. The US Senate Report would make indirect references to that “complete setup”. Only my “recent statements and writings” were clear. For the purpose of “investigating” what I meant by “complete setup” already by March 16th 2012, the SEC deposition will focus on the 4 page letter I had sent in February 2016 to many media outlets, rather than show the many evidence that I was NOT aware of:

Q: the--oh, halfway down through the paragraph--I guess it's the fifth line down, in the middle of the sentence there's a sentence that begins **"the instructions were conflicting"**? Do you see that?...IKSIL: Yes...Q: Okay. Can you tell me what--what were the conflicts--what were the conflicting instructions and who was conflicting? Those are my question?... **“Other Q”: For the sake of completeness I would ask that the entire sentence be read into the record...Q: I don't want to waste the time doing it. It's there, It's in the document.** You can read it if you need to, but I'm--...”other Q”: Take

time to read the sentence...IKSIL: There were several levels of conflicts. The conflicts were in part conveyed by Javier, who explained me that for one, I had to work on reducing the RWA, for two, I had -starting in the summer-- to grow some forward spread trade positions, and third, I had to operate in a way that kept protecting the whole CIO in stress case scenarios. And since it was a protection that it-- on appearance it had to be reduced so that the RWA would be reduced, this implied logically that the protection that this book offered to CIO in stress test would be reduced. But the instruction was to maintain the protection. **So you had to reduce something that had to be maintained.** That was the first conflict. The second conflict was linked to the deep flaws of the **RWA model that was computed by QR at JpMorgan** that made crazy assumptions that forced this book to actually be rather long risk than short risk. So fundamentally the order to reduce the RWA as computed by QR at Jp Morgan forced this hedge to actually become an investment, which was another big conflict. The third kind of conflict was -- since this RWA instruction was--that my job was at stake--, I had to comply and therefore **I depended on QR at JpMorgan** that was supposed to provide me with enough information to do that. And my job was at stake, except that **QR refused to deliver the data** that was at its disposal. So that was another conflict...Q: Did Mr Artajo ever express any frustration or anger directed towards QR because they couldn't provide the information you needed to do your work?...IKSIL: Frustration, yes...**Q: He shared that frustration?...**IKSIL: **Yes, yes...**Q: And the conflict of protect again credit events but don't use RWA, what level in the company was that conflict coming from?...other Q": Objection: mischaracterizes the testimony...Q: As you understood it?...Q: As you--**as I understood from my meeting in person with Ina Drew in March 2011, all this came from Jamie Dimon....**Q: All right. Let me ask you about

Just to dot the "I"s here, the RWA was the primary tool of CFO to determine the capital in excess. QR was making the computations for CFO. CFO was mandated by "Jamie" to smash the RWA-Basel III (unfinished standards at the time) as "priority No 1": that meant "prepare for dismantling the future london whale book at the H-Hour on the D-day for regulators optics". Treasury was monitoring the "excess liquidity reserves". But none of them would help me in getting the information that QR produced for them every week. My trip to New York in September 2011 would NOT change their behavior. That was indeed a complete setup where they pulled the strings "for Jamie-Priority No1" (see right above). That was an illicit setup this time embedded within the licit one described before.

In the following extract, the Sec would hear quite straight statements from me about the gross misrepresentations of Ina Drew when she testified under oath before the US senate in March 2013. The SEC knew what I was talking about but it would not charge Mrs Drew as it seems. There will be no proceeding after CFO, after controllers, after risk controllers and just all the others in fact, yet I was allegedly the "central witness" in this case and I said:

Q: any other people's testimony that you've read in the FCA proceedings?...IKSIL: I think that's it...Q: Okay. Have you read any testimony, no matter where it was given, by Ina Drew about her time at CIO?...IKSIL: I have read the testimony that they sent in a written form for the senate report...**Q: Do you think she lied in that written testimony?...**IKSIL: **I don't know what this means "lied". She misrepresented. She distorted things....**Q: **Okay....**IKSIL: **That was the case for Alistair Webster.** I wouldn't say these were lies. **These were distortions** of--I mean I disagreed completely with some of his descriptions. But that's one subjectivity versus another I guess.... Q: Okay. So for Mr Webster's FCA testimony, you think there were distortions

Allistair Webster was the global controller the estimate P&L produced by CIO London. Mr Webster validated it BEFORE the 10-Q reports of May 2012 would be disclosed. He had had all the information

he needed but he would testify otherwise later on. He worked for CFO and Mr Dimon then. I said he misrepresented and distorted things. And my answers would be judged truthful. But none of those to whom he had reported to would be prosecuted while they had created the mismarking, both the original one since 2007 and the fake one in 2012 to conceal the former one....

Goodwill and Dimon

As the former parts showed, CIO was just a hub and was transparent to those who acted on behalf of Mr Dimon all along. This part will show the few extracts where I displayed how the investigations could have reached out to the CEO of the bank Jp morgan straight. There was nothing so mysterious given the actual licit setup that Mr Dimon had manufactured since 2006 with the regulators watching all this closely....It was so easy next to show the illicit setup that burgeoned in 2010.

In this first extract, hinting at the 10th April 2012, ie 4 days after the first articles, the FCA shows its awareness that the IB was involved in the issue at the very top of the IB, through its CEO namely Jes Staley. If, as per the official "london whale" tale, the "London whale Core credit book" issue had been limited to a CIO that was a bit "secretive", why was the CEO of the IB of Jp Morgan so spontaneously involved? And how one can imagine that either Ina Drew or Jes Staley, both reporting straight to Mr Dimon, were then working other than as per the specific instructions of the CEO? Maybe, as Mr Dimon always alleged for his defense, the CEO was "misinformed". But here is a telling anecdote of the 10th April 2012 while Mr Dimon was officially either "on holiday" (Mrs Drew's understanding as per April 5th 2012) or "out of the office" (Task Force Report as per January 15th 2013.) That same day "someone" will order Mr Artajo, demoted since early February 2012, to instruct Mr Grout to send a benign loss of \$5 million while \$700 million had been elevated earlier by me to Mr Macris for the day performance, that \$700 million figure being ALSO based upon an earlier estimate P&L of Mr Grout.... Who could have done that? The FCA could see that I was NOT involved anyway:

FCA: "Ok, thank you." FCA: "Do you recall any conference call with Ina Drew that day?" IKSIL: "On the 10th?" FCA: "On the 10th." IKSIL: "No." **FCA "Do you recall any conference call involving Jes Staley?"** IKSIL: "You mean me in conference call with Jes Staley, no" FCA "Either a conference call that you were a party to or one that you were aware of. IKSIL "With Jes Staley in the call?" FCA: "With Jes Staley in the call." IKSIL "No. I'm sure I never attended any call with Jes Staley." *(The FCA sees that I am out of the decision loop obviously so. The FCA itself sees this call as critical. Once again the FCA refers to events that prove that the UK regulator had key information about this book that I was not even aware of after the facts).* "FCA: "You don't recall any. That's fine, thank you. If we just move forward to the 20th of April now. " ... *The FCA is fine... The FCA moves on...*

That \$5 million figure had been a known minimization backed up by Mr Grout, Mr Artajo, Mr Macris, Mr Venkat and Mrs Drew that day of April 10th 2012. I would be the only one to react and induce Mr Grout to re-send the estimate P&L report with a much larger figure (that I had no say on by the way)....Maybe even Jes Staley had had his say on the matter though...

The fact is that the day BEFORE this April 10th 2012 "send \$5 million" overriding order of "whoever else in the bank" was communicated down to Mr Grout aside from me, I had elevated a much, much higher loss for that day of April 10th 2012. It was in an email that I had sent to Mr Artajo on April 9th 2012.... In this other extract the FCA distorts the facts about the 9th April 2012. That day Mr Dimon,

although “out of the office” somehow. Yet he validated a highly minimized liquidity reserve that had been done by his firm-wide CFO and his treasurer (namely Mr Braunstein and Mr Cavanagh). The evidence is available among the US senate report description where it is said that Mr Braunstein asked by email for “approval” to his boss, ie Mr Dimon. That day they only took \$155 million BUT- on that very same day- I had sent this email to my boss Mr Artajo where I estimated that the next day London would print at least a loss of \$200 to \$300 million. The FCA tries to paint the tape saying that markets were closed on the 9th April 2012. They were not closed in the US and this estimate of mine was based upon what I had seen in the US, not including the European based positions of the book. Here is what happened on July 4th 2013 at the FCA:

FCA: “Okay, thanks. So if we come on to the 10th of April just now which is the first trading day after the Wall Street Journal article comes out. Could you just tell us the order of events, you know, what happened on the day in terms of losses and conversations about what losses to report?” IKSIL: “So first I have to specify that the 9th of April was...” FCA: “The Bank Holiday Monday.” IKSIL: “**Hey! It was open in the US**” FCA: “Yes, we know that, yes.” IKSIL: “Yes. It's a slight detail because the world is looking at IG9, right?” FCA: “Sorry; I did mean the first trading day in London.” IKSIL: “Yes because you know what I did, what I did the 9th right, I looked at my Bloomberg and I made the first estimate of what the loss was.” FCA: “Well, first of all, which country were you in at this time over the Bank Holiday weekend?”

FCA cuts me once again...Why does it matter to FCA where I was sitting? The FCA next will divert me from describing the content of the email.

This is it for the FCA really about Mr Dimon’s role although the UK regulator did pay attention to the events of April 10th 2012. It was all about preventing me from talking of the evidence of the time while pretending doing the opposite. No doubt it is a coincidence if the FCA shall literally truncate the record of my interview in the draft transcript when I explained that my MD promotion was just a chocolate medal and when I also explained the events of April 10th 2012. My answers showed that this could only be Mr Dimon who both had triggered my “chocolate medal MD promotion in late 2010” AND had ordered to issue a \$5million loss of the 10th April 2012 through the estimate P&L report.

It had been Mr Dimon again who was supervising the internal collapse between Mr Staley at the IB and Mrs Drew at CIO. It was also Mr Dimon who had initiated this internal collapse based upon HIS dealings with regulators since late 2010 whereby he would launch a massive share buyback against a steep reduction of the RWA under Basel II standards. Only Mr Dimon could have had enough gravitas in the firm to order this misleading \$5 million loss for the 10th April 2012.

How central was I in this minimization scheme? No doubt my name was placated by the bank in the media. But what else in practical terms? Here is the anecdote of the time... Mr Grout received this “send \$5 million” order (Mr Grout himself rather saw a loss ranging between \$700 million and \$400 million all day). He selected all the prices for that, a process which took him about 30 minutes at least. He did send a corresponding comment to “explain” the result. In whole that process took him at least 45 minutes. He would never need to go and talk to me while I was sitting 20 meters away from him in the open space of CIO London. He did all this without telling me a word. Mr Artajo supervised Mr Grout all along being in regular touch then with Mr Venkat from “New York”. Mr Venkat did NOT work at CIO. He worked for the firm-wide risk modeling teams. Then, only when I would come to sit

down next to Mr Grout, ie really coincidentally, Mr Grout would flatly tell me “we send \$5 million today”. Then only I will stand up and look for Mr Artajo. He will come to us, ie Mr Grout and myself. I will tell Mr Artajo: “this is not possible!”. And Mr Artajo will tell Mr Grout “we send \$400”. And Mr Grout will execute....So was my role in all this illicit setup involving my close colleagues....Who else than Mr Dimon could have given them, Mr Grout, Mr Artajo, Mr Venkat (seeing the de-minimization of the loss that day!) such confidence in their undertakings?

I was not the sponsor of all this as they all knew quite well. Remember that Mr Artajo had been demoted in early February 2012 because of one of my alert. Next I had indeed elevated to Mr Artajo on the 9th April 2012 a minimum \$200 million loss. I next elevated to Mr Macris a \$700 million much earlier that day of April 10th 2012, based this time on Mr Grout’s first estimate P&L . Mr Macris had then shouted and had looked infuriated against Mr Artajo, for anyone to see and hear in the open space. Mr Macris was very unlikely next to have asked Mr Artajo to send a \$5 million loss for the day to Mr Grout while Mrs Drew and Mr Staley had discussed the matter in the meantime....

Mr Grout rather saw a \$400 million later that day as it seems. Mr Artajo did not seem to have issues with that last figure, but Mr Venkat (QR) from New York may have had ones. He just had a smile on his face at the time that I sketched above, saying “no hard feeling... let it flow... let it flow...” No hard feeling... really? Not quite....Mrs drew had already complained and accused Mr Staley and his IB since the 23rd March 2012. None of them would have dared send a \$5 million loss that day. The long awaited catharsis, as Mr Artajo pictured it to Mrs Drew on April 16th 2012 while she told him to remain outside of the “bid-offers” (see US Senate report exhibits), was happening.

They were all waiting for their boss’s order given the “London whale” legend was already out in the press. The reputation of the bank clearly was threatened and in the process of being “cured” at profit through the scandal. They were all feeling involved and accountable as top executives towards regulators. And one of them was to send a benign loss through the estimate P&L report, like \$5 million or less...Who could it be other than Mr Dimon? Was it because the CEO feared an “embarrassment” among regulators due to an “excess” in the reported losses versus initial projections? Probably so...

The FCA had all the information above but would NEVER investigate on this line. The UK regulator did focus on that April 10th 2012. It did divert me from my testimony and the evidence. And it ultimately did truncate the draft transcript of my interview BEFORE signing its settlement with the bank in September 2013. And the FCA shall NEVER submit to me its public statements in advance on the “London whale” while I was quite clearly recognized as the “London whale guy”. One should read the FSMA 2000 on this matter that relates to human rights endorsement by the UK since 1995...

This script above, where Mr Dimon is very involved all along, will be much better described through my September 2016 deposition with the SEC in New York as the following extracts will show. Still Mr Dimon will never be prosecuted.

In this first extract I describe how I could tell Mr Grout towards mid March 2012, that “they have a great commander in chief”, namely Mr Dimon. That was a simple reasoning:

IKSIL: Now what Javier knows as well is I've been explaining him that I've been trying to trade myself and **CIO is a client**. And the dealers are actually denying offering any liquidity. So they are trading together, but when a client like CIO that they scrutinize on every single move wants to trade,

they are not ready to trade actually. So that was to illustrate what I explained Javier in the past and again that day to show that indeed to his theory, **JpMorgan was conveying misleading messages.**

Of course the IB of Jp Morgan was propagating damaging rumors against the CIO of Jp Morgan, the very unit that Mr Dimon had notoriously created and supported personally all these years. Had Mr Dimon gone mad? No, the IB had the "go ahead" in a well prepared plan to slaughter the CIO altogether. It was so visible that I saw it (and heard of it from outsiders).

Only one conclusion was possible: Mr Dimon was backing the IB staff here. And Mr Dimon here was managing his own notorious plan involving an internal collapse between CIO and IB. It made sense as I was told that it would facilitate Mr Dimon's announced share buybacks: the CIO lost, the IB made even more, the bank won on the whole and got rid of illiquid positions both at the IB and at CIO.

But there also was what I thought to be "an ego fight" between the chiefs of CIO and the chiefs of the IB. They knew times were changing and they wanted to shine towards Mr Dimon. I remembered then that the IB had turned me down in December 2011 and was "setting bad collateral marks" on behalf of CIO....That fight had had a visible side when the IB traders were front running CIO in order to make the trading cost bigger. That was also a thing which set the other market players on alerts since the IB was then emphasizing it to the counterparties of CIO: the book was to be dismantled soon in 2012...

CIO was to capitulate sooner than later. One of the themes that were deployed to fuel the speculation and positioning of external market players, was that the IB had different views on the prices than CIO had. That situation interested some market players who shared skew exposures with the IB of Jp Morgan. That was their interest to side with the IB here, provided the situation was seriously backed by the CEO this time. They had been burnt once in 2009. They were weary. What would the regulators say this time? They asked the very top of the bank before acting this time. So they got reassurances of that. And that was not coming this time from the IB staff. That came from the very top of the bank.

Regulators were not far...The fight "Jp Morgan vs Jp Morgan" was taking the center stage. CIO was huge in the market. The IB was as big if not bigger than CIO, going opposite to CIO exposures. They both were far bigger than the third next biggest players. And regulators were informed quite regularly, weekly at least... If one recalls one former part about ICE, ICE must have sent warning reports to both regulators and JP Morgan compliance department on this matter. That was one key role of ICE as regulators had wanted it since the financial crisis of 2008. The warnings from ICE landing both on Compliance desks at JP Morgan, on regulators desks and on IB desks were there in January 2012 already. There was NO surprise since this situation lasted since 2007... I give below my account of what happened in late January 2012 as the situation was rather crystal clear (the day is January 31st 2012, ie more than 2 months before the first "London whale" articles):

Q: what did trigger this discussion about the losses?....IKSIL: So, around that day, early in the day, before this report was actually communicated, in the morning, there was an ISMG meeting and I came to this ISMG meeting having warned in advance by email Achilles Macris that there were problems with this book, that indeed this loss was worrisome, troublesome. It was not unexpected, but the way it showed up was worrisome. And I came to the ISMG meeting and I tried to expose what was going on in the book projecting for that day in the morning that CIO should expect a loss in the day of 50 million maybe 100 million. And the slides I came *with* to the ISMG, the first page, I think, or the second page titled "CIO should expect another 300 million estimate P&L loss for this book in the near future". Will it be one month, 3 months, 6 months? I could not tell, but I was conveying the message

that yes this loss was somewhat unexpected and almost surely would grow much, much bigger, no later than the end of this day. That's what triggered discussions.

Q: what did you advise at that ISMG on January 31st about this 50 to 100 million dollars? (*that amount I warned could be lost any day in just one day*)...IKSIL: Based on what I had seen in the former week and in particular on the 30th, which I reported to Javier in written form, I believed that that day being the month end, the dealers would, rather than fly away if we tried to trade, they would actually do what Roman Shukhman (*he was the IG9 trader at the IB of Jp Morgan*) is saying on the 30th. They are going to trade together pretending that there is an activity at the prices that they want to have. And my reason in the morning of the 20-the 31st was that a likely scenario would be that actually they would do likewise on the 30th, but even more so on the 31st because that was month end and that mattered to them. And I reckoned that if that happened, if that happened from my former experience with Julien, trying to execute in the market, and him trying to set the estimate P&L process, I reckoned we should expect a 50 million to 100 million loss for that day. because it was month end. Now the potential was valid for any other day, but I was communicating on for that day.....

Q: Okay. I think you mentioned that you thought Mr Macris had lied in his FCA testimony that you read?...IKSIL: Yes...Q: Can you tell me-- can you tell me what you remember that you thought or felt Mr Macris had lied about in his FCA testimony?...IKSIL: I've read it 2 years ago now. So I tell you, the main thing where I think he lied. Achilles. It's on the timing of events at the end of January, his awareness of the problems that the book had, and in particular, **I think he did not describe that he had sent Javier in the plane to New York on the 8th of February to get the limit extensions and keep trading. Achilles describes the problems of the book as if they were totally the responsibility of Javier, while actually he sent Javier in the plane.** He had just demoted Javier with the help of Ina in a way that cornered Javier, left him no choice. And by the way Javier never mentioned that (*demotion*) to me, pretending that everything was normal. Well, nothing was normal. And in his testimony, Achilles portrays the situation as if it was not his fault, --he had tried his best. But I do remember I was with Javier and Achilles. And I warned Achilles on the notional increase, the stupidity of this "cover the high yield losses". That was insane and it was not Javier pushing that. That was Achilles telling Javier "I don't want to see it in the office--see you in the office. You go. You take the plane and you knock on everyone's door. It's not possible that Bruno cannot keep trading because he's limited by Var, RWA whatever". So Achilles portrays himself as the poor top manager that did not know. And I know that he was ordering this increase...I think I have an exhibit for you that will help on this point. Let me hand you Mr Iksil what's been previously identified on this case as exhibit xxx, an email from Mr Macris to Mr Artajo on March 1, 2012.

The top managers of CIO felt the heat already in early February 2012, one threat that was NOT due to my alerts. Here the freshly demoted Mr Artajo will talk to Mr Hogan who will advise the "CRM/IRC" split that could only be managed from New York firm-wide QR staff. This split allowed CIO to reduce its RWA, something which helped the share buybacks of Mr Dimon. And the direct boss of Mr Hogan was Mr Dimon. The boss of Ina Drew was also Mr Dimon. The boss of Compliance chiefs who received regulators queries based upon ICE report ultimately was ALSO Mr Dimon.

Below is an extract reminding that Mrs Drew could NOT have kept HER positions that she had ordered me to execute without the explicit approval of Mr Dimon, her boss. This is Mr Artajo who says it in a reference call that I had with Mr Artajo on March 20th 2012 (more than 2 weeks before the "London whale" articles). It is enough to remind that Mr Dimon will let Mrs Drew keep HER positions until late

April 2012 actually. Then, around the 26th April 2012, Mr Dimon shall not tell Mrs Drew to cut her positions. Mr Dimon will dispatch Mr Bacon and Mr O'Rehilly to reduce some positions slowly over time leaving Mrs Drew aside actually. Around May 10th 2012, Mr Dimon will let the public believe that he had "discovered" the problem only after April 30th 2012...

Is it that Mrs Drew hid from him the very reason that had triggered about 400 weekly limit breaches of the whole CIO starting on January 13th 2012? Couldn't Mr Dimon understand that HIS "get long risk" order of December 2011 was the very cause of all these breaches that landed on his desk and the desks of all the regulators every single week of 2012 after January 13th 2012? In the US Senate report, it seems that not a single regulator opened one single of the 400 email alerting of the limit breaches of CIO. They were "over confident" here, not "unaware". Had Mr Dimon been "overwhelmed" then, wasn't it discussed ever in the weekly regular meetings of the Operating Committee chaired by Mr Dimon where Mrs Drew participated? That was plain impossible. Why then Mr Dimon made such a big misrepresentation on May 10th 2012 alleging being "misinformed" somehow? Here is what Mr Artajo told me on March 20th 2012, ie 2 weeks before the co-authored seminal diverting "london whale" articles would go to press:

Q: On page x do you see where--well, starting on page y, do you see where Me Martin-Artajo says "what happens if she--if she tells me that we cannot keep going long?"...IKSIL: Yes...Q: What did you understand the phrase "we cannot keep going long" to refer to?...**IKSIL: It was referring to the "go ahead" that Javier received from New York on the evening of the 16th of March to put this long risk trade on the on-the-run indices in the book.** That meant that the book was in run-off mode but still with sufficient carry that meant that CIO could keep this book as long as it wanted. So what Javier is referring here to is that **if Ina says "we can't keep this long risk position" this meant that the run-off mode was not considered.** And this meant that most of the book would be unwound with the IB soon....Q: Okay. I'm going to now direct

The "run off" was maintained and so would the "long risk trade" be. Only Mr Dimon could let Mrs Drew keep it. Only Mr Dimon could have reversed the decision on the "run off" that lasted from June 2011 actually. The events from April 26th 2012 proved it. It was not Mrs Drew who cut the "long risk trades". It would be Mr Bacon "for Jamie" actually...

In the next extract below, I explain what was really upsetting me towards March 16th 2012, when I realized that Mr Dimon had had quite peculiar plans for this "core credit book of CIO" since early 2011 when he had ordered to smash the RWA of this book specifically so, while telling QR in New York to withhold the key information that was required to perform the instruction neatly so:

Q: "We had a book. There were aggressive movements of the same style and it was what--it was 3 times, four times smaller, you see?"...IKSIL: I was telling Julien that this order that was conveyed to me by Javier Martin-Artajo and **Ina Drew later in March 2011 to reduce aggressively the RWA** had induced changes in the book that were, in March 2012, the cause for the death of this book and this big loss and the fact that this book had become unmanageable. And I'm describing to Julien **that if they had simply operated the IRC-CRM split that was in the way at that time, back in March 2011, they would have had this RWA reduction that they wanted right away.** And there was next no need to do this investment spread trades to prepare this transfer into an investment book. And then go into this fight with the IB and the markets and all the things that made this big loss, this other 300 million. All those problems could have been avoided.

I had been put in a “complete setup” by the “great commander in chief” since March 2011. That was illicit in 2011. It would become criminal in 2012. Yes Mr Dimon had had the solution to promote HIS share buybacks based on RWA basel-III reduction all along, and particularly in March 2011 ALREADY...as far as this “core credit book of CIO” was concerned. Only Mr Dimon from New York, through QR in NY, could provide the RWA firm-wide figures and the specific attributions for any targeted book in the firm. Mrs Drew here was powerless as the computation covered the whole firm by design. Likewise this “IRC-CRM” split could have been done in early 2011. It had regulatory consequences at the firm-wide level that only Mr Dimon again could decide on. All was due to the sheer size of this book and its salient impact on firm-wide figures.

Had Mr Dimon simply aimed at placing this “tranche book” in run-off as he planned publicly since September 2010, the book would have been placed in run-off and therefore would have been dead quite officially by March 2011. That would have cost nothing in trading terms. The exposures would have reduced rather fast and no scandal would have occurred....The RWA for this book would have gone down fast.... At least if one only was based on the CIO activities for this “core credit book”...The CIO since June 2010 had been “landing the plane” anyway. Thus, in March 2011, all was ready at CIO to have this book “collapsed”, “aggregated with IB positions”, be put in “run off” mode whatever the implementation would be ultimately. Instead of adopting that quite simple plan, Mr Dimon instructed Mrs Drew to do otherwise, whatever she had been reporting to him. The figures spoke for themselves independently of Mrs Drew all along 2011 from QR and risk management staff: the only clean solution was to “split” and “transfer”. The gain in RWA was instantaneous and material, and was going beyond whatever volumes could be traded in the markets, and at almost no execution cost.

Instead of pushing for this so simple plan, Mrs Drew would repeat instructions to grow the exposures in the book on specific positions reporting all along to Mr Dimon. On the way the bank and regulators would receive misleading reports in early 2011 where allegedly this book of CIO had triggered the breach of stress limits at CIO. They did not investigate did they? Instead they all froze their pending investigations covering quite serious concerns that they had expressed in late 2010....

Mr Dimon had been involved quite a lot all this time in 2011 about the peculiar orders of Mrs Drew. There is one clue to that showing in the year 2012. Here is my account of what resulted from what Mr Dimon had ordered in person when he had dispatched security guards around my place in France when the “London whale” myth was roaring. It does not look that it was a ‘mistake’:

IKSIL : And second clarification I'd like to make is that I know it's strange hearing that, but I've been victim of an impersonation on Twitter at the time. The children of my neighbors have all been approached by journalists whom they never knew. Those journalists broke the law. Those journalists broke into my property. They broke into the property of my neighbors. My neighbors had to fight with those journalists. **And I must say the security personel of JpMorgan did absolutely nothing.** So I had to call the police to re-establish the calm in my village. I had to deal with the mayor of my village to explain what was going on. So that's why there are so many emails. That's I had to change my emails. That's why I really insist on that there's no leak at all about this information (*about the emails that were given during the deposition*)...**Q:** We can regard this as confidential under the--I mean there are pre-existing orders and we'll deal with them in accordance with the order...**IKSIL:** So my clarification is there are many other lives than more than you think in this case that are at stake here....

This is just an anecdote that is quite remotely connected to the trading orders. But if one scratches the surface, one sees that Mr Dimon stands at arm's length from this book all along. This is it for the clues showing a very direct involvement of Mr Dimon that was not a "mistake" at all, but a deliberate series of instructions. The security staff had been dispatched by the CEO to stay around my place in France for "protection purpose" they said. Who were they protecting then? Their mission was NOT to protect my close, not to protect my neighbors from "journalists" that were rather bullies. They watched them breaking in properties, questioning illegally children at the exit of the school. They let that happen, following the orders that they had received that were clear enough. Other extracts will show how effectively Mr Dimon did channel orders through Mrs Drew (CIO), through Mr Hogan (CRO), through his right hand deputy Mr Bacon, through, Mr Braunstein (CFO), through Mr Zubrow (Compliance and legal matters) in direct relation to this "core credit book" of CIO. A couple of extracts could do the job. But it is best to leave it to the next section. This part was just meant to sketch the spectrum of what all the authorities knew and closely monitored since 2007. Mr Dimon since 2010 was managing a massive share buybacks that was based upon basel III standards and targeted this "core credit book" quite strangely so as I described above.

The regulators in 2012-2013 alleged that they had been misinformed. The bank claimed instead that it had concealed almost nothing.... But, ok, they at Jp Morgan had "let down" their regulators and that was bad.... They would band together since 2013 to provide a common "explanation" alleging that "traders in London at CIO" had mis-informed the firm for sure, something which had induced the whole mess. The fact is that this "misinformation" would be never consistently documented on the public stage. There would be a great effort to make believe. But my known answers prevented to disclose a "full story". There would also be an avowed "resolve to blame the wrongdoers". But again my known answers by July 2013 prevented the "investigations" from doing that. It did not matter so much right that the misinformation would Not be documented and that the mechanism that subsequently deceived the public would NOT be disclosed, did it?"CIO traders" were bad, full stop.

The future prosecutions would be exclusively limited to clarify whether the "CIO London traders" had misinformed their employer with an illegal purpose or else. The transmission chain was clear in their tale: "CIO London traders" had failed, the bank was not informing the regulators and the markets, and that caused "the London whale" event. This is untrue. It is now time to display how familiar the regulators were with that process that generated the future "London whale" scandal since early 2011. That process was embedded fully into the very infrastructure of Jp Morgan. That infrastructure had been designed by Mr Dimon since 2005 under the very close monitoring of regulators. The structure in place at CIO operated daily under a very stringent control process.

Thus let's see now if their tale had ever had any chance to be true in their own eyes, be they Mr Dimon or his regulators. I am talking here about the real process through which Mr Dimon and the regulators had closely monitored this "tranche book of CIO" since 2007. I am therefore talking about this unique "story of mine" that has NOT changed over the years and that I have described consistently since April 2013 under oath.

The next part is thus going to describe the very context in which regulators and Mr Dimon supervised this book all those years since 2007. This will be done by simply reminding the 5 facts, 5 realities and 3 dates that the regulators all knew quite well and that they all tried to leave in the shadow of the media myth thereafter in just all of their subsequent public statements. I advise to read the document

called “5 facts, 5 realities, 3 dates – unconfidential. PDF” on this website to realize that all this was publicly documented but systematically left in the shadow by all the authorities involved thereafter.

How familiar the authorities had always been with the 5 facts, 5 realities and 3 dates

My role was fully embedded into a process that I knew enough to perform my daily duties and testify for 5 years before any authority willing to talk to me. My testimony was truthful, consistent and conveyed only one story all along. The story has been described on this website under many angles, including this document here. This website provides other very useful documents indeed detailing that public evidence disclosed the 5 facts, 5 realities and 3 dates. This website also shows that the main official reports however would attempt to either distort, or ignore, or misrepresent (see “5 facts 5 realities 3 dates unconfidential. PDF” on this website).

These “5 facts- 5 realities- 3 dates” are the building blocks of the future “London whale” scandal, one scandal where regulators were deeply involved since 2007. Here these key elements will appear through diverse extracts of my testimony be that in 2013 or in 2016. The aim is not to re-establish them but instead show that the investigation teams had actually little to discover in my answers in general. They would all pretend publicly that these 5 facts, 5 realities, 3 dates barely mattered. Yet, my testimony consistently showed the very opposite: they had mattered a lot all along.

As a result of this lack of curiosity on the part of the investigation teams, one will see that I was their target for other purposes than finding the truth. It is not to say that my questioners lacked integrity. Some did lack of integrity at the FCA. It was not the case for the SEC-DOJ-CFTC staff that I met or for the defense lawyers that I met. In that I am not saying at all that they were nice to me or that they did not try as much as they could to distort my story at the benefit of the official but morphing tales. They protected their clients or the institution they worked for. That was their job. But, they were not as bad as some regulators were. Unlike the FCA staff, they all would cross-examine me during my deposition using honest means, even if that implied at times distorting my words or actions of the time.

The chief of the investigators like Mrs Avakian for example all hoped I would make a misstep, supporting at least a little part of their own misrepresentations. That was the rule of their game where I was their “central witness” no doubt. It therefore clearly was a cross examination process, ie one as violent as one could imagine towards me but still within the limits of the law. More, the SEC could not afford to be complacent towards me in that context. The defendants’ lawyers found every opportunity to slip the word that I had been somehow “paid” or “compensated” with the cooperation agreement. In return, as the theory of the defense lawyers held, I was to say what the US authorities wanted to hear against their clients.

Thus the SEC questions would be tough anyway and very often would help uncover the truth. But they were standing on the surface still at some crucial moments. The defense lawyers all realized fast that they could not distort my story when they just started questioning me in September 2016. They would change tactics fast (they had 3 days and half in whole over 5 days and changed tactics after the first half day of theirs). They would actually come to support my story on the follow. The story was: the bank had engineered all this scandal way ahead of the time of the first articles in order to cover up a

longstanding mismarking... Such was the common ground that the defense lawyers would rather quickly decide to push through my SEC deposition when faced with my first answers to their first questions...How central had I been then in their own mind while they were doing that shift? They knew what kind of “centrality” had been put on my back in 2010....

The coming part is going to show that they all were in a process that was NOT to establish the truth since these items (5 facts, 5 realities, 3 dates) were known long before the myth would be born in the media anyway. I will simply show in these extracts that key aspects were known and the questions were NOT meant to find the genuine wrongdoers. They were solely meant to try and possibly discredit my answers. It could have been deemed as “standard cross examination” technique very often. At times it was indeed. But in the end, it does not feel like that at all. Since I was 100% truthful and consistent with “millions” of documents, Mr Dimon, Mrs Drew and others should have been prosecuted, not left free to go accusing wrongly their staff who had followed THEIR orders. And as a result, the involvement of the regulators themselves will take a different look: not only they were aware that Mr Dimon was in charge but most of them were involved in what would turn out to be a manufacture of a scandal that did not have to exist at the start, had I been followed in my advice and warnings...had they not had this fanciful idea of concealing these 5 facts, these 5 realities, these 3 dates.

5 facts:

The 5 facts are real things that one can point to through many documents of the time. Of course the managers at the bank and the regulators involved knew it with a great familiarity. The “facts” differ from the “realities” that will come next in that they are tangible while the “realities” were more “ongoing processes”. The 5 “facts” are thus the backbone of the 5 “realities” that will show next in quite a consistent manner.

tranche book

The “London whale book” was NOT an “index book”. It was a “tranche book”, ie the IG9 10yr was NOT the center of its activity by far (15% in risk terms, 10% in notional amount terms). As per my own elevations this index was the most salient source of losses in 2012, due to a clear manipulation of prices. As per the “millions of documents”, this index became only one important trading instrument BECAUSE of the repeated instructions of Mrs Drew, through which she was dismissing my alerts then in 2012.

The authorities with no exception shall endorse the misleading tale placating that this “Core Credit Book” was a book based upon the IG9 index and therefore was an “index book”. This at least shows the bias of all the investigations that, on this matter, will totally ignore my story and the trades that I actually did. They were all well aware of this bias of theirs. How could they miss it when they read my alerts and the trading blotters day by day? They were biased and knew it very well. This is what the full transcript of the testimonies would show, in particular mine.

Here, at this stage, one should read carefully the “question plans” rather than the “answers”. The biased pattern of the subsequent investigations is systematic. One may argue that this was a spontaneous bias that had been all driven by the media attention and the need to be “accountable” to what the “London whale” myth had brought up to light. What has been pictured so far tends to

dismiss that assumption. What follows tends to prove that this was a deliberate bias that largely predated the very first seminal “London Whale” articles.

The fact, as the exhibits of the US Senate report itself showed, is that this book was a “tranche book”. This is how Mr Hogan, Mrs Drew, the CFO and the controllers called the “Core Credit book” of CIO when they talked to Mr Dimon in writing (see the US Senate report for reference). It matters a lot as I will explain now with regards to the alleged mismarking that, as the legend holds, could have been spotted with a “collateral dispute” that popped on April 20th 2012. No the mismarking could not have been spotted by this fake “collateral dispute” for the simple reason that this dispute would soon appear to be an internal manipulation that was organized within Jp morgan.

Surely the bank tried here with this “collateral dispute” to sort of document the future decoy mismarking that it had engineered since the very start of 2012. But the scheme petered out. How to prove that it was a scheme that the bank generated for itself completely artificially? Here is how... This “Tranche book” every single day sent 2 potentially different “closing prices” for some indices through its estimate P&L. That was in violation of the US GAAP for “tranche books”. That was in violation of firms’ policies with regards to “mark to market” for “tranche books”.

As such, it was crystal clear then that the estimate P&L report could NOT be used directly for “mark to market” purposes. Why is that? The “mark to market” rules mandated one single price per index. It was one key lesson from the financial crisis linked to the fact that a risky duration was not fully known. The cause for the presence of these 2 different prices every day in the performance “estimate P&L” report of CIO for some indices was quite well known as well. The reason why: CIO was NOT doing the mark to market of this “tranche book”. The IB did when it processed the margin calls on this book on behalf of CIO, using in that the model of the IB.

No-one at Jp Morgan ever asked us to change our process that was however in obvious violation of the mark to market rules starting in 2009. That was mandatory to perform neatly the margin calls and the collateral calls day to day. The problem had arisen through the financial crisis of 2008: it was all tied to the “risky duration” value indeed. When prices had changed a lot overnight, the margin call amount was the product of this “risky duration” times the price change in bps terms. People applied different models on tranches, using different reference index values. They ended with different risky duration figures. Thus, even though they might agree on the price change in Bps terms, they too often disagreed on the multiplier. They were in a deadlock not yielding the counterparties’ claims.

That had created endless and lethal disputes in 2008. It had been one root cause of the financial crisis itself. It would be sorted out in early 2009 with this “one index price only in tranche books”. There was indeed since then a market convention that CIO did NOT apply when reporting its prices from CIO London inside the bank. Even the price controller Jason Hugues at CIO-VCG would leave these 2 prices for some indices like the IG9... Even the IB controller Allistair Webster would leave it like that.

An adjustment had therefore to be made by the IB to properly process the margin calls with counterparty, IE run the “mark to market” of this “tranche book of CIO”. The IB did that. Not CIO... It involved a “model risk” and therefore a reserve that was to cover for that “model risk”. And that adjustment was done by the IB of Jp Morgan through the use of the model of the IB of Jp Morgan. Only then, after the IB had adjusted the CIO prices as per its model and its “model risk”, these prices could go into a mark-to-market process whereby, first margin calls would be operated with market

counterparties. Thus this so called “collateral dispute” was caused by the IB, not CIO on April 20th 2012. All the market player knew that since they did NOT negotiate margin calls with CIO staff. They did the margins with IB staff. I testify that the CIO staff could not even read the spreadsheet that was used to process the margin calls of this “tranche book of CIO” that actually the IB staff produced daily....That delegation of CIO to the IB people was plain sensible as explained before.

The case “Lehman Brothers vs Jp Morgan” and my testimony in January 2014 brought up further hard evidence of that organization and why it mattered so much. Indeed a wrong model, a materialized “model risk”, could bring up an undue margin call that could become literally lethal for one counterparty of the trade in question. This implies that the IB of Jp Morgan, having to deal both with its own trades, the trades of CIO with outsiders, and the trades of CIO versus the IB (90% at least of the prices in use), had to reconcile the prices of CIO with its own prices in the first place for “tranches”. And on the process the IB had to take the same “closing” reference price for the indices concerned by the tranches.

This internal reconciliation covered 95% of the positions that the “tranche book” contained. It was done by the IB alone while CIO was left in the blind (see again “Lehman Brother VS Jp Morgan”). Could the IB be ever “misinformed” by CIO then? No....Indeed since 2010, ICE was “clearing” the IB and the CIO of Jp morgan with the rest of the market players for indices...Could ICE itself be “misinformed”? No. The IB and the CIO had segregated accounts within ICE. Thus ICE saw that CIO and the IB had different prices. AND ICE played here its role of clearer as CIO and the IB had trades one against each other for almost all the instruments that were held in the “tranche book of CIO”. Thus there could be no lasting “price difference” that had remained “un-noticed” or “un-reconciled” in the first place by ICE first and by the IB next. Thus the July 2012 restatement of Jp Morgan was a known fake, ie another false document. And so was this “collateral dispute” that could only be artificially manufactured by the IB staff within Jp Morgan.

The CEO, the CFO, the controllers, the auditors, the regulators did not need a clarification on the matter above. Why does it matter that it was a “tranche book” knowingly so inside the firm? Answer: the IB had to process a reconciliation of prices BEFORE margin calls could be operated, a task that fully was in the hands of the IB, not CIO. Had the investigations recognized that fact, they would have mechanically uncovered that the collateral dispute of April 20th 2012 was a fake one, organized from within Jp Morgan. That speaks volumes on the real motivation of the bank that entertained the “London whale” scandal for so long.

The explanation was simple once one knows the description above of the former paragraph: CIO in its daily estimate P&L report did NOT adjust its reported tranche prices based upon the intraday change in the price of the underlying index. This is why the estimate P&L report of CIO London conveyed two prices for the same index at times. The estimate P&L tranche price still referred to the “reference index price” that had been fixed in the morning at the opening of the session. CIO was therefore ignoring the fact that the “reference index” closing price differed almost every day from the “reference index” opening price. Still CIO reported both the “reference index opening price” and an estimated “subjectively selected” “reference index closing price”. In doing that, CIO was NOT applying any model. Thus the CIO was completely transparent towards the IB, towards the bank and towards the market players through the filter of the IB. The bank was NOT missing any detail that was needed next by the IB to make the “mark to market” of this “tranche book of CIO”. But knowingly CIO was

NOT processing any model to produce the prices as required per the “standards of the industry” since the financial crisis had devastated the planet in 2008. This is how CIO communicated to Jp Morgan every day 2 different for the same indices almost every day. The IB of Jp Morgan had to do the reconciliation and adjustments as per its model thereafter on behalf of CIO and on behalf of the whole firm.

In short, CIO used on tranches for its “tranche book” the “opening price” while mark to market standards required to use the “closing price”. That violation of CIO was systematic and quite gross with regards to the “books and records” standards IF the story of the bank had ever been true. The same conclusion can be made about ALL the subsequent morphing stories of the authorities that they will placate on the public stage until 2018. But CIO never made such a gross “violation” through 2006 till 2012 in fact. It had been checked and controlled since 2006 at regular intervals. This again shows that all the authors of all the subsequent public reports knew they were misrepresenting the facts in their morphing stories in quite a radical manner....

Thus the estimate P&L of CIO for the “tranche book” was simply NOT providing a proper “closing price” for the “tranches”. Still CIO provided all the data needed to process that “closing price for tranches”. Therefore the IB had the duty to put the appropriate tranche prices for the margin calls to be operated with its market counterparties, which was the correct “mark to market” price knowingly so. Therefore someone inside Jp Morgan had to set the appropriate “tranche prices” INDEPENDENTLY of CIO for the margin calls to be processed with the counterparties of CIO. This meant that there could NEVER be a collateral dispute where CIO was the originator, even though it concerned CIO trades on tranches. CIO was simply NOT handling any collateral for its positions on the “tranche book”. The IB did the job and therefore the IB was 100% responsible for the dispute since it set the prices on tranches independently of CIO anyway for the margin calls.

This fact appeared like a nose in the face through my testimony of January 2014 in the case “Lehman against Jp Morgan”. Thus this “collateral dispute elevated on April 20th 2012” was just another manipulation that the bank had manufactured to try put the blame upon CIO in late April 2012 in quite an artificial manner. Why manufacture such a damaging scheme if allegedly the bank was “unaware”? The seminal articles on the “London whale” had shaken the world 2 weeks earlier. The bank’s reputation was “lethally” threatened on the face of it. It is hard to imagine any executive other than the very top “commander in chief” instructing to manufacture such a fake collateral dispute.

A proper investigation would have shown that this fake “dispute” could only have been instructed by Mr Dimon, or at least fully covered up by him next. Looking at this fake dispute in the entrails, starting by “noticing” that CIO sent 2 different “closing prices” for the same index every day almost, one would have “discovered” the massive reserve that was missing in Jp Morgan accounts since 2007. This reserve was directly linked to the IG9 “skew”, which was the thing in the markets that had been manipulated by the IB of Jp Morgan and few others like SABA, CSFB and Citigroup at the time. This fact would have shown how critical this “externalization/off-shoring/ internal collapse” of the tranche positions was, way beyond whatever loss the “tranche book of CIO” would incur.

What mattered was that this “externalization” was priced with an IG9 10yr skew at zero Bp or close....Otherwise Jp morgan had been mismarked since 2007 to the tune of \$40-\$50 billion...Was there anything here that watchdogs would have discovered really? No. This fact that the CIO book was a “tranche book” would have shown the direct connection to the slides that Mr Dimon publicly

disclosed in September 2010 about his RWA reduction plan as per Basel III standards. To be clear, this “externalization/off-shoring/ internal collapse” of tranche position had been announced to all regulators by November 2010, a thing which triggered a “continuous and close supervision” for the FCA on this book in particular. This would also induce the Federal Reserve to launch a second deep investigation on CIO. This also would make the OCC issue a severe and basic “MRA” in December 2010. They were openly “concerned”, “worried”, under the confidential seal. But they would NOT be accountable for what would happen on the follow, would they? The book was dead looking forward. Then, on the follow, one would have been surprised that, as I testify, I would be promoted “MD-chocolate Medal” in November 2010 (official in May 2011: there is a process to follow) by Mr Dimon. Then again not a single manager at Jp Morgan would give me the correct context and not a single regulator would want to meet me....until July 2012 once the fake mismarking on “price differences” had been invented in full. Then again, ie in November 2010, Mr Artajo had only told me that regulators asked questions and that this book would die soon. That was enough for me to know, right?...

What is striking is that when one reads the compelled interview of July 2013, the FCA carefully avoided looking for mere “clarification” whenever I mentioned the word “tranche”. Yet, as the extracts will show, the FCA should really have asked for it, all the more so as the UK regulator targeted me so much about this “IG9 index book” whatever the reason was...Was I truthful when I pointed to “tranches” while the FCA wanted only to talk about “IG9 index”? In its own official warning dating ALSO from November 2010, the FCA had called this “tranche book” a “correlation book” at CIO, ie very much the same characterization for anyone who is a bit familiar with CDS markets....The FCA would not even try to test me on my truthfulness here . It would not even wish to talk to me again thereafter!

In the following extract for example, I answer a question precisely bearing on the center of focus of the FCA, the so-called “missing \$300 million”. Here the UK regulator will sort of try to “justify” the future fake mismarking of “\$660 million”. Really the FCA should have “clarified” why I looked like I was finding a false excuse hiding behind those “tranches” when the legend held that it was an “IG9 10 year book”:

-FCA: “I suppose my question really is about -- **it's the comment that you made timed at 5:55:24, “I reckon we have today a loss of \$300 million”**. Am **I right to infer** that you were anticipating that when you closed your book for the day on 23rd March there would be around a \$300 million loss at the close of trading that day.” IKSIL: **“That's not what I meant to say.”**FCA: **“Right, okay.”**IKSIL: “I said we have, as of today, a loss, so because I use a proxy, I cannot tell whether it was going to materialize today or in the coming days, because it's this drift thing. And here you see I'm using the most actively, more frequently traded instruments. So, from my analysis, that's what I see. Right. **Now I cannot tell -- I'm not looking at the tranches. I'm not sophisticated enough in this process to reconcile with the tranches.** All I saw at the time, and I want to demonstrate, is that this loss came from the lag and the lag, **you could monitor it very, very accurately just looking at the indices.**” FCA: “How does that relate then to the phrase, “Using the best bid asks”?” IKSIL: “Because... okay. I explain again. If you use the best bid ask, you get a mid that is very accurately defined, yes? So that you can very accurately define your trend and you know that if you have --” FCA: “sorry Can I just interrupt you because I think I've understood what you're saying. Are you saying in respect of best bid ask, you mean the most thin bid offer spread?” IKSIL: “Yes, if you reduce your uncertainty to the max...” FCA: “Yes. I” IKSIL: “...and therefore you can derive the trend and

therefore the drift with the best accuracy, what you can tell is, because this forward spread comes from the indices at the start, **you need tranches so you may have some impact on the day**, for example. But you won't change the trend."

I showed that clearly the manipulation was done on indices while this book was a "tranche book". Had the bank simply explained that on April 6th 2012, the myth of the "London whale" would have been dead-born as all this speculation on the IG9 10yr would have uncovered the genuine manipulation that already was well under way, targeting the IG9 skew in fact. But that acknowledgement was not in the interest of the bank or in the interest of its watchdogs. The confidential seals secured their impunity....

In this other extract, answering a question from the FCA, I described how central the "tranches" were anyway at CIO and at Jp Morgan all along to measure the performance accurately. My alerts were based on projections that were "accurate enough" but they were proxies only:

-IKSIL: Well, you know, what the options he's considering, that he's - 'Javier is looking at. How much you can add to the IG9 on a roll basis versus the on the run index? **So it's really in order to capture, in a very gross manner the drift**, try to make -- capture some economic value from the drift of the IG9 versus the general market. ' FCA Sorry to interrupt you. **Can I ask you what you mean by "gross"** in that context? Do you mean as in "large"? Or do you mean as "ugly"? **IKSIL Ugly.** FCA Okay, thank you. IKSIL: Because again, you know, the strategy on the IG9 is not to -- you know, to do the whole -- all the horses on this index. You have a full strategy that is the forward spread. **The interest of the IG9 really is because you have tranches** and you can provide some upside on defaults if the IG9 -- defaults occur on the IG9. Here -- you know, you have four/five high yield names on the IG9, doing this is really stupid because they are asking me to cover the other. I mean, it's -- I'm upset when-I hear that from Julien. **I say, "No, it's mad, it's really insane".** FCA Okay. IKSIL So you see, that explains the discussion I have with Julien where I say, "We need to make sure, you know, we are really reporting on opportu — - real opportunities to trade" and that's it. FCA Okay and when Javier says, "I was just making sure that we understood what the plan is because we don't have that many days here, right?" _ IKSIL: Yes. FCA: You know, what was your understanding of his position there? IKSIL Well, the -- that's what he says. **The plan is to see all the options on avail for CIO.** ' FCA Sorry, I think there's — is there an interruption? So it's not a translation but there's — you've kept the transcript, I think. FCA The transcripts are the same between ours and yours. IKSIL: I just want — you — sorry. Where? I think it's the same so on your... Page x, line zz.or... FCA ...on your version, it's page x, line zz. IKSIL: Okay, well, "just making sure that we understand each other, because we don't have that many days here." Yes. Yes. That's the context that CIO is describing to me. **Here we are: Ashley Bacon — feedback -- offsetting trades through a transfer to Blue Mountain with IB positions that are already in the process of being transferred from credit hybrids book.** (*Credit Hybrids dealt with tranches at the IB- all the fate of this "tranche book of CIO" is decided at the top based upon the future of "tranches" themselves*) And -- but he's telling me, you know, "CIO is having great start of the year" so, CIO can ask for more capital and maybe this book is an opportunity to deploy capital. FCA And why is there only a few days? we don't have that many days here he says. IKSIL: Now you understand the perception I have from Javier's account; that **it involves a lot of high level executives; that radical decisions are going to be taken and they don't decide in 24 hours.** It takes a bit longer and obviously they want to make a decision by the end of the month, not necessarily implemented at the end of the month, but the decision will be taken by the end of the month. And it is the 15th, right? Twenty- third of Twenty-third. Twenty—third so in terms -- I think that's a Friday so they have just one week left.

The FCA shall ignore that account in full in its future public statements, still judging that I was truthful, like the SEC by the way. How could they tell if they genuinely believed that this CIO book was an "index book" rather than a "tranche book"? But the FCA will try still to put the blame on me irrespective of the fact the decision makers sat at the very top of Jp Morgan in full awareness of the issues that they had created themselves since 2011....What mattered to the FCA was NOT what I had been "instructed" to do so finely, but what I had "understood" from these quite specific trading orders:

FCA: And what was it that you understood Javier to be suggesting the plan was for that week? _
IKSIL: Well, I remember one reaction from **Achilles, after a meeting, said, "We mentioned the problem with the IB, just for you to know."** **There were these alerts raised to compliance** from me about market manipulation of me — my being the target of the dealers. You had also Eric De Sanguis who received a phone call from Boaz Weinstein. His sister, a headhunter, contacted me, contacted Julien, contacted him, and that was the 19th and the 20th (March 2012). FCA Uh-huh.(*Not a single question here from the FCA- the UK regulator had a golden opportunity to send me to jail for being untruthful- it did not even try that- the FCA would whisper in 2015 in the media that they had not gathered enough evidence against me-once again the FCA was misleading the media and the public: the fact is that the UK regulator remained silent while I was fully contradicting its future flawed story*) **IKSIL: Since then, I was mostly spending my time trying to prove that the IB at JP was front running us or doing bad tricks to us.** And there was a short moment, in a, conference call with Ina, where I was asked, that's the only time I spoke, to express what -- how I felt and what I was seeing. And I said, "Yes, you know, it's a pure manipulation. We are even hit on positions where we don't trade and really in a very, very weird way". And at the end of one call, I remember Achilles saying, you know -- saying, "I've been too naive contacting them. How can we fuck them?" (*This occurs post the very long conf call on the 21st March chaired by Mrs Drew about the IRC/CRM split that Mr Hogan was managing since February 2012*) FCA :The IB or... **IKSIL:** Well..... FCA: market counterparties? Or you didn't know? **IKSIL:** Well, I assumed at the time it was the IB but he didn't specify. He mentioned the idea to add to the IG9 position and I said, "Look, it's not wise because the position is huge. We are very visible very obviously" because **Boaz Weinstein warned Eric that he would make public our position on the IG9 ten year, which was, like, a super alert.** And so the plan here, as I understood it... FCA: Yes. **IKSIL:** ...to finally answer your question: is that maybe CIO would go for a fight and would decide to increase this IG9 position anyway. So if it was not about the forward spread investment, that was in a roll base -- on a roll basis, and the query of Javier to Julien, without telling me, was sort of, you know, giving me a flavor and **I felt duty to tell Javier, "Look, that's nonsense"**. FCA: Okay. **IKSIL:** And Javier knows it. That's why he says, "I just want to see the options," he says, sort of backtracking, I think. FCA: Okay, thank you. There's a reference to someone else who's not named. Javier says, "Look" -- so this is line xx of the page you're looking at, which is page z of our... **IKSIL:** Yes ., FCA ...version. **IKSIL:** "Him", I think... FCA He says, "Look, I've discussed with him a little bit, right? I mean, and this is not the best line to talk about it but you know what I mean, yeah?" Can you explain? **IKSIL: I think "him" is Achilles.** FCA And so what did you understand Javier and Achilles had discussed? **IKSIL** I think I -- I think they had discussed a plan to f...ck them, basically, and I assumed it was the IB. And I think he doesn't want to speak on this line because, as I referred to my fear of being spied and everything, you know. **Maybe they fear that they are spied on their phone lines or whatever.**

All this fight on IG9 10yr between CIO and the IB was actually done in the presiding context of an internal "internal Collapse/off-shoring/externalization" of synthetic tranche positions that either belonged to "Credit Hybrids" at the IB or to the "Core Credit Book" of CIO. All this fight was supervised

by Mr Dimon and no one else at the bank. And regulators were "closely and continuously" monitoring this fight inside Jp Morgan since late 2010 at least. But who cares right? This is it for the FCA! They would NOT investigate at all the consequence of what they had so closely monitored while avoiding to talk to me before July 2012....

That was happening in July 2013 before the UK regulator would "settle" on the case quite publicly and misleadingly in September 2013. One understands well here why the FCA would corrupt the transcript of this interview in August 2013, delaying its acknowledgement of my claims on the matter until late October 2013, and made its statements in the meantime. Of course, although I was obviously identified, the FCA would NEVER submit its statements to my comments on the record. Here the UK regulator did not enforce the FSMA 2000 requirements and Human RIGHTS that the UK officially endorsed. Since then, despite my complaint, the FCA and the Office of the Complaints commissioner remain in total denial of these facts. We are now in 2018...

My September 2016 deposition with the SEC however kept corroborating the key fact that the "Core Credit book" was a "tranche book" for all since 2007 surely so. The references to that fact were not numerous still. It was so obvious even in the US Senate report exhibits.....They have all been disclosed before. Few more anecdotes referred to "tranche" and they all showed how intimately linked they were to the valuation process and the monitoring of other risks.

Here for example I explain how the tranche exposures were key again to measure the performance, whatever the estimating method in use. The SEC did NOT need any "clarification" while they all focused on the "index price" of the sole IG9 10yr.

Q: please do...IKSIL: Because when he was mentioning the crude mids, that was a time in the day when, to my understanding, he was able to run a best bid best ask analysis on European markets. I cannot tell whether he had really multiple runs for the US market as such. So that was a mixed bag....Q: Okay. Thank you for clarifying the record. **So directing your attention to the Itraxx five year box in this email, the 22 to 100 percent row?**...IKSIL: Yes...First of all, what do you understand 22 to 100 percent to refer to there? (this is a tranche and the questioner looks quite familiar with the concept. Are you?)...IKSIL: **It refers to a tranche** that is called the super senior tranche that is exposed to defaults only if the index has already suffered already 22 percent of losses from former defaults...Q: Okay. Now if you were to calculate a crude mids based on this best bid best ask for that super senior tranche, what would it be? IKSIL: it would be 3..Q: And how do you get 3?...IKSIL: I compute the average of 2,5 and 3,5...Q: Was Mr Grout's best bid best ask analysis also useful for you when you were trading?...IKSIL: Yes...Q: How so?... IKSIL: It was extremely useful because Julien, after running his first analysis of the P&L estimate in the course of the day, could typically tell me, "ah, here we have a gain on this position from this instrument with this dealer sending this price", or "ah, here we have a loss on this strategy. That seems strange coming from the price of this dealers. Maybe you could check him"...Q: As a trader, would it be relevant for you to know what the best bid for the super senior tranche was in the Itraxx 9 five year?...IKSIL: It may be relevant yes...Q: OKay. And if--let's assume you wanted to trade that position, would it be relevant to know where the best bid and best ask are?...IKSIL: Yes...Q: How so?...IKSIL: It would save a lot of time for me, the time that usually I would need to look at all the past prices and do my own assessment as to whom and where I should interact to trade on this tranche. **Well Julien was doing this analysis all day long. So that saved me a lot of time.** I just had to ask him, saying "Julien, what do you see?" and he would be able with this best bid best ask to spot to me who, where and when...Q: Okay sir. Are

you familiar with something called an international consolidated report?...IKSIL: I think I saw that, yes...Q: Right. Let's just change gears.

The tranche price of the "22-100" on Itraxx, ie not IG9 at all, was just another price right? But that was one that notoriously was key to the performance and was NOT an index, even less the IG9 10 yr index itself. Any question about why it saved time for me? No more questions. All is clear....Right?

Yet all this issue with getting prices from Mr Grout on tranches had a critical impact on elevating alerts and accuracy of projections, a thing which the bank reported to regulators and had to report regularly so like on a monthly basis....

Q: And you were satisfied as of this time, February 23rd, that you had managed to capture all of that information?...**IKSIL: I was not satisfied. But that was the best I could do at this time**...Q: Why weren't you satisfied?...**IKSIL: I was missing important components** that I could not compute on my--by myself--which was the exact value of the new trade P&L and **the exact value of the tranche P&L**. So here, for example, this was my estimation, assuming that the tranche P&L that was one component of the forward investment spread trades P&L was almost flat. And I asked Julien repeatedly to give me those figures because only him with Monster Truck could do that computation for me. So I was missing, essentially, those 2 parts. And that created second problem, secondary order problems next.

Thus I asserted here that, even though Mr Grout deliberately withheld in February 2012 important information from me that he had and that he provided Mr Artajo with at the very same time, my alerts provided still the right order of magnitudes in terms of coming losses. Thus Mr Grout and Mr Artajo in February 2012 solely prevented the risk department and CFO to actually have to "validate" my alerts with fully accurate figures inside Jp Morgan. All is clear again...they were preparing the future "excuse" that my elevations were "unclear"...They were doing that in February 2012 already...My close colleagues were involved already as it appears here.. why withhold data that Mr grout had, and knew I needed?.....

In the next extract I truthfully described what the context was since 2011 at Jp morgan at Ina Drew and Jamie Dimon levels:

Q: What did you understand **Mr Martin-Artajo** to be telling you when he said "**so the more we recognize that we have a problem, the harder it is--the more you recognize, the harder it is to settle with the IB, you know, at a better price?**"... IKSIL: What I understood Javier to say here is the more we acknowledge the loss that is growing, the more we acknowledge that CIO is losing money on this book where CIO may claim that actually this book is good--it's good as said for CIO. But if it's losing money and creating problems for CIO, then CIO has to admit in its open negotiations with the IB that CIO has a stronger and stronger reason to accept IB prices. And so what I understand Javier saying is, the more we report a loss in the estimate P&L, the bigger the pressure on CIO to accept the IB prices that differ from the CIO prices anyway. So Javier described that the stronger the position of CIO, the more CIO has the ability to negotiate a better price for CIO...Q: Okay, now, with respect to the language "settle with the IB", what is that a reference to?...**IKSIL: That's a reference to the ongoing talks to collapse in particular the tranche positions between credit hybrids and the core book that started to my knowledge, in December 2011. And that turned into a dispute, a row between CIO and the IB.** And it felt to me that the discussions were not leading to an agreement, but rather a fight. And there was a need to settle this fight, settle with the IB, find a truce, find an agreement ultimately....Do you see on page xx, starting at line zz, there's a reference to the

"CRM that we need to externalize"?...IKSIL: Yes..What do you understand Mr Martin-Artajo to be referring to there?...He was referring to the CRM, which is the component of the RWA figure that relates to the tranches, the correlation

And I testified truthfully so that Mr Grout- not me- was trading on this "Core Credit Book" on these critical "tranches" in 2012:

Q: Okay. And do you know whether on January-- well, on January 30,2012, did you end up trading in the Itraxx positions?...IKSIL: I can't remember. My recollection is that I couldn't trade much actually...Q: And speaking about the topic of trading, you were asked some questions earlier in the deposition about whether Mr Grout had discretion to trade. Do you remember?...IKSIL: Yes...Q: What was your understanding about whether Mr Grout had discretion to trade?...IKSIL: My understanding was that **Julien for example, that year, was mostly executing some trades on tranches, especially IG9 tranches, S9 tranches, high yield tranches. To me he had the same discretion as me.** There were very specific trades that we were to do for the book in agreement with Javier. And well, you know, he had to trade as much and in the best conditions he could. And then at times, I asked for his...

All was clear and fully described by me here. How "central" was I actually? I could explain all the fictions and the facts altogether. That was a "tranche book". I was not trading the "tranches" themselves in January 2012 onwards. Mr Grout did. He was the one in charge of the estimate valuation process for Mr Artajo from morning to evening every day. He was the one who had the "tranche P&L", not me, at his convenience. I could not make a fully accurate projection of the coming losses without this "tranche P&L" that Mr Grout communicated to Mr Artajo while he told me that he had not computed it yet for me... In February 2012 already Mr Grout definitely felt authorized to do that to his self-defined "mentor" that he allegedly "obeyed in everything".

I was not that much "central" after all. I rather was sidelined already in Mid February 2012 by my own close colleagues while they saw me alerting on all the possible forums inside CIO. I was NOT the one "central guy" that any authority should have needed to question on this "tranche book" anyway... even after the fake mismarking of July 2012 had been placated on the public stage....They, bank executives and regulators alike, had focused on "index" that they had quite wrongfully deemed "still liquid"....They would drop every charge in mid 2017 against my close colleagues alleging that it was because of my "story"...They were "aware" of what they were doing, weren't they?

And along those lines of "full awareness", the regulators had a full understanding of the process that was in application on this "tranche book" at CIO. The Sarbanes Oxley laws (2003) indeed, directly inspired by the scandal of ENRON (2001) for which Jp Morgan would be fined (2003). They had had the NBIA (2006) and the FAS 157 standard (2007) that would induce a new valuation policy at Jp Morgan right when the internal auditors would check the valuation process for this "Core credit Tranche" book of CIO in late 2007. This was when the mismarking was "known" behind closed doors. This is why the other fact that this "tranche" book at CIO had a "special valuation" shall be concealed or ignored in full through all the public disclosures subsequently to support the "London whale" myth.....

special valuation

The investigations would try to ignore that it was a "tranche book" that, fatally as a "strategic tail hedge", had the special valuation process. The apparent "complacency" of the bank towards CIO, letting the unit breach the very basic valuation principles on index prices, was not a coincidence. The

reasons were abundant: model risk on credit correlation, basis risk on documentation, liquidity risk for Jp Morgan in particular, FAS 157, financial crisis...

In attempting to “document” the fake mismarking published in July 2012, the authorities had to ask questions. These questions and the answers will show what the process was that we actually followed at CIO for this “Core Credit Tranche tail hedging strategy”. My truthfulness in particular uncovered both the real mismarking and decoy one that was manufactured in 2012. As a result it also put to light the ongoing bias of the subsequent “investigations”. This is another key reason why my testimony is kept under confidential seal today. Yet I truthfully answered questions where, here, I was directly involved, and still I was no decision maker. I really was an embarrassing witness for Mr Dimon, Mrs Drew and all the regulators involved. The coming extracts will show that I was clear, straight, explicit and NEVER contradicted or even challenged really. The FCA for example will only try to pretend that I said “black” while I just had said “white”....

Many extracts have been disclosed already. Thus the following ones will mostly show the actual longstanding familiarity of the regulators with what I was describing. It shows as well their repeated attempts to distort my otherwise clear answers...The reader should always wonder “was this cross examination or else?” when reading the extracts below.

Let’s start with the obvious bias of the FCA, which knew since 2007, that this “correlation book of CIO” had a special valuation given the SOX and FAS 157 requirements with regards to “hedge efficiency measurements”....

*FCA : Do you recall having any discussions with Javier Martin-Artajo **in early March 2012**, in relation to how the book was being marked?”**IKSIL: “Sorry, before or in March?”**FCA: “In early March 2012.”*

The FCA did not want to know that there had been many discussions BEFORE “March 2012” precisely BECAUSE it knew already what I would say. I would say that since 2007 there had been already quite a special “valuation process” that was applied to this “core credit book” that was a “tranche book” for Mr Dimon and much less for CIO itself all these years...It was a hedge as the NBIA had described....As the FCA knew, this change in the valuation process in 2007 had been driven by the application of the FAS 157 among other considerations... from then on the “estimate P&L of CIO London” would differ structurally from accounting standards.

Still that had been a very rational move as explained before (see “who sets the prices” in this document). The UK regulator was conflicted: it had to “investigate” how it could stay in full denial of its multi-year close supervision. And therefore, the FCA never needed to talk to me really about the years that had preceded the fake restatement of July 2012. The FCA had endorsed indeed this fake restatement of July 2012 that was all based upon the implicit assumption that this “estimate P&L of CIO London” was expected to match accounting standards ...

This restatement of July 2012 was based indeed upon a complete fiction that the estimate P&L had diverged from “mark to market standards” only in “March 2012”. “In early March 2012” tried to say the FCA... The UK regulator in its very first question to me had opted to simply ignore its own role in the genuine scandal. Hence the biased question at the very start of my compelled interview of early July 2013.... It is worth reminding here my reply and the FCA “reaction”:

IKSIL: “We had many discussions in early March that were in the follow up of many discussions we had before. The first discussions dated back from 2007 when Javier joined. That's when, in my view, to my understanding, he designed the whole process for marking the book. And that involved, importantly, that Julien and I were part of one stage of the process. That was the P&L estimate. And it was made clear by Javier Martin—Artajo in 07 that we had rather use prices where we thought we would trade rather than mid prices. Which was not my habit before Javier Martin-Artajo joined, and this was not what Luis Buraya did with me at CIO formerly. This is important in the context. The reason provided by Javier Martin—Artajo at the time was that this book was not a prop trading book. That was a book where the firm, **the highest most senior executives in the firm invested some capital with the purpose of hedging the firm's strategic interests. Therefore, it was not enough for us to, you know, pick the mid, pressing F9 button, pick the mids on wherever we wanted to get them, and process an estimate that would have some noise. He said, “They want a full guidance as to what we think the value of the positions were”.**” FCA: “Sorry, could you just repeat that last part, someone coughed.” IKSIL: “He said that we were expected through the estimate to provide what we thought the economic value of the positions were at the time. Which applied some judgment part, on especially Julien or Luis at the time or Benjamin Schiessle a bit later. And of course, in that context, I was providing guidance. And this guidance that I was providing on a daily basis to the person selecting the prices for the estimate was also my role with regards to Javier. And that's -- in that context, that's in early March, I mean, I don't want to make a too long answer to that. In early March, after many other warnings about the issue, about the liquidity, the uncertainty on prices, I told him that I didn't want to trade anymore IG9.” FCA: “Okay. So obviously you've usefully provided a lot of information there, and I think I would like to just ask you some questions about “ IKSIL: “Sure.” FCA: “your answer before we go back to my first question. So you talked about there being a change in process in mid-2007...” IKSIL: “Yes.” FCA: “...if we talk about the process prior to that date, were you working in CIO prior to 2007?” IKSIL: “Yes.” FCA: “And what was your role at that time?” IKSIL: “I joined in March 06. And my role, as defined by Achilles Macris, because Javier Martin-Artajo had not joined yet, was to start preparing CIO for trading, big, on protection views for the ‘bank within CIO. He explained me at the time that they were not looking for a star trader, they were not looking to make -- to find someone making 50 million in a year. They would not pay him for that. What they wanted is someone who had expertise who would help him install the infrastructure for the CIO to be able to trade credit derivatives. Especially index, i.e. liquid credit derivatives and tranches eventually. **And CIO had nothing. CIO was not plugged to the I.B. systems (I.B.: Investment Bank of Jp Morgan- the FCA did not ask but you may wonder),** CIO was not prepared within the bank to trade credit derivatives. So that was my role, to help Achilles Macris start developing this infrastructure. That's when I started — first proposing idea, ideas. Strategy ideas to him and Ina Drew. And really what they were planning at the time was to prepare for over a one year horizon for something bad that would happen in credit markets because the markets were overheating.” FCA: “Okay. So you were starting to help design strategies...” IKSIL: “Yes.” FCA: “...for the book?” IKSIL: “Yes.” FCA: “And...” IKSIL: “**And — and infrastructure.**” FCA: “**And infrastructure.**” IKSIL: “That's when I brought to CIO from the IB Luis Buraya, who had ten years of experience in back office and JP Morgan systems to pull the plugs at the right place.” FCA: “Okay. And in terms of marking the book at that time, so prior to Javier Martin-Artajo joining CIO, could you talk me through the general process for marking the book? And when I'm talking about “the book” I'm talking about the core credit book...” IKSIL: “Yes.” FCA: “...within the synthetic credit portfolio.” IKSIL: “Yes. By default with Luis we did what we always did, we picked the mid prices. Unless we saw something like really, really stupid. So we didn't apply judgment. And we used very liquid products.” FCA: “And so when you say you picked the mid prices, how did you do that?” IKSIL: ““Well, initially, I mean, okay. We won't have enough of one day, but I'm going to be quick. Initially

we didn't have any — **we didn't in anyway have anything ready for that.**” FCA: **“Mm hmm.”** IKSIL: “So what we did is we asked the investment bank to make the valuation for us. And what we realized, because we were monitoring that with, say, broker runs and, you know, decent statistics, we noticed that the IB was not selecting what we thought the mid prices were. So that's when we had to design the first proxy spreadsheet because — and the IB said, “Well, you know, you are crossing over different markets, so our traders don't synchronize their closing runs”. And therefore — we said, “Okay. Then we will have to use our own prices”. And what we did is really, you know, 5.00pm London time, we had very liquid instruments, main, IG, indices, you know, the on the run. So, you know, the guys were -- who were looking at Bloomberg, and it was relatively easy to know where the mid was.” FCA: “Okay. So initially you took the mid prices from the investment bank, but by comparing that to market information you were seeing, you felt that more appropriate methodology would be for you to assimilate all the market information you had...” IKSIL: “Yes.” FCA: “...and pick a mid—price from that information?” IKSIL: “Yes. It was — it was typically a noise, because there were days where obviously the first strategies were making money and the IB prices were disconnected and showed a loss. And we were unable to explain what was happening. So the decision was made, probably... when was it...? Probably **September 06.**” FCA: “Okay. So **that's when you started using your own methodology rather than the investment bank's methodology?**” IKSIL: “To select mids.” FCA: “To select mids.” IKSIL: “Mids.”

That is a lot in there. First, from the start the CIO delegated its mark to market to IB, ie the best “experienced practitioner” available. Second, already in September 2006, the bank Jp Morgan from its risk control headquarters in New York ordered to diverge from the “mark to market” produced by the IB through this “estimate P&L” produced in London. Third, Mr Artajo or Mr Macris had no control over the valuation process of this “tranche hedging book”, as it had been stated in the NBIA of 2006. A bit later on, the FCA would get further “clarity” for what it had known for years actually...ie that the divergence from accounting standards grew even bigger in 2007, at the request of Mr Dimon actually (if Mr Artajo told me the truth then...)

IKSIL: “All right? You had, say, Julien or whoever selected the price to process the estimate at the start of the day, they select the mids. And then they look at the P&L impact from the day before. Then there is an analysis where they will interact with me, and I will provide guidance...” FCA: “Who's “they” in that context?” IKSIL: “Well, at the -- **in 07** that was Luis Buraya, then it was Benjamin Schiessle and later it was Julien Grout, right. That were -- they were the person who were selecting the prices for the estimate and getting to a first result. Then there was a second step where -- where — they were analyzing with me because I designed the strategy, so I could interpret the result. And then they could refine the price selection and apply judgment. **So basically they would amend the prices from what I told them each strategy was supposed to do or not do. So it was not — it was not saying what it should be, I was just telling them what it should have been,** unless there was a new element. So every day that's how we apply judgment to process a number on which **Javier would have the last say.**” FCA: **“And when you say, “What it should've been”, what — could you clarify that, please?”** IKSIL: “Well if you have a position typically, that is not supposed to lose money because it's a bearish position and the market is selling off. If it happens to lose it's not what it was supposed to do. It doesn't mean that we won't report a loss. But in the context of the anecdotes I gave you, we'd better be sure that we have an explanation for that, because it's going counter the expectation.” FCA: “So it's like a sense check? **A sense check against your expectation?**” IKSIL: **“Yes,** because this is what we would put in the commentary typically. The position is bearish, the market is selling off, it witnesses a loss, and this is due to this or that. .” FCA: “Okay.” IKSIL: “Yes?” FCA: “And...” IKSIL: “Or this is out of any explanation but at least we need to check twice.

This is our duty.” FCA: “Okay. And then what's the next stage in the process?” IKSIL: “In the process, **we will tell Javier**. So if there is nothing material, like, a number between minus or plus 5.” FCA: “Sorry, could you repeat that?” IKSIL: “If we end up with a number between plus or minus 5, you know, in this range, there's -- I mean, we will tell **Javier** the number and he -- he would likely, you know, say, “Okay, go ahead”. And if it's above he's going to say, “Okay, go ahead” or “show me, I want to see what's happening” and so on and so on.” **FCA: “So he might challenge you?” IKSIL: “Yes.”** FCA: “And how frequently were those conversations with Javier, was that something that happened on a daily basis, or a weekly basis?” IKSIL: “He was -- he was told on a daily basis before we sent.” FCA: “Before you sent the...?” IKSIL: “Yes, the P&L estimate was sent.” FCA: “Okay.” IKSIL: “But if something is benign, you know, if it's a benign number he would not mind, you know, that -- if he's not there we don't tell him, you see, it's not. But if it's a consequent number, out of the range, he wants us to tell him, at least in advance. **Because he's going to answer the questions coming from New York.**” FCA: “Okay. So after you discussed...” (*FCA shall NOT ask what the questions from NY are or “who” would ask the questions: that was Ina Drew normally.*) IKSIL: “So...” FCA: “...the number with Javier” IKSIL: “So much for the estimate, yes.”

And the FCA was told “the obvious”, ie that there was just NO need of the “estimate P&L” as such as far as the accounting standards were concerned... On top of it, the “traders” were overridden by managers potentially every day. There was no issue with that at all. And army of “F9 monkeys” was paid at Jp Morgan to operate the “mark to market” anyway, away from CIO:

FCA: “Okay. Another thing you mentioned when you were discussing Javier's instructions to you was F9...” IKSIL: “Monkeys?” FCA: “Monkeys, yes.” IKSIL: “Yes.” FCA: “Could you just explain what your understanding of Javier's comment was in 2007? _” IKSIL: “That — he — he explained it to me. **So I'll say it again, right. He didn't want us to automate a price selection, as we did in 06 on — on liquid indices.** That would consist in picking, say at 5.00pm, you know, all the broker runs, make a statistical average mid and use that to process the estimate. So because that, you know, **we would have talked to the IT guys at JP and that would -- could've been automated.** So you press F9, because F9, you know, when you run an Excel spreadsheet, is the one that updates all your cells and all your formulas. So ~- and, you know, when you, for example, make evaluation of your positions with a model, that's exactly what you do. You know, you press F9 and it's a black box behind and there's ~- it is the only thing you can do, press F9 and wait for the result to show on the screen. He didn't want us to do that. He want — **he wanted us to look into the price, look into the impact of the price changes on the day and make our own assessment,** whether that's what had to be reported or not.”

There was a process here still. We might be overridden but still we had a clear duty. We had to comply with the instructions of management on a daily basis: we had to look into the bid-offer quotes that we received, apply our necessarily subjective judgment, helped in that by our traded levels not the ones of others....Hence this duty was 100% “business specific”, that fact being again in plain violation of the accounting standards governing any “mark to market”. More Mr Artajo had the last say BEFORE the estimate P&L was sent and New York closely monitored it. Thus this subjectivity ran across all the hierarchy at Jp Morgan up to Mr Dimon's reporting lines. And this subjectivity dragged the attention of just all the hierarchical levels up to Mr Dimon's reporting lines. The FCA will betray its “trouble” here at one later stage....

FCA: “So what was the metric?” IKSIL: “I say it again, it's really the first batch result once he's put best bid, best ask, mids, in Europe and first prices he receives in the US.” FCA: “And when you --

when you say “metric” does that refer to a specific spreadsheet or something, or is it just a...?” IKSIL: “No, no, that's -- that's the -- that's the first number for the estimate on the day.” FCA: “Okay. And then -- and so that was -- **that was true after Javier's instructions in 2007, and then I said we would come to talk about March specifically.** We'll look at some documents a little later, but just to sort of set the scene, **can you describe whether you kept track of the mids in March 2007,** and if so, was there a different process?” IKSIL: “**2012, you mean?**” FCA: “**Sorry, 2012. March 2012.** I apologize.” lawyer: “Can you ask -- say it again, please?” FCA: “Yes. So did you keep track of the mids in March 2012?”

The FCA had opted to have a focus on March 2012 but the FCA makes a Freudian slip here: "2007" or "2012"... The Uk regulator knew what had happened in 2007 under the FAS 157 ruling that the bank Jp Morgan reported to the SEC quite officially in 2007. Ah yes, we should have kept track of the midsand we did... and we did not have to report our mids all these years. As explained before however, we could provide much more than these “mids” or ours. We could provide the reference bid, reference offer, the timestamp and concurrent bid-offer quotes, plus an history of our estimates as the investigations showed (see my interactions with my “useful small tables” and with the controller Allistair Webster).

In the context of this fake mismarking, the FCA had some concern that CIO London guys should have kept track of the mids back in 2007 already. “But they did not do that, did they?” “They did keep track”, since 2006 in fact, in the way that I just sketched here in this paragraph: bid, offer, dealer, timestamp, history.... This was a very well known “difference” versus the accounting standards. The firm, the auditors, the controllers had much more than simple blind “mids” from CIO London front office guys. BUT these “CIO London traders” did NOT “record” the difference themselves. They did not have to do that at all. The firm had a full audit track.

This is very well exemplified by my own interaction as mentioned just before with Allistair Webster. It was pointless in fact that we at CIO London front office kept “mids” as such. We provided much, much more information than that. And regulators were NOT worried one second with that between 2006 and 2012. No wonder the bank had ALSO informed the FCA then, ie in 2007, that this difference was well captured, reconciled and adjusted outside of CIO, independently of CIO staff. There were hard evidences of that situation. Since Mr Artajo had conveyed HIS order in March 2007 indeed... all the “investigation” of the UK regulator, the whole set of “final notices” published later would all be printed as if the FCA had not known that since 2007. They were knowingly misleading.

Thus the CIO London staff was NOT producing a mark to market...Here is an extract about whether CIO FO kept ‘track of the mid marks in circumstances where...

FCA:..you weren’t automatically marking to mid’...IKSIL: “So can I ask you to refine your question? Are you referring to mid-March or any month?” FCA: “**Any time after the instruction from Javier in 2007, at a high level,** and then we'll come on to March specifically.” IKSIL: “Okay. **We kept track of the difference, naturally,** because, you know, I say it again, you know, this process on the estimate, typically Julien at the start of the day is harvesting European runs, he's getting best bid, best ask, gets the mid, puts that in Monster Truck, gets a result, usually towards the end of the morning. That's about when the US market is opening, so he gets a first batch and he starts looking at it. When he sees things — or I may ask him if anything happens, and then he might tell, “Nothing happens,” I'm not ‘going to provide any guidance. And if something happens, he's usually going to tell me and I'm going to have a look at which prices he has, we will compare to the trading levels and

that's how the back and forth is going to -- to occur. And on the first batch level you have what -- what we call the metric, which is not really the difference to mids, it's both, the potential difference to mid and actually the market move."

The CIO London staff did keep some track of the "mids" themselves before diverging from them day to day. It matters to describe a bit better how Mr Grout processed his judgment.... since this proves that the difference was wanted somewhat, under certain well flagged criteria.... The FCA will verify what my "instructions" to Mr Grout had been in the context of March 2012 where the divergence grew over several days ("instructions" that Mr Grout would NOT follow while telling me that he did at the time... as the FCA knew as well):

FCA: "And so my question was what did **you instruct him** to monitor the difference between? Are you saying...?" IKSIL: "Sorry." lawyer: "So just can you explain what the two figures that **you asked him to compare were?**" IKSIL: "Yes, I asked him to monitor it and put some flesh on it, some understanding..." FCA: "Sorry, so my question was what those two figures were. We had the \$200..." IKSIL: "Yes." FCA: "...or so million dollar difference, but between what and what?" IKSIL: "Crude mids." FCA: "And what does "crude mid" mean?" IKSIL: "It's the mid -- the mid-price from dealers' runs, best bid, best ask, and the prices that were in the estimate at the end of the day." **FCA: "Understood."** IKSIL: "So it's slightly different than the metric that is say at the start of US session."

Mr Grout processed the "metric" first using closing prices in the US of last night, opening prices in Europe (around 10 am London time) and guessing. He then had "crude mids" that he may keep for a while later or amend at his convenience without any input from me. In the morning he could refine his metric, before the US markets re-opened. Then the US markets opened around Noon London time. Mr Grout then refined his guess for the metric, recorded it in the "distance spreadsheet" (in theory) and could finalize on the follow his "first batch" ie the first estimate of the day. The latter was not far from the metric usually: Mr Grout recorded correct "crude mids" through the distance spreadsheet, refined them once and then computed his first "batch" estimate P&L. That was this first estimate that I needed myself to be able to trade efficiently in these illiquid markets. The "metric" was just an indication while the "first estimate P&L" was an information in our process where I was to trade next based upon this first information.

When Mr Grout, alone, moved on from his "metric" to his "first batch", he had a concern for sparing me with undue "trading costs". We both knew that these "trading costs" were worth about 50-60% of the total year to date gain when there was a gain recorded. For whatever reason, starting strangely and suddenly on January 4th 2012, Mr Grout could only tell me about metric that "he was not sure about it. Better was to wait...". I waited then all day long. But he could not deliver any "first batch", ie any first proxy estimate P&L that I could rely on to trade. All is clear for the FCA, including the duplicity of Mr Grout. It shows again in the questioning plan of the UK regulator based upon an evidence displaying Mr Artajo's real instructions here, 2-3 weeks already before the bank would co-author the "London whale" myth in the media.

FCA: And from **12th March**, let's say for example on 12th March, Julien is **using this spreadsheet as well as his usual process**, so it is in addition to the process? IKSIL: Yes. FCA: So how does that refer back to the reference to metric? Are you referring there to this spreadsheet or to the numbers as per his usual process? IKSIL: The metric was an earlier stage compared to that. The metric is really - - probably at the time Julien has a good clue as to what the best bid best ask is in Europe. He can have the mids from that but it's really when the US market opens, and markets are moved by what happens

during the US session. **So it's not happened yet, it's just a crude — a first batch and then there is a first analysis that will give the first estimate.** This first estimate using the mid prices both in Europe and the US will be what will be recorded on one hand in this spreadsheet. Then there will be all the work, you know, scrutinizing the prices, trying to find out where the manipulation potentially is, where the drift is, whether it should be accounted for or not, that will be the final estimate number. FCA: So when Julien says he's not marking to mids on the IG9 10 year, and we had discussed that was in relation to the metric, so is his not marking to the mid on the IG9 10 year, you know, over and above the distance recorded on this spreadsheet? (*what is the question? I try my best commenting the FCA statement here*) IKSIL: That's what I see, I cannot say for sure that this is wrong but all I'm saying is if, say, the distance was about 280 and this is 350 or – like grossly you know, because that's the analysis of the thinking process I'm already on to summarize the book, to check of all things. **I say, "Well here I'm confused"**. I'm not going to say it's plain wrong but, to me, it doesn't sound correct at all.

It is confusing to me what Mr Grout is doing then. It sounds plain wrong to me. That was clear however in the March 6th 2012 call right? Mr Grout here had followed the orders to Mr Artajo, not mine anyway, and he confided to me on the 15th March 2012 only that Mr artajo's instruction had been a problem for him. The FCA knows that Mr Grout is in charge and he is confusing me while I ask him (no "instruction") to clarify....Mr Grout was in charge of picking the prices for Mr Artajo. And towards the end of the interview, the FCA shall hear that Mr Grout was the one talking to CIO-VCG Jason Hugues. Mr Hugues knew the embedded subjectivity or Mr Grout process BEFORE March 2012 anyway and it was Mr Hugues who was asking for "interactions", quite peculiar ones actually with Mr Grout, not me again!

-FCA How did you know you were expected to do that? Who had sort of set that expectation? (*I am interrupted which is very peculiar! The FCA adopts an ambiguous use of "you" in that context. That is deliberate in the hope that I would say "I" instead of "we" at least once*) IKSIL: Well, since I joined CIO, that's how we operated. **Jason came and then he said**, "Okay, I have this difference. Can you explain me what – why I should keep your prices rather than the one I have?" And so, you know, **we were requested, I mean, by Jason, queried by Jason**. You know, "Can you tell me why I should keep your price instead of mine?" So... FCA: And so that was a regular month—end process? IKSIL: Yes. Yes and, I mean, there were other instances where we would use typically runs on the day after or runs for the month-end that we collected the day after, after Jason came back with his difference. That was normal. FCA: I think that that -- this particular example is an example of that, isn't it? in that runs from 1st March were provided... IKSIL: Yes. FCA ...by front office to Jason Hughes in relation to February month—end? IKSIL: Yes and again when we do that, we say, "Okay, that's a run-on today" typically. But you see it's a run at the opening and maybe we — and **we saw some changes, that we anticipated, that didn't show in the close but is reflected in the morning right at the open. That's the kind of thing we -- which we would say. And he's still, you know, free to change the price or not.** FCA Given the time, can I ask you quite a blunt question? The way I read this is that it is a backward and forth process in the sense that it's not really up to him to accept your price or not. You -- there is repeated going backwards. "This is a better one. This is a better one. Get nearer. Get nearer." **To me, that reads like an interference with the control function. Can I ask for your view about that?** IKSIL: **I disagree.** FCA **Okay and why do you disagree?** IKSIL: **Because that's how we operated since the start.** There were back and forth with Jason. FCA: And can you give me your opinion on whether or not Jason was – it was a matter for Jason as to whether or not to accept your estimates in this sort of example, given the repeated return to him? Or is that common for your interactions with him? IKSIL: There were —**I mean that was always like that.** And to explain the

interaction, right, the way it happened is that Jason would come and say, "Okay, the" -- he would proceed with the biggest difference and say, "Okay, that's here where I have the biggest difference". So bim! -- that's when we would say, "Okay, that's where you are but look, we have these runs". **He would decide to proceed or not and then he would come with the next difference**, you know, and that's why. The back and forth is because he's analyzing every single price difference one after the other. FCA: Okay, thanks. I apologize for the bluntness of the question. IKSIL: No, no, it's fine. FCA I just didn't IKSIL: No, it's FCA The time is running against us. *(FCA admits here that they wished they had more time and they declined any invitation to talk more when obviously they admit they have NOT covered their investigation initial topics)* IKSIL: No, no, but it's important because that's why I mentioned, you know, I cannot answer about the appropriateness because that's how we operated anyway. FCA Yes and you talked about other examples. **Sorry, did you want to clarify? IKSIL No, I just want to clarify that, you know, Jason — in reality, Jason came to us to -- and asked us,** you know, "Should I — on this price, I have this difference. Should I keep your prices or keep mine?" That's the back and forth. FCA: And what level of sort of detailed explanation would you get into with him? So if he comes to you and says, "Which price shall I take?" do you just give your opinion or do you discuss it? **IKSIL: Well, first it would not -- it's very, very rarely me, because I have not selected the prices first in the estimate.** So I don't know really where it comes from. I have not even looked at the runs that Jason has. It occurred once or twice, you know, that -- because the person in charge of the estimate interacting with Jason was out for lunch or whatever, that you know, **Jason brought me to his desk and he showed me the spreadsheet, how he saw things.** And sometimes, you know typically because he was analyzing price by price, he could have a big difference positive, big difference negative. So typically he would ask me, "Where do you think I should look at?" Because at the end of the day, what mattered to him was the ultimate difference between our estimate and the P&L he had. So... The only argument you could give, right, is to say I would help him once or twice, saying, "Well, you know, in Europe basically you have a big difference. I don't understand that" and I would say, "Well, maybe this price maybe is wrong". And then, what we would do, very simply, to answer your question, 'would be just to come back to the runs, say, well, if we are at the mids or if we are not at the mids at the time, I say, "Okay, maybe we should take yours because your look — you look to be at the mids". That would be interactive, like this. **FCA: Okay. Yes and I think we're done.** IKSIL: All right. FCA: So thank you very much. *(Contrary to the other "witnesses" of the UK regulator, the FCA shall NOT offer me some time if I wanted in the future)*

So as a way of conclusion this "CIO london" valuation process was not "needed anyway", it was "subjective" even at the VCG stage, having "no definite closing time", being controlled by Jason Hugues who would take "prices from the day after" for his own duty, being actually operated and "validated" away from me anyway... It was wanted to be "business specific" at 100%. That was a lot going against the already negotiated "settled version of September 2013" of the FCA....The UK regulator shall remain in denial of this series of facts still in 2018

The SEC deposition in September 2016 however just corroborated all this as the following extracts will show...

In the next extract I repeated how the estimate P&L was processed, how I would provide my "input", ie through the lens of Mr Grout on a price-by-price basis:

IKSIL: We're at 15th February (2012). On the 14th, Julien set--sent the final estimate. That was at close of the day with the final estimate of one price....Q: Right...IKSIL: Somewhere in the middle of the 15th, **Julien has run the metric, probably a first batch that I don't think I know of,** *(here I hint*

already at the very ambiguous behavior of Mr Grout towards me: he had conveyed his first estimate to Mr Artajo telling me he was "unsure" instead. It was the first estimate P&L that I needed daily to start trading with the minimum costs. But that was the one first estimate of his that Mr Grout would start not conveying to me in 2012. Here on can see that still Mr Grout kept processing estimates all day. I understood Mr Grout reluctance to give me the figures because his uncertainty meant that this would not be reliable information for me to trade on the follow. That was then, while I trusted Mr Grout. But as I said earlier, Mr Grout withheld other information from me all along the 2012: year end valuation for 2011, Mr Artajo's secretive instructions to him only, the "tranche p&l", some slides that he made for february and march 2012 under Mr Artajo's watch, his standing out of the bid-offers in IG9 on IG14 on IG15... There is maybe more than that.... This duplicity of Mr Grout was already my suspicion in July 2013 having seen evidence that I was unaware of at the time in 2012. The FCA would not investigate) and he has observed then from crude mids extracted from runs sent by guys like Mohit (Mohit Patel at BofA)...Q: Right...IKSIL: That the book was losing, I don't know, 50 million, 60 million, 100 million overnight. And Julien, as myself, we can see that **this is framing**, not on big price changes, but the book is so big, the notionals are so huge that this translates, this **big uncertainty mixed with big notionals** translates in a big metric, a big P&L impact. Then **we have to apply judgment, and we interact**, and we are, that's what you see in this chat, and we interact to try to **find a way to agree on something that makes sense to us**. And here Julien says, as per his own judgment, seeing what Mohit does, that yes, anyway this framing has to be reported, this drift, this small thing has to be reported in the estimate P&L. It's going to be a relatively small loss, still it's a couple of millions. So the lag that he refers to is connected to **the first metric he has seen that he has reduced for his own judgment** and my help. And at the end of the day, there is still a remaining loss. **That is the lag...."**

The evidence above was typical of the process that was ongoing at CIO London. This is an ongoing judgmental process that may not close at the end of the day. Mr Grout reported his results to Mr Artajo away from me, not always telling me. In that this estimate P&L process ignored basic requirements of accounting standards like "take consensus", have a defined closing time, be independently run from the risk takers... That sounded weird right? My SEC deposition brought more light as to how this weird organization performed its duties. The information flew quite well from new York to London back to new York and so on....

Below I described a quite sensible reason to have this alternative measure of performance within CIO itself as it had always been understood at Jp Morgan. This is how in particular I could make my elevations as early as 2011 when I came to New York in September 2011 and met with Mrs Drew, Mr Weiland (deputy CRO), Mr Goldman (CRO) and Mr Wilmot (CFO) and alert on the lack of liquidity and the dangerous visibility for CIO:

IKSIL:....who on the one hand, who think "black" and others who think "white". Otherwise, the market moves fast and reaches a point where you have a balance with 50 percent of people thinking one way and the other 50 percent of people thinking the other way...Q: Now if you look at the 3rd bullet, sir, do you see the language that reads **"there is a trap that is building. If we limit the mark to market, we risk increasing the notionals further and weaken our position versus the rest of the market"**. Do you see that language?...IKSIL: Yes...Q: Now earlier you used a phrase **"defending the P&L"**. Does that concept relate to the what you're discussing in this bullet?...IKSIL: Yes...Q: What the relation or the relationship?...IKSIL: The relationship is "defend the P&L" is meant to refine the view we have on the market. It is subjective but it can be supported with trades or interaction with the...

I also explained the facts about the “cushion” that, at my initiative, we had included in the estimate P&L process of CIO London in September 2009, AFTER CFO and risk management had established a liquidity reserve on this book (March 2009). It was a sort of additional reserve by nature that displayed how much we expected to lose in execution costs while winding down some position when we effectively were winding down at the time. This cushion amount would be systematically noticed by CIO-VCG and CFO. It was displayed every day in the report. And it would be also systematically overridden at year end or month end by CIO-VCG and CFO next despite my repeated requests to instead roll it over time....

*Q: Sir, when you talk about the cushion column, can you tell us what you meant by that?...There was a column in Monster Truck that Luis, myself, Eric, Julien we used to call it the "cushion". And it was sort of reserve, a sort of amount of P&L that we didn't want to report in the estimate P&L until we were certain as to where this estimate P&L would land. And **that was in light of the instructions I had received back in 07**. And I thought that here it could be used again to flag the effect of the drift without disrupting the accuracy of the prices*

There was no loophole, no mystery, no gap, no miss on the side of London. I was truthful....as the SEC and the FCA and all other regulators saw in the course of their investigations... That “cushion worth of \$300 million since 2009” was embarrassing for their future morphing stories: this “cushion” -or this “Front Office reserve” as reported internally by price controllers- had been erased in full knowledge by CFO (Chief Financial Officer) in 2009, and in 2010 and in November 2011. The fact here is therefore systematically erased from the public record by ALL the investigation reports.

Yet, while I was heard and I was systematically over-ridden, not being participant of the decisive meetings, all the public reports would keep emphasizing that I was “central”. How comes that being not “central” at all, I still could elevate so many relevant facts to already well informed executives? It is time to describe that this licit setup of CIO was quite efficient. I was not at all that “central” and that all the regulators knew that since 2006 actually. But I could point the finger to crucial liquidity issues that potentially impacted the whole firm. That was part of my job at CIO actually... Ironically this is likely their longstanding knowledge that their licit setup around CIO was so efficient that made them decide that I had to be their “fall guy”. This is what made my testimony so “central” for their misrepresentations of 2012 onwards to have a chance to hold water.

“Iksil” role

It is time to see how my real role was heard from my answers, judged truthful despite my “recent statements and writings”. This alone shows how misleading all the subsequent official “stories” have been all along since 2012. Here I include the bank and all the authorities involved. The official “stories” would morph as it became clearer over time that my testimony could not be discredited. The “investigations” had to stop for fear I might speak publicly under oath on day...And this is in that context that the WSJ in August 2017 would need a week to instill one last confusion about who changed his story here. They would suggest that I was not reliable as a witness in mid 2017 indeed playing with words. I was not to be relied on right? But I had been truthful still...

The DOJ would state in fact that they could not rely any longer on me as a witness in their case against my close colleagues, alleging my “recent statements and writings”. Was it that I had gone sideways or was it that my public disclosures showed that their case was wrong? They could have clarified that in plain light. They would not clarify bunkering themselves instead in an ambiguous

wording. They were just misleading the public with a specific purpose: discredit my testimony by any means even though they had to admit under confidential seal that I was truthful AND corroborated. The last means to date has been to keep my answers under confidential seal since mid 2017....

One will see below why indeed no regulator felt any need to "talk to me" before the fake restatement of the bank Jp Morgan would be endorsed in July 2012 by all the authorities and would never be denounced as a fake thereafter.

What had my role been at CIO? Although I was paid a genuine fortune for what was an extremely profitable activity for the bank, even in 2012 as it is showed in this blog in "JPM gains in 2012. PDF", I was neither "central" nor "key" for execution matters, valuation matters, risk management matters. I was a smart screen man in the markets providing still really profitable ideas and views inside CIO. That was it. As one could guess, my "story" was very much centered on my role, I mean the real one....

The FCA compelled interview showed that real role in plain light, something which the UK regulator could simply not even challenge in July 2013 already....Yet the UK regulator shall make its misleading statements in September-October 2013. It distorted grossly my role without submitting formerly its public statements to me for comments on the record. As I suggested, the FCA in my view violated grossly human rights and the UK FSMA 2000 act that shaped the mandate of the FSA/FCA. As I said too, the office of the Complaints commissioner did not pick that up at all... This violation has far reaching consequences since the UK did not endorse the Human Rights through the FSMA 2000 to make a nice picture of the country. The well functioning of financial markets needs a strong support of some Human Rights like basic labor rights. How could the Complaints Commissioner ever pick that distortion of my role up since it never considered useful to interview me before making its own conclusions on my complaint?... The answer is awfully simple: the UK regulator printed in September 2013 a tale that it knew was wrong for long, exposed me unduly to public outrage and deliberately avoided to put my objections on the record. It secured in the following years that the public would just never know what had really happened.... And would still view me as the bad guy...

Here are some extracts that pictured my actual role and the FCA's reaction to that plain dismissal of its future public statements of the FCA on me or on "the London whale" trader.....It matters to repeat that the FCA, at least since November 2010, knew my actual role already. How can I say that? Mr Artajo told me in late 2010 that I was on their watch list if only because my compensation was high enough to put my name among the "key people" list of all the regulators. My "MD" promotion made my name fully inescapable for the FCA. Thus the FCA had investigated my role by 2010 already and had deemed useless to talk to me as a result in the future. And indeed the FCA learnt nothing in July 2013 as such about my role.

But it did try to "uncover something" out of nothing...This part is key in showing that, "that" being what Jp Morgan was in agreement with the FCA and other authorities already about perverting my job and my role. If the case stands where it is today, it is going to create a jurisprudence for all the employees in the future....The FCA, the bank and some other regulators, made false documents to indict someone whom they knew was perfectly blameless for motives that are crystal clear however....This is therefore no surprise that my testimony is kept "confidential" but shall be used for other cases in the future as this is a very "convenient outcome" for some executives...From now on if an employee makes the right alerts, the right recommendations, and behaves with perfect integrity, while his managers failed, he will be the one targeted. He will be fired with a complete fictional role

and responsibilities that make him the target of public outrage. And to make sure he remains silent he will be next targeted for as long as possible by the authorities to discredit him in the public arena for years, the time for people to “move on”. He will be financially ruined as much as possible. He will be harassed in the media. Thus this employee will be barred from resuming work in good conditions forever. And he will be prevented to have his own testimony be known to the public, having de facto no recourse in any justice court. Here I can say that based on my experience with the Office of The Complaints Commissioner. That is the jurisprudence that is now in place with this “cathartic London Whale”.... There is no limitation any longer caused by “human rights”...

Let’s start with my “input” in the estimate P&L towards Mr Grout who was supposed to be my “junior” while he only reported to Mr Artajo as the “millions of documents” showed...Mr Grout was not so “junior”. He was not so naïve as well. Mr Grout was indeed more expert than I was in pricing tranches, in valuing the book, in the granular details of risk analysis. This was what Mr Artajo had always wanted to have, including with the predecessor of Mr Grout, namely Mr Schiessle. As a result Mr Grout also was interacting more often than me with Mr Artajo in general.

The only area where I clearly had an expertise over him was to design ad-hoc trading ideas for CIO top chiefs based upon general considerations. The reason was simple: I had more years of experience trading in the markets and at CIO in particular. I was about 12 to 15 years older than he was. From the first interview Mr Grout was perceived by Mr Macris and Mr Artajo as the one man that could take my position soon. He just needed some few more years of experience in the markets at CIO. He was selected by my managers among other candidates because he had a visible potential for that. He had a natural steady and thoughtful temper. I concurred and supported this choice.

From the very first months at CIO, Mr Artajo wanted Mr Grout to replace me in full if I was not available for whatever reason. And Mr Grout proved himself in 2011. In 2012 his role grew in importance versus mine. I encouraged it as myself I already thought of retiring bringing to Mr Artajo other persons to work with Mr Grout in the future. Mr Artajo had agreed to my request of early January 2012 that I would work part-time from the summer of 2012 onwards. He agreed then that Mr Grout was senior enough for that. Mr Grout was ready for that himself. This is the context that led him to trade “tranches” instead of me in 2012 all along on what was known at Jp Morgan to be a “tranche book”, more specifically the “tranche book of CIO” in the firm at the very top. The FCA knew at least that first I was not the only one executing trades on the “Core Credit book” especially on these critical “tranches”. And it knew the rest of it as its own questions prove it:

FCA: “...**the positions where you hadn't traded**, would you still provide guidance to Julien? ”
 IKSIL :” **In general, no.** It could be that - this book had multi-layers of risk. You had risk, a view on the market for each strategy and there was a general balance of the book, where some bearish strategies and bullish strategies were offsetting one each other, so you could observe some pattern on the bearish strategy because you knew what was behind, you could infer again what you expected to see on the bullish strategies, so you could refine, but not — not much. So I would give him these kind of safe consistent guidance, views.” FCA: “**Okay, thank you.** And once Julien had considered your guidance, were you then again involved in the pricing process? Sorry, could you voice” IKSIL: “**No, sorry.**” FCA: “...it won't pick up — **“No”. Thank you.** So if we can go back then to early March 2012 and discussions with Javier Martin—Artajo, what did he tell you about marking the book in March 2012?”

Julien Grout made trades on tranches for this tranche book of CIO.... Julien Grout picked prices independently from me in general for what was his marking process....Julien Grout could ignore my input anyways... "Okay thank you" concluded the FCA... And the FCA wanted to know: "about March 2012 and Mr Artajo, what did he tell YOU?".... As if this was what should have mattered... So was the plan of the FCA here well summed up: it knew the facts and ignored them with a clear motive....The FCA failed though...I was truthful and that was an issue for the pre-defined "settlements with the bank"...

Inadvertently the FCA came across what it wanted to ignore so much, namely my many emails and slides that had alerted the CIO top chiefs since March 2011 repeatedly. Here I elevated accurately and consistently the losses to project on the "Core Credit Book". I had done that despite the orders that Mrs Drew persisted sending to me through Mr Artajo all along until May 2012. Here, ignoring all my former alerts, the FCA wanted to trap me with an email chain dated April 8th 2012, ie a work I was tasked to perform 2 days after the first "London whale" articles:

FCA: Can you just clarify, though, what you mean by **"in light of what happened in end of Q1"**? IKSIL: You remember the drift, right? FCA: Yes. **IKSIL That's what I saw in Q1.** That's why I tried to design, devise throughout the trading between, say, the 18th of March and 23rd of March with this long risk on the "on the run", that was to balance the effect of the drift, should the market keep rallying. So that this long risk on liquid parts, **waiting for an unwind or any sort of things.** If the market kept being bullish, at least the book was balanced. So there was -- it was a sort of balance between the natural bearish bias of the book through the protection it offered and this overlay long risk that was on the "on the run" indices. So it could be removed, you know, at a very small cost, at any time, depending on whatever CIO wanted to do with the positions. **So what I say here is I based my analysis on everything that I wrote so far in the year, all the presentations, the analyses, the tools I provided.** And I didn't factor in, you know, the changes that would come out from the articles and I wanted to say these articles will have a very bad impact but that's not factored in my answer. FCA: Fine. Thank you. Was that your last clarification that you wanted to make?" IKSIL: "Yes."

The FCA also heard what Mr Artajo had ordered me on March 6th 2012 to REPEAT to Mr Grout, a thing that Mr Artajo in person indeed had already told Mr Grout to do the day before, ie March 5th 2012. Mr Artajo allegedly here wanted to step through me to make sure Mr Grout had understood HIS orders of March 5th 2012. On the recorded call, Mr Grout will tell me at once that he had perfectly understood what "New York" had actually ordered Mr Artajo to do on T"Okay thank you"...I was clear. The FCA was clear: it would ignore fully what I said here in the manufacture of its "final notice" with the bank in September 2013 and October 2013.

At other points in time, the UK regulator actually created a false record. These fallacies, although self-acknowledged as mistakes, would still be presented as "truth" in the final notices. For instance, the FCA had sometimes issues with speaking English properly and channeling clear questions as the following extract will show. The FCA made a sort of Freudian slip mixing the 15th March 2012 and the 20th March 2012 as it aimed to artificially create the impression that the loss of the 20th March should have been disclosed already by the 15th March 2012. That was a pure manipulation of documents on the UK regulators part and this facet of the "FCA investigation" came up to light unwittingly so. Fortunately the FCA could occasionally find ways round its "issues":

FCA: "Okay. Were there circumstances in — were there occasions in March when you were actually providing an estimate based on prices that were outside the bid offer spread?"....IKSIL: **"When you**

say, “You”, you say Julien?” FCA: “Were there circumstances in March when the book was priced outside the bid offer spread?” IKSIL: “Yes, there were.” FCA: “Which — on which occasions were they?” IKSIL: “Well, at the time, as I said, I picked the 15th of March and I started developing tools to help Julien, to correct this. And later in May, with my discussion with Alistair Webster, I realized -- because he asked me - ~ he showed me there were some prices, which were not where they should have been. And... so I know that the 15th, yes, for sure. I tried to correct it with Julien, to help him. I devised a lot of tools later on.” FCA: “So, hold on. Just on the 15th of March, you said earlier that the initial estimate provided by Julien was outside — reflected prices that were outside the bid offer spread and you had given him guidance on that. Is that separate to these tools that you're describing?” IKSIL: “That day... It's connected. It's separate and connected. It's separate because, **by chance, I asked Julien to tell me where he saw the crude mid** on the series of indices and where he was marked. And **I mentioned to him that on the IG9 it was really — not right.** It was not correct, should not be there. The day after, I traded and I suggested him a set of prices that looked correct to me, to process the estimate. Now I realized only later, much later, that he didn't use the prices although, in the discussion, my understanding was that he would do it.” FCA: “**So on 15th March in fact, the book was priced outside the bid offer spread, despite showing the USD\$40 million loss?**” IKSIL: “Again, I don't know for the whole book because I was not selecting the prices at all at the time. Right? But I knew on the IG9 10 year, so that was one price in the book, that that was not correct and I told Julien to correct it and I helped him -- that's why I traded on IG9 a bit in March just to help him be correct in the selection of prices he made.” FCA: “And just explain for us trading to help him select the prices.” IKSIL: “Well “ **FCA “I just wanted to correct something. You asked a question based on a premise that the loss of \$40 million had been shown on 15th March.”** IKSIL “Sorry?” FCA: “It was on 20th March, just for the benefit of the tape. I don't think that's what you were actually ”Yes (*The FCA must be cautious not to let this “premise” slip out on the record in plain light. That is why the FCA made the correction itself avoiding to state the “premise” in question*) FCA: “No, that's all right. Sorry.” IKSIL: “So can you ask your question again, please?” FCA: “**I think I'll ask a different question actually.** Just to clarify for the purposes of the recording, what you're saying is that you now believe that the prices provided in relation to 15th March did not reflect the bid offer spread - - were outside?” (*the FCA keeps distorting my answers. It has another question finally. Was the FCA really mixing the dates without being aware of that while this was not cross-examination so much here?*) IKSIL: “Some prices, I realized, were out of the bid offer spread but, you know, I have this example of the IG9 because I saw it in the reports but that's it...”

Maybe the FCA only wanted to trigger a confusing moment to press me to say “when” I knew that Mr Grout was out of “bid-offers”, a thing that he was NOT expected to do then. As such the “miss” revealed that the FCA was aware that there was a good deal of inter-subjectivity here in the estimate P&L. And all this inter-subjectivity was NOT centered on “mids” but on “bid-offers” only. Thus in engineering that distortion between the 15th March and the 20th March focusing on “bid-offers”, the UK regulator implicitly admitted that it did not really try to press that the estimate P&L was a sort of “mark to market” targeting “mids”. It would have loved to hear that of course “in hindsight”. But by refusing to express its “premise” the FCA indicated the “premise” itself was incorrect. Thus the FCA had given up already on this “mark to market targeting mids” at the time of preparing this July 2013 compelled interview with me. It just hoped for a misstep on my part that it tried to generate by creating confusing sentences. Still the UK regulator in September 2013, like the US authorities, only made reference to “mids” as if that had been the benchmark for us at CIO London. They all misled the public and the markets then.

Back to July 2013, deliberately leaving "mids" aside, the FCA rather tried here to make me acknowledge any kind of "I knew some things were done the wrong way" around Mr Grout just being "outside of the bid-offer". Whatever I may concede right?... That was the plan to make people be convinced that I had been a "bad guy somehow".... It did not work. So the FCA failed in artificially attributing me some "awareness", albeit quite remote, about fair value accounting.

The FCA knew in its endeavor to paint the record that this objective to target "fair value" did not exist at all by design since 2006 through this "estimate P&L" of CIO London for this "tranche book". It did not want to say explicitly that what it targeted next was "being outside of the bid-offer"... hence its peculiar silence in its "premise". In that process the FCA was simply trying to ambush me and no-one else, knowing that it had no "mark to market violation" case at all in fact as far as the estimate P&L process was concerned. And See for that purpose once again the SOX laws, the NBIA, the FAS 157 accounting standard, the mark to market principles and a couple of other controls that regulators had checked so often at Jp Morgan.

And through a late question in this compelled interview, the FCA shall hear what my role had been actually in 2012. Here the FCA shall hear indeed, targeting only me once again, that there was a plan. I was Not aware of the misdeeds of Mr Grout. But I was aware of a plan that the FCA knew even better at the time. This plan was driven by Ina Drew from New-York "for Jamie". The FCA like all the regulators and the bank will silence it and erase its existence to build their future stories of 2013 and onwards.....:

FCA I think what I would benefit from understanding better is I understand how at month end you might engage in price discovery trading in order to ascertain whether a run that you have been provided with was a run that was indicative of an actual market price. Why at month end would you need to execute a very large number of trades in order to fight the market prices? IKSIL; Because in March, as I mentioned once, **the book is in a unique situation. It's not normal business**, it should not happen, you know, in normal conditions that indeed even if you deploy capital, right? It's not -- it doesn't have to be at month end, it doesn't have to be at quarter end, right? But here we end up in a situation where -- beginning of March the book is to be unwound for parts, **I don't want to add to IG9 and CIO management is still considering eventually growing the positions**. I come to Javier, I tell him, "Look, we have this 300 million, you don't want the one-off, you don't want the cushion, it's not my job to do the liquidity reserve but, you know, it has to be reported". He says, "Okay, I'm going to talk to Ina, give me one week". Then we discuss further, right, and here what we discuss is he explains me the context that they are in talks with the IB. We had this discussion with Ashley Bacon. On the 14th of March, Ashley Bacon made the feedback and he said there are obvious offsets between CIO and the Investment Bank, the positions of credit hybrids are moved -- over to Blue Mountain and we need to ask the regulator's approval to move the CIO parts. So that is the information I have, that things are going to happen. And Javier tells me that we have to wait until month end to know what's going to happen. So what I remind Julien, is that, keep in mind that -- project yourself towards month end when you do this distance, when you consider that this is the drift and this should be ignored and we will ratchet later. Because that's a very unique situation where the book could be unwound and some places stripped out, offset with the IB whatever. One scenario is that, yes, we might — we might — trade maybe at month's end or maybe right after month's end but it was for sure a decision, radical decisions will be made for month's end and quarter end. That is how I'm presented the situation.

Of course, given the requirement of the FCA since November 2010 to be doing a "close and continuous supervision" of this "correlation book of CIO", the FCA had been told by Jp Morgan of what I describe above. I showed the FCA that I had been told a lot of things despite my benign position in the decision process for this book...All was commanded from the very top of the firm, transparent in every detail, and reported to the regulators as they were highly concerned. As a response the FCA shall insist on "to keep to our system, all right?".... Actually "our system" was the one of the top executives of Jp Morgan that they co-managed with the regulators themselves day after day since mid 2006. That was "THEIR system", not the one of the "CIO London guys".... Now, the FCA would clearly "investigate" how to deny that.

In the following extract, the FCA tries its future published thesis in front of me, ignoring just everything that has just been said....For that purpose the FCA manufactured a complete fiction around "to keep to our system", where the FCA as much:

FCA: Okay, because you say, "So to keep to our system, all right" which implies to me that you will be keeping to a system of trading that you've previously used, not that March is an exceptional month where something different is going to happen. **IKSIL Sorry? FCA: So the sentence is, "We're going to execute a very large number of trades" and you've given an explanation for why that might happen at March -- at month end because you are in an unusual situation but it actually reads, "We're going to execute a very large number of trades 'so to keep to our system, all right?' Right. "I'm asking what the system was that you were going to be keeping to."**

The manipulation of documents and of the "witness", ie me in that instance, is quite visible. I just do not understand what the FCA reads to me although these were supposed to be my own words translated into English...Am I gesturing here? Am I behaving somehow like Mrs Drew did on March 23rd 2012 or later on when she was confronted with the distance spreadsheet or the March 20th 2012 estimate P&L comment? I am not gesturing because, unlike Mrs Drew, my explanation would never change and would be fully corroborated by the document itself plus other contemporaneous documents. On the opposite the FCA will backtrack and will amend its own story later...more in altering its story the FCA in 2015 will omit to inform the public of that change. And it will whisper "off the record" that it had not had "enough evidence" against me. It will mislead the public once again in doing that whisper.

There are also clues that the UK regulator had simply engineered a manipulation of the evidence. The FCA shall not specify for example that I did NOT have that sentence at all ie "to keep to our system" in my own transcript of the discussion. I had "inaudible" because it definitely was hardly audible. The tape was of poor quality because then I was in the Eurostar train and the train speaker was over-speaking in my blackberry with a loud pitch. How can it be a "coincidence" that the FCA is suddenly adamant on terms that would have been spelled in an "inaudible" part of the call? That was not audible. But that "inaudible" part was short lived and the rest of the call is self-explanatory.

The FCA could not even think of challenging my answers based on this call. Thus this is certainly not 'system' that was the proper translation. I likely used "assiette" in French which can be translated as "balance". The word 'system' makes my speech nonsensical anyway with the rest of call that is consistent with "balance" however...But the FCA would mention none of this later on...instead the FCA shall try to influence me emphasizing in the interview that the translation had been reviewed by a "market expert speaking French"...That was once again a misleading representation of the FCA. An

"expert" was useless here unless he was specialized on audio tapes. And in that case it turned out that the FCA was plain wrong on its wording. Also it seems in Jason Hugues' interview that most likely the "expert" was actually an FCA employee who was NOT French and was not a CDS expert in fact. He just "spoke French" and was "familiar with the products" as per the very words of the same FCA questioner during the interview of Mr Hugues of CIO-VCG...Was it plain duplicity or worse on the part of the FCA questioner here?

IKSIL That's... I'm not sure about what I mean here. What I can say is that what I already said. Javier told me that maybe CIO's going to decide to deploy capital on this. Maybe CIO will decide to keep — maybe I should check whether I say "system" or not? FCA Well, yes, your translation has it as **'not audible'**. **IKSIL: It doesn't make sense to me, it doesn't make sense. I am not sure that's "system" really -- because it doesn't make sense to me.** What I see is that at the time, right, we don't know yet which parts of the book will be unwound, which parts of the book will be kept in which form and eventually which strategies might be increased. 'There's a bit of an anticipation of the fact that CIO is going to make radical decisions at the end of the month or maybe right after the result of the end of the month.

Here it is clear that "system" does not make sense to me. It is clear that I remember very well what I was conveying in this call to Julien Grout. It is clear that I had no "system" in mind then. Instead the book was dead. It was to be dismantled. Nothing was "business as usual". Nothing was fixed yet. Therefore there was just no reason to keep any "system" that had been in place before. Back then, aware of the radical changes that were to come instead, I had a concern for keeping the right balance amid these conflicting instructions and these many possible outcomes that Mr Artajo had told me about for month end. This manipulation of the FCA switching artificially from my "balance" to its "system" summarizes the whole "London whale" scandal.

I will argue with the FCA that this "to keep to our system" is NOT correct. And the FCA will accept it in October 2013, but only right after it published its "settlement" with the bank. Now in its PIR in February 2015, the FCA will claim that I could not "remember" what "to keep to our system" meant.... This allegation was another gross misrepresentation of the facts here done by the FCA in full knowledge as one will read now... I remembered very well actually what I meant in the original call that I had had with Mr Grout then...

FCA: If you just read ahead to line zz, "That means when compared to month end nothing changed whereas you know that something did. When month end occurs, considering what you're telling me, there is only one thing to do, it's to trade IG9 10 years, okay." *(the FCA moves on still without specifying that the tape is of poor quality here)* IKSIL: Yes. FCA: So why would that be a result of -- why is that the only thing to do? IKSIL: Let me retrieve our translation. [20 seconds of silence] **Yes, I mean, you know, here there is an issue with the translation, there are some slight, you know, problems –**

FCA: What we wanted to clarify is that in respect of the translations — and tab z is a good example - those that look like this, which have a job number and a reference but no Bates numbers, the Financial Services Authority, as it then was, now is the FCA, has commissioned certain documents to be translated. So these went out to an audio company and came back to us. **They were then reviewed by a French speaker who is also a market expert**, because of the technicality of the language, and -- and this is the sort of -- his -- his amended version that we've treated as final, which -- I just thought that might help you understand where ours are from. **lawyer Right. It's not always true for all of the**

translations in here. FCA: And the relevant expert: has experience in the relevant instruments, just to clarify. lawyer: Thank you.

Facing a predictable failure with its “to keep to our system”, but acknowledging my “balance”, the FCA will also try to distort my own words and my own answers about the “bad thing” and the “worse thing”....

FCA: “Okay. If you turn ahead another two pages to page xxx. Underneath Martin—Artajo's comments where you say, “I think I do a worse one, you know, so it's sort of -- my logic is strange but in fact I have to choose between one bad thing and one thing that I think was worse.” ‘ Is that another reference to the bid offer spread issue?” IKSIL: “No, it is... It is it's **I had this instruction not to report the drift and that's the bad thing I do when I tell Julien, “You show this loss and this is the drift -- the impact of the drift”**. The worse thing would have to still ignore the drift and end up making an estimate out of the bid offer spread because here we would have ruined totally the logic of the process we were in.” FCA: “**And so why is being outside the bid offer spread worse than ignoring the drift?**” IKSIL: “**Because our process is to be based on price. So if we start totally ignoring the prices, it's just nuts. It's insane.** I mean...” FCA: “But you're already ignoring the prices to some extent?” IKSIL: “No. No. We were not ignoring the prices. We were applying judgment and you have to set bounds to the judgments you're applying. If you are model-based you can allow yourself to be out of the bid offer spread because you have a model that is providing you with prices and you can always claim, “My model says it. It's approved by the firm and so on” so I do that but that's not what we were doing.”

It was clear: the “bad thing” was “not obeying NY orders of March 6th 2012”, the “worse thing” was to end up lastingly outside of bid-offers. It was clearly understood by the FCA. Still the FCA will try and pretend that it had understood something else, but not in a way that was typical cross-examination. The FCA tried above to slide in that “ignoring the drift” was a bad thing. That was NOT my explanation. That was the dishonest premise of the FCA, one that the UK regulator wanted to put in my mouth but would NOT want to admit it was its own premise. The extracts were given already. But it matters to see what the FCA did after this quite clear distinction between “bad thing” and “worse thing”:

FCA: “But you were ignoring something. I mean, you have told us you were ignoring some things so what was that?” IKSIL: “ Well... well ignoring in the estimate -- but I was reporting the consequence of this change to my management, so to me there was this impact that was reported through the spreadsheet and I expected Julien to do it daily and Javier told me that he was talking to Ina Drew about this and that was to be a liquidity reserve. So nothing was ignored. It's just that, yes “ FCA: “But the bad thing in that paragraph is ignoring to some extent -- you're ignoring something in the price estimate that you're providing and that's the bad thing.” IKSIL: “**No, the bad thing is I don't follow the instruction of Javier.**” FCA: “**Okay. Let me ask you again.** What is the bad thing in this sentence?”IKSIL:” **I remember how I was thinking, right.** The bad thing was that if we kept — I mean. No, the bad thing is that we were asked not to report this drift because they were tired of this and Javier didn't want to see it. So you were ignoring the drift. Yes?” FCA: “That was the bad thing?”IKSIL: “No.” FCA: “**You said the bad thing was ignoring the instruction of Javier.**”IKSIL: “**Yes [6 seconds of French spoken].** Yes, I mean, I knew that I was not following the instruction he gave me back in March 6th because this loss was the lag. That was the bad thing. ” FCA: “But I'm right in thinking, correct me if I'm wrong that by 15th March you had come to the conclusion that that drift was a real loss?”IKSIL: “Yes.”FCA:” Is it not also a bad thing to ignore that

in a P&L estimate?" IKSIL: "That's "lawyer: "Well, I mean, I think we should be clear here. Are you asking what he meant by "A bad thing" in the conversation? I think he's given you that answer. _"IKSIL: "Yes. It's a different question." lawyer: " And now, you're asking him a different question which is that a bad thing to ignore..."FCA: **"But the reason I ask that is because he's given two explanations for what was a bad thing** (*the FCA clearly distort my answers and this is NOT cross-examination here*). One being ignoring the drift and one being ignoring the instruction of management and I'm asking whether what he's saying here is a combination of both those things or whether, in fact, it's just "IKSIL: "No, it's just. Okay. There is one thing here. Bad and worse. I repeat. Bad is not following the initial instruction. Right. And that's how I think at the time. And the worse thing is to remain out of the -bid offer spread, right, for different reasons. **Now if you ask me for my judgment today, about whether that was a bad thing to do this it's a different question.**" FCA: "When you say "this", what do you mean by this?"IKSIL: "Sorry?"FCA "When you say, "It was a bad thing to do this"." IKSIL: "To ignore the drift. If you ask me as of today, what I think of it, that's a different question." (*Here the FCA had to ask me what I thought in 2013 about the order of Mr Artajo to ignore the drift. That was actually what it should have been looking for given its questions before. The FCA would "move on" facing its failure here. The FCA moved to the "worse thing"...*) FCA: "Okay. And you just said that going outside the bid offer spread was worse for a number of reasons. What were those reasons? Why was it bad to go outside the bid offer spread?" IKSIL: "Well, I explained you, because we are price—based first. So the prices -- the bid offer spreads were our basic material. So if you build an estimate you apply judgment and you ignore the thing you start with, you can produce any number, you know. It doesn't matter. It's nonsense and you could ignore the total market, have a distance going to \$10 billion and say, "Oh yeah". No, it's nonsense, just nonsense. You see, it's fundamentally illogical."

I was showing here that the FCA was trying to paint the record with a "story" that was fundamentally illogical and at odds with the "millions of documents". That basic inconsistency of the FCA future "settlement" shows across all these extracts above.

Thus the FCA understood perfectly my role, that was known since 2006 and had not changed. And the FCA only tried to paint the tape using false documents, and producing false documents later.

This fact is amply corroborated by my SEC deposition of September 2016. As one will notice, I did not change my own story by an inch...It matters to say that all the questioners for my SEC deposition had scrutinized my FCA compelled interview in advance. They will not try once to disprove me although they had boasted they would ahead of the SEC deposition. They would ask me other questions with the embedded assumption that I had told the truth already in July 2013 in front of the FCA. And the SEC is NOT surprised to hear my answers that further document my story and only my story. The same observation can be made about the defense lawyers who still alleged otherwise on the public stage.

Thus rather than come back to my answers of July 2013, my questioners in September 2016, ie after almost 3 years of detailed study, rather looked for roundabout ways to cross examine me. For instance, they went back to the word "guidance" since I had used the word in July 2013 to sketch my role. Mrs Drew in her defense would claim that she provided "guidance" but no "orders. No one was fooled among my colleagues, among the SEC staff, and among my colleagues' lawyers by Mrs Drew's pretences. So of course, when I used the word "guidance" myself, the investigations likely hoped that they would claim that I was somehow giving "instructions" or "orders". They just needed to find a flaw in my answers, knowing that my story was truthful as such. How to engineer that flaw? Better was to start with what I meant by "guidance". Maybe my limited skills in English would betray me.

Thus rather than agree with me first on the standard distinctions that should be made between "guidance", "advice", "request", "instructions", "orders", they wanted me to make the definitions...That generated spontaneously some room for confusion since English is not my mother language. Indeed, as English was not my mother language, better was to ask what I meant and next "interpret" my answers at will using only then the proper meaning and connotations while keeping me away...This is what the bank had done actually! There may be an opportunity here to attribute back to me a meaning that I had not intended...That was subtle, wasn't it? But that was not new. Still the SEC staff process made a proper start for my deposition in the way I was actually questioned:

Q (who is a native English speaker and knows very well that I am NOT): "I want to clarify that when you use "guidance", you use my understanding of "guidance" right?" And Mr xxx replied "Yes". Just for the record, what is your understanding of the word--what is your understanding of what the word "guidance" means?...IKSIL: **My understanding of "guidance" is you have an opinion on something that is not irrational or particularly subjective. It's a sort of input that you provide that is not still a neutral information. It's something that conveys some rationality, but also some subjectivity of yours.** And that is left to judgment of the person that you're giving this guidance to...Q: Now, you were also asked "were you paying"--let me just see if this refreshes your recollection. IN connection with the marks on the week of March 12, specifically march 12,13,14, you were asked "were you paying attention to the P&L estimate during those 3 days?" And your answer was "not a lot". DO you recall that?...IKSIL: Yes...Q: What did you mean when you said you were not paying attention to the P&L estimate a lot during those 3 days?...IKSIL : I meant to say that I was tasked to many other things. I was not trading. And Although I followed the markets at times, I was completely relying on what Julien was telling me. So the way I was following the estimate P&L was by asking Julien what he saw, how he felt, what the problems were for him....Q: You were also asked "so you didn't think it was your responsibility to review the P&L estimates that week?"And your answer was "no". Can you explain why on March 12th, 13, 14, you didn't think it was your responsibility to review the P&L estimate?...IKSIL: It was not my responsibility because I simply could not provide much input or judgment on what was going on. Since the March 6th order, there was a whole part that was left to Julien's judgment about this drift. This drift was the main component for me for the loss, ie the main driver behind the P&L estimate day to day. The only input I had been able to give so far was by trading. I was not trading. So I simply could not review the prices, or even on a standalone basis without trading. And I was not trading..

Q: Was Mr Grout free to use his own discretion to decide whether to accept your guidance?...IKSIL: Yes...Q: Based on your interactions with Mr Grout and Mr Martin-Artajo, do you know what Mr Grout was hired to do at CIO?...IKSIL: Yes...Q: What was he hired to do?...IKSIL: He was hired to do the job of Benjamin initially, which was to--...Q: Sorry. We didn't hear that...IKSIL: "Benjamin initially"...Q: Benjamin Schiessle...IKSIL: Thank You...Q: Which was twofold. First, that was to process the estimate P&L all day and at times run some risk analysis, some P&L analysis, for Javier when there were big presentations to be made for Ina Drew or Achilles Macris. And the first part that Javier mentioned was that he wanted me to train Julien so that he could trade when I was not there. **Javier wanted to have someone who could replace me on the spot if Javier needed to execute trades in the market while I was not there.** ...Q: Okay. Now if you were already at CIO at the time Mr Grout was hired, do you have an understanding of why Mr Martin-Artajo wanted to hire somebody else to value the book?...IKSIL: I was not in charge of valuing the book. Javier explained me the organization he wanted to have on the desk. He made very clear that he

was the one deciding on that for Achilles. And he said "there must be one who executes for me. It's going to be you. And you will have so much to do". I would have so much "that you won't have time to do the P&L. And on the other hand, me, Javier, I want to know all day long whatever happens to this book. It's huge. It's strategic. So there will be someone else with you who is going to follow the prices and the P&L all day." produce the daily reports, what we called the P&L report and the positions report...Q: Okay. And who at CIO used Monster Truck to input prices--strike that. Who at CIO had the responsibility of using Monster Truck to input prices for the Core book?...IKSIL: I know people who were using Monster Truck to input prices next to me. I cannot tell whether other people were using it...Q: Okay. And the people next to you. Who were those people?... IKSIL: So I knew Julien of course, Luis, Eric were using Monster Truck...Q: And how do you know that Mr Grout used Monster Truck to input prices in the Core book?...IKSIL: Because he had to use Monster Truck...Q: And why did he have to use Monster Truck?...IKSIL: Because that was the secured P&L computation engine that had been built, designed by Colin Edwards, an IT guy, and it had been designed in a very secured way within CIO **after an incident that had occurred in march 09 where originally the P&L estimate engine was an offline spreadsheet that was not secure**. And there had been an incident in 09 where a formula had been erased. And since then CIO had mandated Colin Edwards and others to rebuild this spreadsheet that did the job well, but in a secured environment so that no formula would be erased, no data would be lost and the login was password secured. The code was totally inaccessible except to Colin. And of course Julien had to use that...Q: Did you ever see Mr Grout in the first quarter of 2012 using Monster Truck to mark the book?...IKSIL: Yes

I say here that the estimate P&L had been run between 2007 and 2009 "off-line" and no one cared really at Jp Morgan. I also explained that the independence of the "valuation man" of Mr Artajo was structural. And I would be judged truthful :

Q: Did you ever **instruct** Mr Buraya as to where the P&L estimate should be for the book?...IKSIL: I would not say instruct. I would rather say that I suggested where the number would be. That was more involving because there were some reserves, some cushion, so that required more judgment on my part where Luis had to consider my view on that....Q: Was he free to disregard your view?...IKSIL: yes..Q: Were there occasions where you told Mr Buraya to put the P&L flat for the day for Tactical?...IKSIL: Yes..Q: He was free to disregard that?...IKSIL: Yes..Q: Did you ever try to hide losses in the tactical book?

The answer was "no".... As to the dangerous IG9 10yr trades of February 2012 about which Mrs Drew would claim she was "unaware of" while ordering them repeatedly and about which Mr Dimon shall "apologize" in contrition later on here is what was actually happening:

Q: Mr Iksil, can you answer the question or would you like to have it read back to you?...IKSIL: Well, not only Javier knew that I had to swap those 20 to 25 billions of on-the-run index in IG9, which is still a big amount; it's the same order of magnitude. **Second, he encouraged me to do that**. And when I told him face to face that I had traded this amount, he said " I'm glad you did that"....Q: What reasons did--if any, did Mr Martin-Artajo give you for why he wanted you to trade the IG9 position in february?...IKSIL: He saw **3 reasons**. one was that this **IG9 position was a core position for CIO** that, as per his account, CIO wanted to keep because that was a **very valuable position**. That was his words. Second, he knew that **this position was the target of the IB**. And he wanted me to defend the P&L on this position in particular to fight the IB manipulation. And third, he did not want the book to have an exposure to a default in IG even though that was a remote probability. And therefore, the long risk had to be that, what was then on the run, had to be changed into something that did not expose

CIO to defaults in IG. There was only one solution. That the IG9 or the Itraxx S9. But **Javier was not interested in the Itraxx S9**

To be sure, the SEC deposition shall cross-examine me upon the "bad thing" and the "worse thing":

Q: But in this section you state "I think I do a worst one, you know? So it's true that my logic is strange, but it's like I have to choose between one bad thing and one thing that I think was worse." DO you see that?...IKSIL: yes...Q: What was the "one bad thing" you were referring to there in this call with Mr Martin-Artajo?...IKSIL: I was referring to the fact that by sending this 40 million estimate P&L report, we actually reported part of the drift in the P&L estimate report, and that was in breach of the instruction of March 6th. So **the bad thing was to disobey the instruction that Javier had sent us...**Q: Okay. And then you referred to the one thing that you thought was worse. what are you referring to there sir?...IKSIL: The thing that was worse was that if we had not done that, we would have ended out of the bid-offers in the estimate P&L. And since the estimate P&L was based on prices and we then should ignore just all the prices... being outside of the bid-offers, we would have completely destroyed the estimate P&L process...that would have been meaningless. The P&L process as such, it would have been meaningless. To me that was much worse....Q: Okay. I'm now going to ask you....

Done! Cleared! No ambiguity, no misunderstanding for any native English speaker here, even among the many defense lawyers or the bank lawyer sitting in the room. But there also was no care to ask the question that the FCA should have asked: "why would you think in hindsight that it was a bad thing to ignore the drift in the estimate P&L?" My opinion did not matter anyway. The SEC had had the answer from me already in June 2013. I had been asked that one question then. My answer was simple: in hindsight we had realized that we had indulged ourselves in a judgment that was way too difficult because the markets were very illiquid and therefore we lacked sufficient information after a couple of days. We were faced with an impossible mission as we realized later on. That was simple enough and that explained why I had made contemporaneous elevations around the distance and the distance spreadsheet. There was nothing wrong with my handling of the issue then and thereafter.

The next question came spontaneously then: "what had gone wrong?" Digging around that question it was easy to prove the charges against my close colleagues. But digging around that same question would induce that Mrs Drew and Mr Dimon would be charged even more. And doing so, some executives at the regulators bodies would have been charged as well... I will not be asked this question in New York in September 2016.....

As to my discretion in trading I was executing almost on a level playing field with Mr Grout in 2012 as the defense lawyers and the SEC shall let me truthfully say:

IKSIL....help on indices in particular, and well, if he could not execute because he had other things to do, that was not the end of the world... Q: Okay. Now in your answer **you use the phrase "same discretion" as me"**. What level of discretion did you believe you had when it came to trading in the core book?... Q: The discretion I had was over a couple of days. It was up to me to decide at which price, with whom and when I would execute trades that were expected to be executed by Javier and CIO in the short while. **So week- on a week to week basis I had to report to Javier about what was being done, what was not done yet, how it's been done...**Q: I'm going to direct you to page z of this exhibit. DO you see where at line hh:mm:ss and line hh:mm:ss Mr Grout says, "they've spread out the bid/ask on the slopes while keeping the bids at 29 basis points"?...IKSIL: Yes

Done again... "same discretion on trades"....cleared... And here, in the extract below, Mr Grout tells me what he knows and decides, namely the price selection before Mr Artajo has the "last say"....I depend on Mr Grout, not the other way.... And Mr Grout truly has got the "same discretion as me" in executing trades in 2012....This is how Mr Artajo wanted to operate on this "Core Credit Book" of CIO that the regulators monitored like milk on fire since late 2010...They really did NOT need to talk to me indeed, in theory....The next extracts just complete the picture as I am cross-examined on this of course:

IKSIL: No that's not what I'm saying... Q: So what are you saying when you say " at worst I should lose 50 million on the rally"?... "other Q": objection; asked and answered... IKSIL: I am saying that because precisely as **I am seeing from Julien's analysis on the estimate P&L** that is price by price, position by position analysis, where he has the estimate P&L on one side, what he tells me leads me to conclude, "okay, as per Monday close, the accumulated effect of the drift from, say, the 6th March was around 100 million". That was not in the estimate P&L. And this accumulated effect of the drift that was still not any longer in the estimate P&L had grown from 100 million, estimation, to 300 million, new guess. **That is based on what Julien tells me. Now what I reckon intuitively** from my knowledge of the positions and looking at the markets, not looking in detail at how Julien has computed the estimate P&L, what I reckon intuitively is that the book should not have lost more than 50 million in that week based on just my observation of...

So my role was clear, my importance was benign for valuation or risk analysis purposes. I was clearly NOT "central" at all. I was just particularly skilled in "reading the markets" and proposing good "trade ideas" that matched the expectations of the CIO executives. Was it true actually? The senior management took all the risks and made all the decisions thereafter. I executed the trades on level playing field with Mr Grout from January 2012 onwards. More, the bank had a plan for this book that was driven by Mr Dimon, that involved the IB of Jp Morgan and was really a daily issue for Mrs Drew since December 2011. This is what the next part will show and one will "guess" that regulators were very familiar with the issue of Mrs Drew since 2010

Internal collapse with IB

My role thus had very little to do with whatever the bank will state or let say through the "London whale" myth. The book was not an "index book", even less an "IG9 book": it was a "tranche book" or a "correlation book" (FCA dixit in 2010). The valuation process was quite peculiar as determined by a mix of SOX, FAS 157 and NBIA of 2006. All this was quite sensible and well controlled. More, as will be seen now, the book had long been planned for being in "ongoing reduction" since late 2007. Any gain was to be "spent" since January 2008 to reduce the book size. It turned out to be impossible starting in September 2008, even before Lehman brothers would go bankrupt. It was next to be "de-risked" in 2009. It had "to be killed" in early 2010, any gain being "wasted" to wind it down. That too was impossible... Thus next it was set in "landing mode" since June 2010 for want of choice. There was no liquidity....The "priority No 1 Jamie" would put it next in "run off" in June 2011, and finally it was "to be collapsed soon with Credit Hybrids" in December 2011....

This quite specific and well documented path towards the future was routinely described to the regulators from 2007 to 2011. There was no element of surprise in the evolution that was sketched above. One really wonders what Mr Dimon had not "caught" yet in April 2012....The evolution of this "tranche book of CIO" had in fact been fully determined as early as January 2009 by a projected internal collapse of "tranche" positions between the IB and the CIO. I hold that from exchanges that I

would have in person with traders of "Credit Hybrids" at the IB in late 2009. That could not be a surprise indeed. After the lessons brought by the financial crisis of 2008, this outcome was the only possible one already: the CIO and the IB had to collapse their risks on "synthetic tranches". It would be a tough battle inside Jp Morgan. Why was that? The account below explains why....

The rumor was already circling in the markets in the very first weeks of the year 2009 actually, ie 3 good years before the "London whale" myth would be co-authored by Jp Morgan top executives and some regulators. If the US Senate Report is reliable, a footnote mentions a "CDO briefing" that Jp Morgan executives ran for the US senators in February 2009. They did not discuss the basics. The "alphabet" soup was already well known. They had discussed the future of CDS markets and the future of this huge CDS hedge for Jp Morgan.

On the follow CIO would already be notoriously targeted by hedge funds and prop traders at Deutsche Bank among others in June 2009. This first plot will fail during the summer of 2009 as all these betters had hoped for an "Armageddon" scenario. The economy and the markets would recover through the summer of 2009 and, as a result, the betters would have ultimately to squeeze themselves out of their positioning against CIO. They got caught off guard indeed due to the fact in August 2009 that the economy was recovering fast and markets alongside with it. CIO could wait forever on its side....

They would thus have to cut their positioning against CIO in September 2009 and Mr Dimon would then fire the IB top chief Bill Winters in early October 2009 for obscure reasons. Mr Artajo would tell me then that this brutal dismissal was linked to the targeting of CIO that had lasted all along 2009. It had turned out to be a "mistake" it seems, in "hindsight" already. Whose "mistake" was it then? Was it the one of Mr Winters really? Mr Artajo would then announce that some IB guys, from the desk called "Credit Hybrids" would come to me to wind down positions with CIO and that I had to be just "fair" on the exit price inside the bank despite this targeting scheme. We would wind down massive blocks then in 2 to 3 operations where obviously the IB guys from "credit hybrids" knew in advance and in fine details what we at CIO needed to wind down, and at which price.

In 2010, as the IB was "done" for the foreseeable future, I was ordered to keep winding down the remaining exposures in the markets. I had to "waste" any gain for that purpose. The book had to be "killed" (dixit Mr Macris) in January 2010. In June 2010, ie just few months later, I elevated the facts up to Mr Macris and Mrs Drew through Mr Artajo: it was not possible any longer to wind down the book at a small cost. From now on it would be more and more expensive with little hope to reduce the legacy positions in size. As a result of my alert, Mrs Drew and Mr Macris would coin a new strategy for this "Core Credit Book" which was "land the plane".... In practice that meant, "do nothing" unless an opportunity showed up in the markets and let the legacy exposures expire in the meantime. That was almost a "run off" already. Mr Hugues from CIO-VCG knew of it and commented then the "strategy for the book" as being an "ongoing reduction mode"... Meanwhile Mr Hugues was instructed to apply the "off the run" rule and estimate a liquidity reserve every month. (May 2010 till September 2010). Next the CFO at CIO will leave and his position will not be renewed before January 2011....Who signed off the year end for this "tranche book" at CIO for 2010 (if that ever was needed)?

This "ongoing reduction mode" is what will be done until February 2011 with very little trading. Thus when Jp Morgan sent at the same period reports explaining that CIO had massively breached its stress test limits "because of changes in the tranche book", like that all of a sudden in early 2011 from

year end 2010, that was knowingly a misrepresentation of the firm. To be sure, the book had barely changed and thus could NOT have triggered this breach at CIO. The breach actually came from a quite explicit order of Mr Dimon to Mrs Drew to sell out the treasury holdings of CIO at this time precisely. We, in CIO London would learn it only in early March 2012, ie one year later...

That instruction of Mr Dimon clearly exposed CIO to massive losses (all of a sudden indeed because the treasury holdings had been quickly sold out in the markets) in case a typical crisis would occur. That impact was very predictable. Indeed, out of an inflation burst like the oil shock of the 1970ies, treasury prices skyrocket in crisis times as they are a safe haven. Selling them out was quite intuitively, for Mr Dimon and for any regulator, exposing CIO to stress scenarios all of a sudden. The bank chief could NOT be mistaken about that and therefore knew quite well that their "attribution" of the breach to the "tranche book" was a plain misrepresentation. There was no mysterious "complex model issue" behind that outcome.

Then, rather than inform me of this fake limit breach report, rather than putting officially this book in "run off" mode, Mrs Drew, through Mr Artajo, would order me to smash the RWA as per basel III rules for this book alone by "doing trades- whatever needs be- priority no 1 for Jamie- your job is at stake". As such that was paradoxical. I had never heard of this RWA before. And it mattered all of a sudden. More I could not know where it was computed in the bank and how it was obtained. And despite this series of threats/orders I would not resume trading.

As a result of my inaction and other contemporaneous events, Mrs Drew would come to London in late March 2011 (ie one year before the tale) and explain that this RWA "new order" was resulting from the "priority No 1" that Mr Dimon had set for all in the bank. I would alert Mrs Drew face to face then, Mr Macris and Mr Artajo were in the room with CFO staff and risk control staff, that the market players had told me that they simply could NOT take any more of the CIO positions. There was a problem...They, my managers at CIO all the way up, had ordered me to trade like "your job is at stake"... and I told them in response that I simply could NOT trade anyway. The dealers had all told me that there was less and less liquidity AND that anyway they were already full with CIO "legacy trades".

Thus it was not even possible any longer to hope for opportunistic wind-down trades with the markets. I would propose then to place a large part of the book in "run off mode" ie in the form of a steady but expiring investment to which some capital of the bank would be allocated in full knowledge of the situation. This part would be "split" from the original "Core Credit Book" and would be called "Forward spread investment trade". The "Core Credit book" itself would be reduced quite significantly, holding thereafter just "residual" positions that may be wound down as they were thus quite small. Thus the RWA of this "Core Credit Book" would be reduced by say 80%-90% and the "detached" part would constitute a brand new investment book for CIO or the bank itself. Of course this new book would mobilize some RWA and the associated capital. But the hope was that it would prove to be quite profitable due to the longstanding "offsets" that CIO had had with "Credit Hybrids", especially on the "skew" risks.

I would learn, but only on march 16th 2012 this time, from Mr Artajo that the top chiefs of JP Morgan had already had the solution to address the "priority no 1 for Jamie" back in March 2011. They did not need at all to have me trade. They just had to make the IRC/CRM split from new York with the teams of Mr Zubrow/Mr Hogan and compound it with my proposition. They would have smashed the RWA

by about 50% at once and would NOT have had to devote too much reserves or capital for the book itself. They would NEVER try and do that actually before their “London whale” myth had been launched in the markets and in the media altogether...

Back in March 2011 however, my idea seemed to have pleased Mrs Drew. She told Mr Artajo, Mr Macris, Mr Kalimtgis, Mr Stephan, Mr Weiland to dig the matter with the CFO staff in New York. However she clearly excluded me from the group that would do the job looking forward, despite the fact that I was promoted “MD –chocolate medal” since late 2010 and I had just brought up the idea myself. That was expected since “nothing had changed” in my role. And indeed, I would only work as per instructions from Mr Artajo thereafter. Mr Artajo would be the one organizing the official presentation of June 2011 where Mrs Drew would validate the “forward investment spread trade”, including the “split”, the “run off” and the “residual”. I would NOT attend the meeting of June 2011 where Mrs Drew “validated” all this. But Mr Artajo would tell me she did validate. He did tell me then that the bank was considering closing “credit hybrids” which had had to take some reserves on the “skew”. Mr Artajo clarified that these first reserves may be far from being “enough” in regulators’ eyes, a thing which would induce the collapse of the “forward investment spread trades” with the IB on the follow as this was all about “skew” risks that consumed a lot of capital as per Basel III rules in the bank. I would then ask Mr Artajo to create a new strategy called “strategy 27” in the “Core Credit Book” to prepare for the “split”, moving within the “Core Credit book” all the positions that would constitute the “forward investment spread trade” into “strategy 27”. Thus CIO would have the inventory ready for the D- day when either the new book would be created or the internal collapse with Credit Hybrids would be activated or else. Mr Artajo approved and gave me the go ahead. Normally I was NOT allowed to create strategies in the “Core Credit Book”. So I had to process like this, ie ask him first. Such was the process at CIO within Jp Morgan.

The label “strategy 27” will come up in my testimony but strictly none of the investigation team will care about it. However it was quite a crucial clue that Mrs Drew was the driver behind all the orders that would fuel the future “London whale” scandal. This story here is the one that I lived through then and that I testified on all along. It never changed: the internal collapse with the IB was the known driver given the notorious lack of liquidity of the positions of CIO and of the IB at Jp Morgan. In August 2011, Mrs Drew through Mr Artajo would order me to grow some future “forward spread investment trades” in connection to the rumor that “credit hybrids” may have to close down its “tranche business”. Mr Artajo then justified Mrs Drew’s order saying that CIO was too small versus “credit Hybrids”. Their issue allegedly was that the bank already wanted to optimize the effect of this planned collapse of risks between CIO and the IB. That was quite a sensible reason. My issue then was that there was just no market to trade at attractive levels for CIO. In September 2011, I would take the plane to new York, go and meet with Mrs Drew (she will cancel twice the scheduled meetings with me before I could talk to her at last just 20 minutes before I had to fly back to London). I will warn her of the dangers of such orders given the poorer and poorer liquidity and repeat my personal commitment to wind down positions at the very first opportunity (as per the “land the plane/ reduce RWA” orders). I will convey then, waiting to talk to Mrs Drew at my request, the very same message to CFO Mr Wilmot, to Mr Weiland, to QR staff (Anil Bangia and Jean Christophe Cristory), to Mr Goldman Irv. Mrs Drew seemed to concur with me....

In the first half of December 2011, Mrs Drew surprisingly would order us instead to renew or grow some of the existing positions that she had validated in June 2011 as “Forward spread investment

trade". On the follow Mr Artajo will order me to set the book "long risk" since this was what he understood Mr Dimon wanted. And Mr Artajo would also order me to go and talk to "Credit Hybrids" guys so that I try and unwind position with them in direct. All this indicated that the internal collapse of risks was imminent....They, the IB traders of "credit Hybrids", will turn me down alleging that the market prices were NOT where they were marking their own positions. That happened in the first half of December 2011. Then I would ask another trader of the IB, who was NOT working either at "credit hybrids" or on "tranches" or on "IG9". And he would collapse big exposures with me at market prices around "mids". I would report the event to Mr Artajo who in return would comment that he was not surprised by that. He explained me that the IB was "setting CIO bad collateral marks" that would cost about \$300 million to the performance of the "Core Credit book". It seemed obvious then that, as I could wind down on indices and not tranches, the price difference inside Jp Morgan worth about \$300 million was on tranches and clearly related to "skew" exposures held at the IB of Jp morgan through "Credit Hybrids" mostly.

There is now little surprise to hear what follows. As of December 15th 2011 CFO wanted to talk to me about the \$300-\$400 million amount that the estimate P&L reported for the year-to-date performance asking whether this was a "carry gain" based on models or a "real gain". There is no surprise if soon after that unique "CFO call" Mr Artajo mentioned to me other questions from CFO office about the \$300 million asking me whether I "believed" this was a real gain. Then I made Mr Artajo the very same answer than the one I had just made to Mr Wilmot and to Mrs Giovanetti on the phone that same day: the gain came from the bankruptcy filing of American Airlines. The gain itself was quite certain but the surrounding uncertainty on prices was even bigger on the book itself. I said that we at CIO had been just "lucky" (sic) to be able to print a "year to date of \$300 million given the conditions". I reminded that to wind down in the very best conditions of execution we could hope for, I achieved only a reduction of just 10-20% of the book AND still I had had to pay about \$200 million in bid-offer costs. So I told Mr Artajo that we could as well take a \$300 million cushion and I reminded him that this is exactly what we had done in November 2011 month end when the gain from American Airlines bankruptcy filing had surged in the book. For the record then, at November 2011 month end VCG check, Jason Hugues at CIO-VCG himself elevated this "\$300 million cushion" to CFO, which in return told CIO-VCG to cancel our cushion for the month end results of November 2011. That means that CFO canceled out a "FO reserve" that I had spontaneously requested. It was not new at all. CFO had overridden the cushion in 2009, in 2010 and had done it again in 2011... The prices were known to be very uncertain, and so was the valuation itself....In that context, no one should be surprised that CIO late on Thursday December 15th 2011 opted to run an early "year end valuation" for this "tranche" book on the day after, ie December 16th 2011. I would learn it from Mr Grout while I was already on my way back to France that day. Considering that 3 working days were needed to finalize the valuation "firm-wide", this early year end valuation was sent to the OCC, the Federal reserve and the FCA by the 21st December 2011. By a logical turn of events, the 22nd December 2011 the Federal reserve would send "urgent RWA-CCAR" requests on this "Core credit book" of CIO related explicitly to "wind down costs". As to the OCC examiner in chief for CIO, while the internal auditors where in the very office of CIO London then, he will be told that the book would be "taken down" (see the US Senate Report account). To be "taken down" means to be "dismantled", not "reduced in RWA terms" as such. It is not a coincidence therefore that Mr Grout was ordered to actually freeze all the prices except the ones that were updated by Jp Morgan systems automatically in the estimate P&L report. (The anecdote proves again that this estimate P&L was NOT needed for the mark to market

process of the firm anyway). The CIO would reply to this "CCAR related" query by drowning the matter into an broader RWA reduction at CIO and the Federal Reserve would make a second series of "urgent requests" about RWA, CCAR and "wind down costs" specifying "for this tranche book of CIO" on the 27th December 2011. Mrs Drew will be shown by Mr Artajo that reducing the book by the first 25% should induce a \$1.1 billion overall cost for CIO....But no provision will be taken either by the bank or Mrs Drew or CFO or the Fed or the OCC or the FCA (who was aware of that through its close and continuous supervision process started in late 2010). Yes this book was to be dismantled, a thing that cost CIO at least \$1,1 billion for just the first 25% of it....More, the internal auditors will point to "concentrated positions" in index positions and "insufficient consideration" for reserves. AND Mr Grout will be ordered to un-freeze the prices starting in December 28th 2011. The CIO shall run a second time a "year end valuation" for this book. AND THIS TIME CIO-VCG shall make use of "tolerance bands" for which there was NO corresponding reserve allocated to this book where the tolerances applied... but, if one had any doubt, the internal auditors recommendations were heard and addressed swiftly on paper. The CFO office shall run an "action plan" dictated by the internal auditors report in January 2012 and Mrs Drew will admit in May 2012 that "they" had made a mistake in January 2012 when they did NOT take a "reserve whatever the year to date for this book was" equal to this "year to date performance" of \$400 million "whatever" as Mrs Drew stated then. I was there – ie in early may 2012- in the video conference room seeing Mr Macris, Mr Artajo, Mr Goldman nodding silently on Mrs Drew's words...It then felt to me that they had NOT taken this reserve within CIO for fear they would have to accept then the "bad collateral marks" that the IB was sending to CIO while CIO and the IB were actively finalizing the stormy "internal collapse"...I assumed then that Mrs Drew pointed to the fact in early May 2012 that "THEY" were correcting THEIR mistake, taking this reserve at last. They WERE NOT doing that at all. They were indeed knowingly minimizing the loss of this book, hiding what they knew was a mismarking already at year end 2011....and fueling the "London whale" myth further...

This context pictured above is crucial in that it uncovers the genuine mismarking, the genuine scandal in which many regulators were directly involved in 2011 already. The following extracts will show that as I hinted to parts of this story pictured above they did not display much surprise to say the least. They would not even pretend to challenge me....

In early July 2013, the FCA would hear of this context. The extracts below show that the focus of the FCA on March 2012 was directly related to the events of 2011. The \$ 300 million that showed in March 2012 most likely was the one that the bank had ignored in December 2011 so deliberately. That was a known mismarking dating back to 2011 and the FCA focused on March 15th 2012 quite specifically, as if nothing had happened before :

FCA: And how do you -- can you explain to me how one trades to correct the distance? IKSIL Well...
 FCA: What's the theory, because obviously this is the 15th of March IKSIL: Yes. FCA ...and you're talking about what IKSIL The theory...FCA ...you're going to do at the end of the month. IKSIL: **The theory indeed is that the drift is a manipulation.** So that if you see typically, the IG9 position drifting by two basis points and you know that actually if you trade you are really going to trade two basis points away from the mid, you are going to prove that the market is there because you trade. Now, the dilemma here is that Javier wants to trade on the IG9. I don't care about losing money on this position. It's already big, you see, and trading more is going just to make the matters worse because this drift is slow anyway. So I want to make sure that we have a proper picture when we trade. **The -- yes, the conviction, even mine, is that the mids are not reflecting a real genuine market change**

and I got this conviction by trading at the end of February where I saw that, even though I hit the bids and I was there, there was no one trading except for the last 30 minutes before New York close at month's end. That was not a market as such to me. FCA But you said you got your conviction from February month—end. And before. Can you elaborate...IKSIL: And before. Sorry? FCA: Can you elaborate on that, what the conviction was? IKSIL: My conviction was that, indeed, we had a set of positions, once the book **was balanced more or less, -- that was very similar to the book of the dealers.** So there was no — not, you know, a real P&L driver, other than the willingness of the dealers to window—dress their own result, which would turn into a loss for us, because we had a mirror image of their trades. **FCA I just want to think back to something that you said this morning,** which was that by 15th March you were satisfied that the distance was actually a real loss. Can you explain to me how that sits with the explanation you've just given, which is that in fact the loss wasn't a real..IKSIL: Well.. FCA: **a real loss?** IKSIL: **Okay. You put words in a different context. Right. FCA Yes. So I need you to explain why I'm wrong.** (*isn't that clear already that putting words in a different context and pretending it is the same context a very dishonest thing to do?*) IKSIL: I didn't know how we would end at the end of the month but what — I knew at the time, that the distance was not shrinking back, that here we had a real loss due to the change of the method and just -- and, as I said at the time too. **I said my concern, as far as I was involved, was that there was some consistency maintained between the former method and the new method.** And what I reported to Javier was that there was an impact on the year—to-date that amounted to something, **I reckon, 300 million.** And I reported to Javier and I insisted, you know, "I don't know how to deal with it. Maybe we should do a one-off so that we keep the same method but we keep the consistency on the year-to- date, or we put the cushion or we put a liquidity reserve, whatever". That's why I say, you know, it had to be accounted in some way of form. To me it was real, from a technical standpoint, that the method had changed and I could be assertive on the fact that it triggered a 300 million difference on the year—to-date and, **to me, that was the continuity. Nothing to do with accounting fair value or whatever.** It was just a change and I reported on the impact of the change. Right? And to your point now, I didn't know for sure, right, that, that would be still the case towards the end of the month, especially if we traded. But the fact was that the change triggered this, and that was a liquidity reserve in any case because that was price uncertainty. But that was just my knowledge of things, my understanding of things. FCA: And so am I right in understanding then what you're saying here in line x to z is, "in order to try and correct this thing", i.e. to try and correct the price uncertainty, the distance? IKSIL: To some extent, yes. FCA: Okay, thank you. IKSIL: Again, I didn't know and I was not for. **So there were two agendas that were conflicting. I didn't want to add and I saw the difference. Javier wanted to add** and, to me, he was aware and communicated on this, and I was communicating on this, saying, **"Look, you want to add. You have this 300 million already here".** FCA: If you could turn to page y of our version of the translation. So we're still in tab x and I'll read it out. If you could find it that would be great, so just towards the bottom of the page at line z. I'll just read this paragraph and then we'll find it in the other copy, "No, no. We're refining because there we'll do what we can, if you see what I mean. Well, we'll try to limit the damage as far as possible and then we'll see what that gives us because I feel that it will converge, you see, but we'll have to keep the result as little anyhow; so let's be astute." ' Okay. So on your translation it's page x and the answer begins at line y. IKSIL: Line y, okay. FCA: So again it's, **"We are going to try and limit the damage as much as possible"**. Could you put that into context for us? You carry on actually, "because I feel that we are going to converge but we will have to hold the result anyway." So they're the two lines that I'm interested in. IKSIL: Mm hmm. [pause to read papers] Yes. So here I say -- CIO says he's going to trade. It's going to be — I'll have some fight but there will be some price discovery and it's going to shrink the distance in some way or form. I don't know where. I don't know how. And I say "we have to be astute." I say "we have to think of what's going to happen" when we typically look at the drift and

the price discrepancy. We have to keep in mind that we already have big trades, that, maybe it's better, typically, to stay on the mids on IG9 rather than diverge because it's going to trigger this reaction with big trades. And I say — because I feel we are going to converge. So even though I get the certainty that this change has made this 300 million - call it 300 - that has to be reported in some form, even on a temporary basis, but that's what the method change has ... Right? And there is ~ this — now this distance. I don't think it's going to shrink fast. Now, comes month-end and we trade in a way that is similar to the end of February, maybe it's going to change and here I say -- I say we'll have to hold the result. **FCA Mm hmm.** IKSIL: Which means that typically we have to be consistent on what we say the estimate is, where we think we should trade and, you know, that we make no mistake; that, If there is this drift, okay, you are going to trade, you are going to recover, say call it two basis points on IG9, fine. Now, if we start seeing or assuming we have a divergence, a drift, that is actually, you know, something that is not going to get corrected, that if we want to trade we trade at mids, then we made a mistake and then we wouldn't be able to hold the result and say, "We stick by our estimate". We made a mistake. That's what I want to say when "we hold our result". it's a bit in line of, you know, the back and forth I had -- we had with Jason, right, when I told Julien, "Look, review the runs and go and check with Jason to see where is this difference and I want to stand by the prices we selected". And that's the same idea, right? FCA Right. In the next line on your translation you say, **"So we have to be smart because I won't be able to cram like I did the months before."** IKSIL: It's not yes, "cram". What do you -- what is the definition for "cram"? FCA Normally when you do a lot of work all at one time. IKSIL Yes. I have an expression in French that is close to that. Yes. What I mean to say is that... there's a slight difference also. And I say, "I won't be able." It doesn't mean that I regret that I cannot do that. I say, "I don't plan to do that. I don't plan to trade size". What I meant to say with "cram", I think, is, "I don't plan to trade size". FCA And when you say "like I did the months before", are you referring there to, you know, January and earlier? IKSIL: **February.** FCA Just February? IKSIL: I don't want to trade size like this. **So I'm really telling Julien I'm going counter what Javier wants to do...** FCA: **Okay.** IKSIL **...or what Javier tells me CIO wants to do.** FCA **I understand.** If you could just turn to page zz of our translation. IKSIL: And, again, I say, "I don't think so". It's a typical French way of saying things. I'm not saying, "I 'don't think so", like, "I wish I could but I don't think I will be able to do it", because that's how you could read it. Here it's like, ah no, no, no, I don't — it's rather that "no, I don't Want to do that". FCA: **So it's more -- what you're saying is it's more emphatic than, "I don't think so". It's more, "I don't want to".** IKSIL **Yeah, yeah.** FCA: **That's What you're saying. Okay.** IKSIL: You hear that. If you understand French, that's what you hear. There are -- you know, you have the same things in your own language. FCA: Can you just tell me what the 'expression would be in French? IKSIL: Oh, it's, "je ne pense pas". FCA Okay. Thank you IKSIL: But FCA Yes, it's a literal translation. Okay, fine. IKSIL: No, no, the translation is literal. It's just the... FCA Yes, this translation is a literal translation. IKSIL: ...the way I say FCA It's something that can mean a lot of different things. IKSIL: It's like you know something bad happens you say, "Ah, I like it". FCA Mm hmm. IKSIL: It doesn't mean you like it at all. It's — instead it's the opposite.

There was a dilemma in March 2012 that resulted from the conflicting instructions. On the one hand, I wanted to comply with the orders that were meant to "limit the damage" to CIO plans. On the other hand, limiting the damage with new trades was creating further more future damages. As a result I advocated to "take the pain" now, get the damage be "a done thing" but stop trading first and foremost. I was truthful as the FCA knew, in trying to counter instructions that came from Mrs Drew to fuel HER fight against the IB in the context of this internal collapse... \$300 million were at stake since December 2011. And below the FCA heard also that I elevated on March 20th 2012 quite sensible arguments of caution, ie just few days before the bank would invent this "London whale" myth through the media:

-FCA: "Okay. If you just turn over to the third page of that document, you'll see the commentary on the P&L estimate." IKSIL: "Yes." FCA: "And if we just go into that big paragraph that starts, "As of today ..."" IKSIL: "Yes. I wrote it." FCA: "You wrote this paragraph?" IKSIL: "I wrote it, yes." FCA: "Okay. And was it typical for you to write the commentary on the P&L?" IKSIL: "Not typical but I would say typically when there is an event in the book that there is some background — some, I would say, intuition flesh to provide to what's really happening to the book, I was writing it. I -- you know, I volunteered to write it, that I would do that — not very often but when an event like this happens, yes. I would do the comment." FCA: "predict? And why was that? Why was that? Written here? Why would you volunteer to do that?" IKSIL: "As I said, because when there is a material event" FCA: "Sorry, I meant why you rather than Julien? Why would it be appropriate for you? Was it because you had more information about the trading in the market?" IKSIL: "Because I had - **I wanted to stress the loss, the nature of the loss, the scope, the potential** of further losses and the origin and I wanted to hammer out that we are not like lagging to acknowledge a loss to offset an undue gain. It was really happening and I wanted to make sure that they did understand an important thing in the book. That is in this comment. That is to say, **you may be considering at CIO to add to this forward spread investment** because you see the year to date loss of \$275 million and you consider it's a big number. **But think twice** because this book is just not one position losing and the rest doing zero. You have big winning parts and this forward spread investment is losing already year to date between \$600 and \$800 million."

The other extracts before already pointed to this internal collapse with the IB. Here I show that not only I had to follow orders but also I did my very best to make my management change its mind while it was time still. That would be quite an issue in the FCA process while the UK regulator targeted me as "the trader behind the loss". This part likely induced the RDC committee (usually perceived as a rubber stamp body inside the FCA) to dismiss in full the "preliminary" conclusions of the FCA investigation team against me. The FCA had heard enough in early July 2013 to know that IF I testified publicly the whole story would come to light and the "close and continuous" involvement of the FCA since late 2010 in the maturing scandal would be rather obvious. The RDC had seen that not only the bank had lied on my role, on the events since 2012. And it had seen that the FCA itself had been closely involved. This is why the RDC breached its own duty in 2015 by NOT disclosing its decision and the grounds of its decision towards me.

The SEC deposition in September 2016 would only further document my story which would not change by an inch. The following extracts are going to provide further details and anecdotes.

Here for example, I explained that, unlike me, CIO focused on IG9 and I did not understand really why they were so obsessed with that index which to me was just 15% of the book in risk terms:

Q: Javier was not interested in the Itraxx S9... IKSIL: He told me clearly. I remember a conversation that we had later in March where again he was sad because I didn't want to trade the IG9. I said "well, you know, maybe we've missed something, maybe the Itraxx S9 is a much better position for CIO". He said "what are you talking about?" I said "well the Itraxx Main S9". He said "I don't want to hear about the Itraxx S9. I only want the IG9, the IG9". So---... **Q: Now there's been talk about settling the book or collapsing the book with the IB. In the first quarter of 2012.** Did you participate in any discussions with the IB concerning the book?... IKSIL: No... Q: Now with respect to some of you earlier testimony in this deposition, I believe you were asked questions concerning was it July of **June 2011 when the forward spread investments were discussed? Do you recall that? ...** IKSIL: **Yes**

In the next extract, I described the root cause for the fight that Mrs Drew was in... in 2011 already:

Q: Based on your interactions with Mr Martin-Artajo, did you have an opinion as to whether he had a positive view or a negative view towards the IB? If it changed at any point in time, let me know...IKSIL: I didn't think it's really changed. He had--he expressed different views actually. The IB was on the one hand, a super efficient franchise for JpMorgan, the number one market player on the planet. On the other hand **the chiefs were crooks. They were thieves. They were very dangerous guys.** And once he expressed that one of the IB chiefs, which I don't know the name of today, came to see him, offered him to take all the execution of the strategies of the hedging book so that all the execution costs would stay in-house. And Javier, I remember, was not laughing but smiling and telling me, "I'm not that stupid. I know these guys. I've been there. I've been among them. I know exactly what they are going to do with this." So he explained that he turned him down, and the guy was displeased. And he expected--he told me that **he expected that there would be a never-ending fight with the IB inside JPMorgan....**Q: Now previously in your deposition we've heard reference--we've heard mention of Guy America or Guy America. Prior to the first quarter of 2012, did you have an understanding as to whether Mr Martin-Artajo had a positive relationship with Mr America?...IKSIL: Yes, I had an understanding of their relationship...Q: And what was your understanding?...IKSIL: **Javier said that Guy America was ruthless but also stupid.** He was at the top of one of the most powerful dealer on the planet, and he thought he could do everything he wanted.

In the next extract, I explained that the "forward spread investment trade" was notoriously risky in P&L terms. Mrs Drew knew it in June 2011 when she approved:

Q:...clarify for the record whether the witness said "book loss" or "big loss"...IKSIL: There's "big loss"...Q: **Sir, on March 16th 2012, was there a connection--strike that.** On March 16th 2012, did you believe there was a **connection between the size of the core book and the impact that the drift had on the P&L?**...IKSIL: Yes...Q: What did you believe the connection to be?...IKSIL: The connection was--...."other Q": Let me get my objection. I object to the form of the question. I think it's vague and ambiguous...Q: You may answer...**IKSIL: The connection was the forward spread trade investment.**...Q: And how was the connection?...IKSIL: Well..."other Q": Same objection...IKSIL: As I describe in this column there were some drifts. There were some P&L noise in the positions in the book as it was **in late 2010.** But they were less aggressive. They were--there was less reason to think that there was a manipulation behind them. They didn't have the same magnitude in price terms. **And even though CIO was visible, CIO had not been into an open fight with many dealers and the IB in particular. So the connection to me between the big loss as of March 16th and this drift is that not only CIO had instructed to grow the notionals, therefore the sensitivity of the book to those drifts, but the way these instructions had been repeated had just made the matters worse in the fight that the CIO had with the IB, which in my view had induced the IB to push the prices even more.** So it was a double impact both on the prices and the notionals that were a multiplier effect of those changes...Q: In your answer just now, you had the language this drift--that "not only CIO had instructed to grow the notionals, therefore the sensitivity of the book"....

And in this extract below, I explained how the IB, under the direct oversight of Mr Dimon then since the article were out, manufactured this fake collateral dispute on April 20th 2012. To be sure I explain below what we discussed then inside CIO in April 2012:

IKSIL: Yeah. I'm--I'm--I think at the time we know that Bank of America and Morgan Stanley are claiming this dispute. And we believe also that the IB is pulling the strings behind. And we also know from the years 2008 that this is a typical way to force someone out of his position. You let this rumor

out. You have the crowd falling over you. And just to avoid being crushed, you just surrender. You acknowledge the loss that they want to impose on you. And then they say "oh, you see. They have a problem". And they force you in bankruptcy. That's typical. So I think the crooks are the IB, Morgan Stanley, BofA...Q: And on page z at the bottom at line xx to yy, you say "these guys, they should be sent to jail to do that today, right?" Do you see that?...IKSIL: Yes...Q: Is that a reference to the same thing you were just talking about?...IKSIL: Yes...Q: And then on page zz at line on page lines y through xx **Mr Buraya says "what these guys are doing is completely vile"** and then you say at line zz and zzz, "they are crooks, they are crooks. We need to have the names of these guys. Is it from JP or" and then there's some kind of overtalk...IKSIL: Morgan Stanley or Merrill Lynch...Q: Okay. That was still also a reference to what we were just talking about?...IKSIL: Yes, because Merrill Lynch Lynch now at that time was part of BofA. It's not the same level of crooks here...Q: These are different crooks?...IKSIL: Here is-- I mean what you showed me here where I speak of jail is because, I mean, to me they are the real criminals, these guys. **These guys triggered and made the crisis worse in 2008.** This is really criminal. Now when we said "these crooks, they are framing prices" and so on, it's--you can criticize our language, it's colloquial language. When Javier said that earlier on before all this happened, that was really criminal in my view. It was more vocabulary, you know, we like to be cowboys and we like to imagine we are fighting and so on. It is just a question of language. At the time, what he wanted, Javier, as far as I understood it, he wanted to keep this book in particular certain positions that he strongly believed were of a great value. He was not I think so interested in fighting the dealers. He was pissed off by the behavior of the IB, Guy America, for example. But he was more ambiguous than that. I don't think he was going for a crusade against the crooks in the street. .. Q: Oh, I understand. I'm not suggesting it was a crusade, but you felt in the first quarter of 2012 that the dealers were acting in an unethical and illegal manner, didn't you?...IKSIL: Over time...Q: And Mr Artajo expressed to you that he felt that the dealers were behaving in an illegal and unethical manner, didn't he?...IKSIL: He shared my view yes...Q: And at one point earlier today, you said that you tried to tell him "look, it's not worth the fight". Do you remember that?...IKSIL: Yes...Q: And you tried to tell him "we should just abandon this fight?"...IKSIL: I didn't say that...Q: You used "abandon". We can go back and dig it out of the transcript...

The "questioner" slides in a "we" that I was not part of. I said, in relation to my alerts of January 2012, that CIO should abandon its fight against the IB and against the drift. For quite a while I had been saying that "they", my managers at CIO, should give up. This is distorting my former answers and this is manipulating the record. In late April 2012, I was consistent and advised once again to accept this loss even if we thought it was abusive. The SEC deposition actually allowed anyone to build an audit track of my advices which summed to: "let's accept the loss-let's stop trading". I would not be followed. I was not part of the "fight". I was not part of the "we"...

The next extract will show how Mrs Drew was fully "hands on" on the trades that were growing the risks in the book. This refers to February 3rd 2012, right when Mrs Drew and Mr Macris acted to demote Mr Artajo with the help of Jp Morgan Human Ressources so that Mr Artajo could not claim it was a constructive dismissal:

Q: All right. What do you remember the people in the meeting saying to each other about the underperformance of the IG9?...IKSIL: I remember Ina Drew, most of the meeting actually was devoted to the RWA reduction and what that means, not the loss. Except at the end Ina Drew asked "okay. How much do you think this book could lose". And then I remember Javier saying "not more than 50 million". And then I said "No, no, this book can lose 50 million up to 100 million in one day, in just one day". And there was a silence and at the conclusion of this meeting, **Ina Drew said "all**

right. This is not a drawdown. I'm not worried". And that was it....Q: And what did you say? Did you say anything in response to that?...IKSIL: No, I had told her what I thought of it...Q: Did you think that the-- when you said that it could lose 50 to 100 million in one day, did you mean that that was a drawdown or just a potential risk in the book?...IKSIL: I was answering Ina's question, as I understood it how this book could lose....Q: How much could it lose?...IKSIL: It could lose 50 to 100 million in one day... Q: Okay...IKSIL: She asked another question...Q: Okay...before she asked this question about how much this book could lose, **she asked before why this book was undergoing this underperformance on the forward spreads.** Then I explained that to me it was on the face of it, **aside from the visibility and the dealer shenanigans, that was a liquidity issue.** Those forward spread trades were very volatile, there was a big rally, so I understood the underperformance of those-- this--this drift in January to be simply the cause of lack of liquidity of the IG9 versus the rest of the market. So I hoped, I commented and I hoped that, I expected that if the rally stopped, actually some investors would come into play and invest on those forward spread trades indirectly and that this lag in performance would correct itself only when the market will have stabilized....Q: Did you also mention the issues with the dealers and the framing that we've been talking about?...IKSIL: Yes I con-- to explain the underperformance, I constructed--I contrasted the fact that CIO was very visible and dealers were playing games with their prices. I said, nonetheless, that those games could not go on like that every day so regularly without a genuine reason and I thought at the time this genuine reason was the current market rally....Q: Did you ever change your view of that, that that was--that the current market rally was part of the reason for the underperformance?... IKSIL: I changed my view in--in February, in the course of February, yes...Q: And how did you change your view?...IKSIL: As I said, I got elements that indicated that this framing was intentional on the part of the dealers, that was not connected at all to the direction of the markets. And in early March I got other elements to believe that there was likely a manipulation of prices here that was like lasting and deliberate.

And as one can guess I extensively communicated in the course of February and March 2012 on the matter up to Mr Macris and Mrs Drew. And this is how Mrs Drew herself by the 23rd March 2012 would have to point the finger back to Mr Dimon and the whole Operating committee of Jp Morgan... despite her repeated orders that Mr Dimon, Mr Hogan, Mr Zubrow, Mr Braunstein supported all along in January-February-March 2012....She would blame me...She had no ground for that... not yet... As explained on this website their own motive was to keep hiding the real mismarking, the time for Mrs Drew to manufacture a "trading scandal" which would bear my name anyway...They had understated the reserves since 2007. Regulators knew it since 2008 and felt the heat more and more. Thus a "trader" had to fall... But the scheme was failing since 2009. They had picked the wrong guy. The mismarking was too obvious in late 2011. They had little other choice left and this is what the gesture of Mrs Drew on March 23rd 2012 uncovered after the secret demotion of Mr Artajo. As Mrs Drew herself would admit in early May 2012, "their" mistake had been on reserves... It matters to see the many references to this missing reserve at Jp Morgan that the "core book" of CIO uncovered more and more through the years....That was not my job... And yet....

Missing reserves

Between April 2013 and September 2016, I would testify many times that a reserve was to be taken for this book, if only to account for a price uncertainty that had surged like a nose on the face in early January 2012. The order of magnitude was \$300 to \$800 million as I had elevated it in December 2009 already, then again in December 2010 and once more in December 2011. The information had gone to CFO and my whole management line including Mrs Drew. The message was received and dismissed quite consistently however.... That matter had been raised and debated. This was "not my

job" (to quote Mr Artajo specifically on that matter). What I could not figure out for a long while was "why" the CIO or the bank would just never acknowledge this reserve in full. I believed at the time that this was due to the very mandate of this "Core Credit Book". Indeed, it was hedging the balance sheet of the firm. Therefore it was offsetting existing risks and the consolidation removed any need to attribute any reserve to the "hedge" itself... Hence this was not my job indeed.

That was no surprise actually that "it was not my job". As I had been told in late 2006 when the pressure from the top was on subprime, the "hedge" was targeting il-liquid exposures and therefore was likely to be itself very il-liquid. At first I was puzzled: I believed that a hedge itself had to be liquid at any point in time, especially when liquidity would dry out in the markets. After a pause, I understood. Of course this hedge was likely to become il-liquid anyway, since this "tranche book" itself was meant to protect the bank against an extreme scenario.... This hedge was a peculiar kind: it targeted "tail scenarios" ie situations where even the main liquidity providers like Jp Morgan was stuck. More there was no risk that a reserve should be missing in relation to this book as per this theory. The bank indeed did pay attention to whatever reserves it should attribute to this book via the hundreds of \$billion that it gave to CIO for "wise" investment purposes week after week. And the bank took action at the very top in April 2012 as expected as far as I could tell. Mr Dimon, the firm CFO, the firm CRO, Mrs Drew would all "approve" a meager \$155 million new reserve "for S9 tranches". The process was in place and had been performed by those who were in charge. In hindsight it turned out that it was quite a minimization of the losses that I had myself reported. That was truly a process where I was fully sidelined and misinformed by my own managers all the time. For instance they would all claim that the "S9 indices" were deemed liquid in front of regulators who would concur while they all had market data proving the very opposite. With that statement of theirs, done on April 16th 2012, they were all dismissing the alerts that I had raised from my seat since September 2009. Of course they would not tell me that they were making this misrepresentation while they saw my name on the front line in the media as "the man in charge". Of course they would tell nothing to the media of their decision here. And they will keep my actions and my testimony under confidential seal on the follow. Of course...

They knew they were wrong with the statement on "S9 indices" being "still deemed liquid". The bank's executives had precisely decided to close the tranche business of Credit Hybrids in November 2011 BECAUSE the S9 indices were no longer liquid IN FACT. The "S9 indices" had been the indices that were in use by the "synthetic tranche" desks across the planet since 2007 to hedge their exposures. The S9 indices were not liquid any longer, which implied that the "synthetic tranche" desks had to close.... Hence the closing of "Credit Hybrids" business on synthetic tranches in November 2011.... Hence the announced dismantlement of the "tranche book" of CIO for the same fundamental reason... They all had had my warnings that described the very opposite to their statement on the "S9 indices still deemed liquid". Their own decisions regarding "credit hybrids" and the "tranche book" of CIO proved that they were mischaracterizing the facts. Thus they "validated" a genuine mismarking by the 16th April 2012 that they all knew to be just that a mismarking on the liquidity of the S9 indices. There was more to see for any real investigation....

This "tranche book" uncovered the need for a big reserve for "S9 indices" since 2011. The clues to that were numerous. The internal auditors for example had pointed out since December 2011 that the "S9 indices" positions were highly concentrated on this "tranche book of CIO". And the media said it loudly so too! Indeed, the "London whale" articles were out in the media, the book was the focus of

everyone, the month end valuation had been processed, CIO-VCG had elevated a \$300 to \$600 million difference already to controllers, ICE had been sending weekly reports since January 2012 where the IB and CIO differed for similar amounts, and the IB collateral group had raised to “supervisors” a \$500 million difference as well. That was much higher than \$155 million anyway as they knew. On top of that I had made so many alerts inside CIO that on March 23rd 2012 (ie way before month end). Mrs Drew in person issued “very, very, very, very serious accusations” . So said Mr PINTO the CEO of JPMorgan UK, “partner” of Mr Macris for the internal collapse (or “externalization”) and IB top chief in London. Since December 2011 Mr Drew was raising herself a noticeable \$250-300 million difference in prices between the IB and CIO inside Jp morgan loudly so. How did she do that? She placed her CIO in permanent violation of its CS01 limit. She induced a firm-wide 10-Q VaR limit violation. She next asked for unlimited but temporary extensions on RWA, she opened in the most bitter way talks with the IB chiefs... By the 19th March 2012, Compliance was involved receiving data from me and others like Ashley Bacon. The liquidity on “S9 indices” was clearly deficient in everyone’s eyes at Jp morgan, otherwise none of the events above would have gone “all the way up”. Thus this mismarking between the 23rd March 2012 and April 16th 2012 occurred on reserves anyway associated to “S9 indices that could not be deemed liquid any more”. It was a deliberate mismarking on the part of the CEO and the Operating Committee. More all the regulators involved “validated” it on April 16th 2012.

It is only towards mid-June 2012 that this mismarking shall be morphed by the same persons into a complete fiction about “un-noticed price difference standing un-reconciled between the IB and CIO triggered by traders of CIO London”.....

What my testimony will show in the extracts below is the broader background whereby liquidity was steadily declining since 2006 actually. And it will show that the “miss” was quite obvious for all. They saw it coming.... Yet, the extracts will show that indeed I could not know whether there was indeed a mismarking since this “was not my job” at all to look after these “fair value adjustments”.....To be crystal clear here, I was not in a position to check what was done since this could only be done in New-York at the firm-wide level. However, to dot the “i”s, I made quite accurate and timely elevations myself. AND I received every assurance that this was being handled throughout the whole management line up to Mr Dimon. The US Senate report exhibited evidence that indeed, not only Mr Dimon managed it but the regulators involved like the OCC, the FCA and the Federal Reserve closely monitored it. They were thus as responsible for the genuine mismarking as Mr Dimon was on this matter. They were therefore all involved as much as Mr Dimon was, as much as the Operating Committee was too, when they would manufacture this wrong assessment that “S9 indices are still deemed liquid” and the subsequent false mismarking “suspicion” in July 2012. This is how they allowed themselves to disclose publicly this false restatement of earnings in July 2012 too.

In July 2013, ie one year later, this popped up with the FCA questions....The FCA made a Freudian slip between “2007” and “2012” as to whether we at CIO recorded our differences with the “mids”. Why should we record them right? Such was the unwitting question of the FCA in July 2013...We never needed to. And yet we did... This proved once again that we were unsure about our price selection. That alone mandated a reserve. That record of our self-elevated uncertainty was an issue for the top executives and the regulators alike. They will try at any rate to pretend that the distance spreadsheet had remained “concealed”, “unknown”, “unclear”, whatever....But my testimony shows that these were misrepresentations. We had been expected -by those who had build the “traders trap”- to simply keep sending our prices as if we were typical traders, full stop... I testified otherwise. The FCA

was unsettled by the start of the interview where I had explained that we had been ordered by no less than the New York central risk controls to potentially differ from usual “consensus mids” since late 2006 for “Var consumption” optimization purposes. Then, through its instruction to us at CIO London, the risk department of Jp Morgan was already hinting at a structural uncertainty in CDS index prices. They already were “not deemed liquid any longer” in late 2006... I had also explained that both Mr Macris and Mr Artajo had spoken explicitly on behalf of Mr Dimon in the first half of 2007 to make a fully subjective estimate of the performance within CIO London. They were the traders, taking the risks, having an obvious vested interest in the performance of this book.

This performance as such was peculiar. It was a strategic hedge run as per “regulators’ optics”. A lot had to be clarified on that line... Why should we pretend to be “another mark to market” since it was pointless? Better was to do “something else” that would serve a purpose like measuring the hedge efficiency as per the FAS 157 standard using CDS that are NOT liquid anyway. There was NO closing time, no adherence to consensus data, no concern for “mids” other than saying that they were uncertain anyway.....As Mr Artajo coined it then “an army of F9 monkeys” was paid at Jp Morgan to do that, get “mids” for “mark to market”. That situation where CIO London reports deliberately diverged from accounting standards was already the case in 2007, as per Mr Dimon orders allegedly so. The FCA knew very well why this was like that, given its own duty to monitor the application of the Sarbanes Oxley laws, the FAS 157 and other older standards related to mark to market (see the “group of 30” report from 1993 among other references).... And the FCA, in its manufactured coming fictional theory to be published anyway in September 2013, was to “prove” that “traders” had “diverged from mids” in late March 2012 unduly so, unbeknownst to the bank or regulators....My answers showed a complete different story that was NOT to change in any way.

That fictional thesis that the FCA was to publish later in 2013 was from inception a scam on the FCA part and my testimony had destroyed their pre-defined tale at the root. What they were to “discover” in my testimony of 2013 was actually an instruction that they had known and reviewed routinely since late 2006-early 2007...They had a calendar issue...Choosing to focus solely on “march 2012” would bring the FCA back to “March 07”, sorry!

Thus the FCA was unsettled in front of my first answers. The FCA made this Freudian slip that will show below. I was explaining that Mr Grout started with the “metric” which was grossly a precursor for the first estimate of the performance based upon “mids” that were summarily picked and next just grossly adjusted. Next Mr Grout started refining all along the day his estimate by diverging from these “mids”. His process here was fully auditable: Mr Grout kept track of the bids, of the offers and the dealers making each reference quote. The quote themselves could be retrieved on the Bloomberg terminals for the sake of audit. This is how Mr Webster fully audited the process in early May 2012. It was made even clearer thanks to my “useful small tables”. Thus Mr Grout did keep track of the “mids” of CIO London and that track was fully audited at request. These “mids” here were not even what we called the “crude mids”, which themselves reflected what dealers opaquely communicated as “consensus” data or just their “best guess”. Our “mids” were expected to be “almost reliable mids” formulated by one dealer or another that looked consistent to us. We structurally departed from the concept of “consensus” even in picking the “mids”. We provided a much deeper insight into the CDS markets. Still we obviously were just never adopting the view of our “willing counterparties”. We selected one at a time, leaving the others aside. We most of the time picked our “business specific” view or the one of “one other specific business”. We made no average. We always applied our

subjective judgments. We could even sit outside of any bid-offer if that made sense to us, a "sense" that we could fully explain and document. And as I said, the global IB controller at Jp Morgan, namely Mr Allistair Webster audited all that, understood all that and reconciled all that with the firm policies BEFORE May 10th 2012. For the record, May 10th 2012 is known as the "moment of honesty" of Mr Dimon when he misleadingly acknowledged a "mistake" and published a 10-Q report that would be restated in July 2012.

He misled the markets on May 10th 2012 and he knew it. Regulator were no fooled however. They all knew from Allistair Webster that CIO London had fully performed its duties even though that breaching the accounting standards. They all knew that CIO London was NOT performing its "mark to market" on this "tranche book". This series of divergence from accounting standards told volumes to any accountant or regulators as we could hardly be further away from the standards required while we were still operating some sensible price selection. All was auditable. All had been audited before May 10th 2012. The FCA genuinely struggled to anchor its flawed future thesis through my truthful descriptions:

FCA: "So what was the metric?" IKSIL: "I say it again, it's really the first batch result once he's put best bid, best ask, mids, in Europe and first prices he receives in the US." FCA: "And when you -- when you say "metric" does that refer to a specific spreadsheet or something, or is it just a...?" IKSIL: "No, no, that's -- that's the -- that's the first number for the estimate on the day." FCA: "Okay. And then -- and so that was -- **that was true after Javier's instructions in 2007**, and then I said we would come to talk about March specifically. We'll look at some documents a little later, but just to sort of set the scene, can you describe whether you kept track of the mids in March 2007, and if so, was there a different process?" IKSIL: "**2012, you mean?**" FCA: "**Sorry, 2012. March 2012. I apologize.**" lawyer: "Can you ask -- say it again, please?" FCA: "Yes. So did you keep track of the mids in March 2012?"

So much for the slip and the confusion....In the next extract the FCA tries to paint the tape using an evidence from April 8th 2012 where actually the FCA makes notice that Mr Artajo and MR Macris had second thoughts when they made me write emails for them instructing me "no comment- like yes or no"... The magnitude of the reserve was rather \$700 million in my opinion as they knew. Here is what I describe, a thing which the FCA shall not dig further at any point in time :

FCA: "Okay. If you turn over to tab xx, the top email is an email from Achilles Macris to Javier Martin-Artajo dated 8th of April 2012. The subject is, Re P&L. Let me know what you think". The Bates number is zzz. The bottom email is an email from Javier Martin-Artajo to Achilles Macris and in the text below, it states, "From Bruno" and then there's a colon and the first line of the text is, "To answer your last email, I am 80% confident the P&L for Q2 is going to range between minus \$150 million and \$250 million." Was that comment that I just read out, was that something that you had written?" IKSIL: "No. **It's an answer from an email that Achilles sent me** where he said with 80% confidence, **with no comments, no... nothing to**, you know, detail why I provide this answer. "Do you think that the P&L for the end of Q2 is going to range between \$150 million and \$200 million?" FCA "So this was Achilles' comment?" IKSIL: "**This was Achilles' question.**" FCA: "**Question. Is it right that it appears that Mr Martin-Artajo has cut and paste from an email that you sent to Achilles**, these 1, 2, 3, 4 lines? I think that's the..." IKSIL: "Yes." FCA: "Right, okay. I think that's what we're getting at that you wrote that even though you didn't write it in this particular email. " IKSIL: "No. Yes, 'from Bruno', so yes he cut and paste, yes." FCA; "Yes, okay, thank you. And you know, we've already looked at the year-to-date losses and we have discussed that there was a further

\$300 million loss. At the 8th of April, the \$300 million loss figure hasn't been recognized anywhere. ”. **IKSIL: “Yes but Javier told me, during that weekend, that they would take a liquidity reserve.”** FCA: “Okay. Talk me through that conversation.” IKSIL: “I tell you what I remember. He told me during -- a lot of... was happening, right, and I had to answer queries from Javier for top management and he told me that they would take a liquidity reserve and then he said, “What do you think the number is?” and I said, “Well, you know, it was already \$700 at the start of the year, you have the distance it's a big number” and he said, “What are you talking about? “No, no, I'm talking about the IG9.” I said, “Ah, okay. The IG9, you know, it's 30% of the book”, so he said, “No, no, no, no. Not IG9, just the indices —” and he said, “Do you think that 150 million is correct?” Well, I'm not sure he mentioned the number, right, but I threw him a number like \$800 million, or something like that.”

I told Mr Artajo, \$800 million for the sole IG9 indices, not the associated tranches...And the top managers of Jp Morgan would agree with the regulators that actually the bank only needed \$155 million for the tranches associated with the S9 indices... ONLY.... stating that the indices themselves were “still deemed liquid”... What an obvious mismarking that I could testify on if any “investigation” had wanted to take my testimony for that matter.....The FCA would not complain explicitly against Mr Macris on this matter. BUT the FCA on the follow will try to distort what I had said then in writing. Against the FCA suggestion, I had had all the possible “tangible signs” that the issues were being addressed by Mrs Drew and above by March 23rd 2012:

FCA: “What was the \$800 million?” IKSIL “For the book and I was thinking of, you know, the first report I made to Javier that went up to Ina in the first half of January when, you know, to reduce the book in one quarter, to reduce the RWA and unwind the book proportionally that would cost 700 million. So I reminded him of this and said, “Well, you know, it's even more than that but probably you should take 800 million, something” and then he shrank down to the IG9 indices.” FCA: “And so at the end of that conversation, what was your understanding as regards the potential liquidity reserve?” **IKSIL: “I didn't understand what they were doing. You know, it went up to the top after the articles. I didn't know exactly what they wanted to do here.”**FCA: “But how did you leave the conversation with Javier, what was your understanding based on that conversation?”IKSIL “They were in the process of doing this liquidity reserve for the sole IG9 indices. That's all I saw. ” - FCA: “Okay and just going back to the comment that I read out earlier that, “I'm 80% confident the P&L for Q2 is going to range between minus \$150 million and \$250 million.” What are those figures based on?” IKSIL: “Okay. It's based on what I was actually doing for Javier over the weekend. He started asking me to think of stress scenarios, to stress the book and see how much the book would lose and I provided him first with some slides and presentation, I think a spreadsheet too that detailed the assumptions of the scenarios and, you know, there were formulas that you could typically play around with the stress numbers, so that you could see straight, you know, how much it could cost to the book. I made some average, some risk weighting and then he came back to me and said I was totally out of my mind. So I was surprised because he asked me for stress scenarios and, you know, I showed that in many stress scenarios, the book could lose easily 700 million, on average there were many scenarios where it easily lost 400-500. And there were some stress scenarios indeed, thanks to the protection, where the book could make money. **He said, “No, no, no, that's not what I want. I want you to run Monte Carlo analysis.”** Monte Carlo analysis you're mixing pears and apples, you know. It's not a stress. He said, “No, no, no but what I want is to do a Monte Carlo -- do a Monte Carlo simulation” and I said, “Oh okay, so what you want is to derive an expectation of what the P&L will be from a series of stress scenarios”. He said, “Yes, yes, yes.” But, you know, if this book has, what we call, some convexity that it can make money in some stress scenarios, mixing them, you know,

you're just computing the average. So if your book is balanced, you know, you land around zero, so to me, I thought they were focusing on stress on the book but actually, they were focusing on P&L forecast like standard scenario for the end of the quarter. ,” FCA **“And so your comment here, I mean, at the time, was this an accurate representation of your view of the book for Q2?”** IKSIL: “Sorry?” FCA: “At the time, the 8th of April, was this range, minus \$150 million to \$250 million for Q2, was that an accurate reflection of your view?” IKSIL: “Of the book? **That's an accurate statement as to where I thought the book would end at the end of the quarter but that was not accurate because it was not looking at the stress cases for the book.** That's why I try — anyway, despite Achilles' instruction, I add some comments on the background, so I don't express myself very well but I can run you through what I wanted to say.” FCA “Well, I think, I mean obviously we've talked about a lot of different figures for loss, some of which were shown and some of which aren't. Here, there's a prediction, sorry, an estimate for the next quarter that you're giving that has a small, relatively small amount of loss to a positive result and so we struggle to reconcile the two and we struggle to understand why there's not a more negative explanation coming from you. ~” IKSIL: “Okay. We are not talking about the year-to-date here. It's for the second quarter.” FCA: “Yes. But already — but **based on everything we've discussed today, it still seems odd to us.**” (*the FCA expresses a doubt... I will address that doubt on the follow...*) IKSIL: “Yes, okay. Basically what it says is that, to me, the book is balanced between the overlay long-risk and the bearish stand of the book, the natural bearish positioning of the book. So that you may have, in the quarter, a lot of noise but, at the end of the day, say typically once the markets have settled after these articles, there's no reason why, it no reason why, the book should lose money or make a lot of money; the book was pretty balanced.” FCA: “Okay. The email doesn't say anything about the \$300 million that you believed was going to be taken in some form of liquidity reserve...” IKSIL: “No.”

FCA: “...I'm just wondering, in the circumstances, bearing in mind that you've been told, as I understand it, that that's been raised up to management, why not include a sentence along the lines of that doesn't include a liquidity reserve as discussed with Javier or any of this? IKSIL: “You need to know Achilles, his personality, and you need to see the email he sent, you know. It's like, “No comment”. You say, “Yes. No”, that's it.” FCA “Okay and just tell me about his personality.” IKSIL: “Well, he's a high level executive, you know, he's very demanding. If he asks you a question, he doesn't ask you for your health, your family, your pets or whatever. No, he says, “No comment, it's no comment” and still I put some comment but I put the strict minimum with regards to this projection. _” **FCA “I understand that.** I suppose really where I'm coming from is that from the middle of March, and we're now on the 8th of April, you've been under the impression, from what Javier has told you, that a large amount of loss is going to be recognized in one form or another and the way that he says he's intending to recognize it to you is through a liquidity reserve. **I suppose what I find difficult to understand is why you wouldn't want your manager's manager to be aware** that there was this large outstanding amount that hadn't been accounted for anywhere yet.” IKSIL: “Well first, I suggested Javier a liquidity reserve, I understood it would come in the form of a liquidity reserve. I didn't know how it would come out, first. Second, I always assumed Achilles was already aware of all these issues. If you look at, if you read the call that I have with Javier on the 20th, he told me that Achilles told him, so -- and Ina is aware, so I have absolutely no reason to doubt this.” FCA: **“I suppose what I'm saying is the thing that might have given you cause for doubt is how long you've been being told that it was going to happen but you'd yet had no evidence that it had happened.”** IKSIL: “Well, again, Javier told me that weekend that they would take a liquidity reserve starting with IG9 indices. That was my understanding.” FCA: **“I understand that but am I right** in thinking that Javier had been giving you that explanation since the middle of March?” IKSIL: **“What is your question?”** FCA **“My question is for how long -- no, let me phrase it differently.** My question is,

bearing in mind you'd raised this issue in March, the middle of March, and you'd had repeated assurances from Javier that the matter was going to be dealt with, we're now on the 10th of April. **You've seen no tangible evidence that it's been dealt with.** You've only had Javier's explanation. I'm just wondering at what stage, you know, you come to the conclusion that perhaps it's not being dealt with." (*this is complete bluff of the FCA. The evidence abounds...*) **IKSIL: Well, I've many reasons to think that there were tangible signs.** First, there was Javier talking to Ina, Javier synchronizing the number of the loss that was communicated the 30th of March, talking to New York. Then he tells me that there is this \$100 million, there's whatever reserve on IG9 indices, so there is a process that is underway and the other tangible thing is **that it's risen even above Ina Drew.**" FCA: "Okay and how did you know that it had risen above Ina Drew?" IKSIL: "Ah. Because at the start of April, I worked all weekend between the end of March and the start of April to prepare for a meeting that was to happen I think, I'm not sure, with Doug Braunstein, and the high level management, even before the articles were published so... And at the time, frankly, and I am the target of all these articles and, you know, I'm not like -- only focused with what's going to happen to the liquidity reserve but, against your point, I have a lot of tangible signs that things are being dealt with on this book." FCA: "And the work that you had been doing for Doug Braunstein that weekend that you've just described, was that work around the potential liquidity reserve or what was that work around?" **IKSIL: "Okay.' You need to see where I stand in the hierarchy here.** First, you know, yes, I was promoted MD in 2011 and Javier told me, "Okay, at the end of 2011, Eric, Luis and Julien will report to you but don't get over it. It's a chocolate medal, it doesn't change anything". No, no... "FCA: "No I was going to say..." IKSIL: "No, you need to know —"

..FCA: "can I help you out a little bit because my question is focused on whether you'd had any information from anybody other than Javier. That's what I'm really getting at." IKSIL: "Yes. I had no information other than Javier, so I had to be on his word." FCA: "And you're welcome to give me other... any explanation you would like to but that was the purpose of me asking those questions, to ascertain that the source of all your tangible signs was Javier." IKSIL: "Yes, Javier was the only point of information for me, the only point of instruction for me." **FCA "Okay, that's helpful.** Thank you."

The FCA tried once to force its fiction on the record. It failed and will try another time. Again I will point that the UK regulator thesis is plain nonsense and the questioner shall concur once more:

lawyer: And the second thing, I think that, returning to tab zz, with the email, there was something else that you wanted to say but we moved topic. IKSIL: Yes, I think this is a very important clarification, at least for me, because I didn't know exactly the context through which Achilles sent me this email and asked me to answer this query like with no comment. But as I said, I still felt the need to put some comments and, you know, this 300 million liquidity reserve was not my job that was something that was run in parallel- that was handled by Javier... to me... But as far as I was concerned, in my role that was to deal about the estimate and the P&L forecast, I wanted to explain because that was my role even if Achilles didn't want any comment, to specify which were my assumptions. And I express it in a weird way because I'm very disturbed by the article and I say, I explain what I think, that this is a forecast for the end of Q2, and I specify that this forecast includes the fact that I am not optimistic about the articles. **And to me, this means that there's going to be a draw-down. There's going to be a big loss, to be sure,** and I thought initially when they talked about stress scenarios that that's what they wanted to do, and I thought that this forecast was something else they wanted to do. So I remind that we have not mentioned the stress scenarios, especially the one of the articles. FCA: Sorry, but it... IKSIL: ...in this sentence. **FCA: I may be misunderstanding what you're saying but to me it reads the opposite. "This forecast includes the fact that I am not optimistic."** **IKSIL: Yes, but that's why I explain.** FCA: So it should say "excludes", is that what you mean? IKSIL: That's why I

said FCA Okay. **IKSIL: ...I expressed myself badly at the time. I was very disturbed and the proof that this is not what you thought but what I say is next, "I prefer -- I prefer to forecast Q2 in light of what happened in Q1." The articles occurred in Q2. FCA: "I see." IKSIL: "So here I'm very explicit about what I mean, even though, I agree with you, it's not correctly expressed.** Now, now no one will ask me questions about that. That's the clarification I want to make. FCA "Okay." **IKSIL: Because if you think the way you think, the next sentence doesn't make sense."** **FCA: "Yes, no, I understand what you're saying** and I think if I were to summarize it, the word "include" should say "exclude", is what you mean." IKSIL: "You know, I was embarrassed by the request of Achilles to put no comment because I wanted to put this comment." FCA Okay. IKSIL: To say, look, you know, this is just a projection end of the quarter and I was a bit frightened by the reaction of Achilles. Frightened by many other things so I just wanted to put that in. FCA: Okay.

So the FCA could see independently from my answers that all had been elevated by the 23rd March 2012 by Mrs Drew herself. I was sidelined after that and manipulated by Mr Artajo and Mr Macris on April 8th 2012 with their "no comment" email games. The articles were out in the press. Mr Dimon was on it. Mr Macris followed orders from New York when he manipulated my answers with Mr Artajo. They were trying to manufacture the "London whale" myth unde Mr Dimon's watch. That was it. Unquestionably the FCA saw that still I warned again and conveyed a pessimistic view despite the manipulations. The FCA knew of the other former email that I had sent to Mr Artajo and Mr Stephan on the stress scenarios where I projected losses going up to \$1 billion eventually between the 7th and the 8th April 2012 BEFORE this "no comment" query of Mr Macris. The FCA knew also that the day after on the 9th April 2012 I emailed Mr Artajo that I expected at a \$200-300 million loss for the 10th April 2012, thus dismantling the "expectation" that the "no comment" email may have created. Surely the FCA would say "Yes. No. I understand what you're saying"... "Yes. No"... Thus what I explained was corroborated by other documents among the "millions of documents".

The SEC deposition in September 2016 would not even care to come back to this as my FCA answers were crystal clear. But the theme of the "missing reserves" would be further investigated. A lot of extracts have already been disclosed on the matter. The next ones will just allow to refine the longstanding awareness of this "miss" that largely predated the "london whale" myth...It therefore does not require a leap of faith to assume that this "London Whale" myth, the ensuing fake collateral dispute and the subsequent fake restatement of July 2012 were all decoys meant to conceal the genuine mismarking on reserves related to this book.

Other evidence corroborated this scenario above. I could for example describe at length one "tangible evidence" that Mr Macris was fully aware of the liquidity problems that the book was facing in 2012:

IKSIL: It was a one on one discussion...Q: And what do you remember saying to him, and what did he say to you about the topics that you just mentioned?...IKSIL: I came to him to apologize for the big loss that had been reported in the estimate P&L on the 20th March because Javier had explained me in a call that Achilles didn't want that kind of loss to show in the estimate P&L, and so I came to him saying **"I'm sorry Achilles but we had to --we had to send this loss. I don't want to-- to mess with your plans, but the dealers, they are moving the prices, not a lot but this creates big loss".** And then we had the discussion where I came to--**Achilles wanted to understand what was going on** and I said "well, now we have a book that is more or less balanced and that is--because the dealers cannot recycle the trades we've done over the last few months, they happen to have a mirror image of the book that we have at CIO and they want to flatter their P&L. So they have big size, we have big size, there is a big bid-offer. So that ends up in big loss, but it's not based on big prices, big price changes or

big differences." That's how I wanted to explain that the loss was actually... okay, big.... it was 40 million but we had to expect more of those kinds of events in the future just by our positioning facing the dealers. **So not really the transfer with the IB, but really that whoever we would unwind with, it would be a big loss anyway**...Q: So this was on March 21st that you spoke with Mr Macris about the fact that you should--that he should expect more losses---...**IKSIL: Of this kind...Q: --in connection with this book?...** IKSIL: Of the kind that had just been reported. That's my recollection. It was the day after, due to this call I had in the evening with Javier....Q: Did he express any shock to you, like "this is the first time I've ever heard this"?...**IKSIL: He stared at me and suddenly he spoke loudly saying "Javier! Where are you?! I don't understand what this guy is saying!"**....Q: Okay. Did Javier come over?...IKSIL: My recollection is Javier came back to me. So I don't remember whether he came over at that time. But he came back to me and **he said "you scared him. He doesn't understand"**.....Q: was it a 3 way conversation between you Mr Artajo and Mr Macris about this?...IKSIL: No. Next it was a one on one

At another point in time I would explain why I came to Mr Macris like this, straight to the point, on the 21st March 2012, ie 2 days before Mrs Drew would in person elevate all this "all the way up", ie to Mr Dimon her direct supervisor. The reason was that Mr Macris was ALREADY concerned and had asked me a question that I tried to address for him as best as I could. I describe below what the initial question was:

Q: Okay. When you were speaking with Mr Macris, what do you remember what was Mr Macris interested in this call, on this meeting? What did he ask you about?...Objection; compound question...IKSIL: He did not ask me as such. Javier told me what Achilles wanted me to explain to--to him, Achilles. Javier came to me and said "Achilles, he doesn't understand. He thinks that something's bad with the book, with the IG9". And so I came to Achilles with Javier and then I started explaining that I didn't know what's--what was wrong except that we were targeted and we were too visible and the positions were big. And Achilles said something on the line of "Look Bruno, it feels to me that we stepped in..."... you can guess right?...Okay...And I said " well, other than the fact that we are very visible, that they cannot recycle their positions in front of us, and that there's no market, I don't see what's wrong with this position fundamentally."...**Q: Did you mention anything about the manipulation in this conversation with mr Macris?...IKSIL: Well, yes...**Q: And what did you tell him about the manipulation in this conversation?...**IKSIL: Well, just that we were visible. We were targeted and they could not recycle their side of the trade they had with CIO...**Q: What does it mean "recycle their side of the trade"? I'm not sure I understand what you mean there...IKSIL: That's what some dealers explained me. Recycling is if you're a dealer, you're supposed to be flat at the end of the day. So if you trade with someone like CIO and say CIO sells protection on the IG9 10yr, and necessarily the dealer buys protection in front of CIO in the IG9 10yr. But the purpose of the deal is just to bring liquidity. So it's going to try sell this protection back to someone else in the market. SO he will have bought, I don't know, X amount with CIO of protection and will try to sell this same amount , X, to another market player. at the end of the day the dealer has no residual exposure. He will say then he will have recycled his side of the trade that he had with CIO. That supposed that indeed there is a market. If there is no market, the dealer is going to trade with CIO and will remain glued with his side of the trade he has with CIO.

So was the awareness that the positions had been structurally illiquid and quite "visible" to all dealers. Of course a provision was to be expected given that CIO mirrored net dealers exposures more and more over the years. The reason was all along the same, namely a steadily declining liquidity in the markets. There was no mystery in this deadlock that I started elevating in June 2010. The term

“land the plane” inaugurated the plain awareness of the top managers of Jp Morgan. Mr MAcris had coined the sentence “land the plane” and Mrs Drew had validated it. The subsequent battle inside the bank as to how to “externalize” or “off-shore(the FCA term for it) the risks shared by the IB and CIO all the same was a confirmation that this deadlock was problematic for the IB as well. The ensuing “blindness” of regulators, the “scandal” itself and the misrepresentation that prevail today are just another clue of the genuine mismarking: liquidity reserves were missing simply because this massive tail hedge could NOT be traded at will. That “missing reserve” point had been raised already in late 2006 through the rules governing the FAS 157 standard by the regulators themselves. That very same “missing reserve” point was what would induce the New York centralized Risk control department to order us to diverge from mids in late 2006 too, under regulators’ watch. The extracts above showed my truthfulness on the matter and the complete awareness of all the regulators watching this book at CIO. Now one may still argue that, granted they must have guessed that something was wrong since Mr Dimon had generated \$42 billion of intangible capital with the board in January 2004. BUT, the bank may have withheld crucial information from them, witness this absence of “post implementation review” for the NBIA of 2006. The next extracts will further develop the broader context whereby regulators monitored quite closely 5 realities prevailing at Jp Morgan for this “Core credit book” CIO.....They were NOT missing information on the book or on CIO.

5 realities

So far it has been shown that the regulators saw in 2012 and onwards the 5 facts that they simply could NOT ignore. They likely wanted to ignore them and had planned long before the “London whale” events to leave them in oblivion. But while I was answering their questions I described these 5 facts rather well in my testimony. One may argue that they may have been misinformed in the context of their ongoing supervision and oversight....like, “they knew them, but they could not see the connection”... It matters to repeat that the investigation teams would deem my answers as “consistent” and “truthful” on every part.Ok, so they saw the connection. They were not dumb. One may argue further that, granted they knew the 5 facts, but they did not benefit enough from my insight as truly I was not “central”. They had come to talk to me only when it was too late. Thus the argument would go as to say that the “investigations” had a strong suspicion but they lacked a consistent framework to charge the higher ups. My testimony actually proves otherwise as it will be shown in this part.

The regulators and their investigation teams had all the necessary background information to perfectly interpret the critical role that the 5 facts had played in this “London whale” scandal. How can I show that this is the case indeed? They had a comprehensive framework in which not only they saw the connection at the time but also they acted in a peculiar and targeted manner. In my answers I talked indeed of the 5 prevailing realities that were known, were monitored and were crucial for the day to day task of regulators themselves. They were 100 staff checking in every day in the New York head quarters of Jp Morgan. This part will exhibit 5 ongoing processes that I label as “realities”. They will help at least the reader in unearthing the genuine mismarking described above about the “missing reserves”. The regulators were directly involved with this mismarking since 2007....

Let’s first remind the 5 facts:

- 1- The “Core Credit book” was a “tranche book”, not an “index book”

- 2- This tail hedging tool for the bank had a very special valuation process that CIO did NOT control at all. That was wanted, useful and critical altogether to scrutinize the il-liquidity
- 3- My role was not “central” at all be that for taking risks, for removing risks, for executing trades (I could be replaced on the spot as many anecdotes prove it), for communicating inside the bank or for regulators, for valuing, for marking, for setting reserves...
- 4- An internal collapse inside the bank had long been undertaken to conclude by the end of 2011. The book was projected to be dead in 2012. It was to be dismantled officially in December 2011
- 5- A liquidity reserve was missing since 2007. My alerts were heard, dismissed and overridden all along. Still I had all the “tangible signs” that the very top of the bank dealt with it.

Now they were just symptoms emerging from 5 deep rooted realities where the regulators had been active participants since 2006. They had a supervision process that they had chosen....with the scrutinized the “symptoms” that all pointed to the growing lack of liquidity of CDS markets.

Here are the 5 realities and their legal “anchor”. Each of them was carved into a continuous process that regulators monitored closely by mandate since 2006:

- 1- This “core credit book” was a **strategic hedge** for the bank as a whole, required by the authorities given the SEC MTM rulings (1992-1993), VaR (1994), EXXON (1995), BISTRO (1999), credit line options (2001), ENRON (2003), BankOne (2004). Target: il-liquidity...
- 2- This “core credit book” weighing 40% of the firm total **VaR** had no budget and no limit, as required by the “**spirit**” of **Sarbanes-Oxley** rules and by the “spirit” of the FAS 157 standard. This “tranche book of CIO” was just that, a huge hedge against structural il-liquidity....
- 3- **Jamie Dimon was at the wheel** quite officially. In that it was here the very “spirit of the rules” enacted by the SEC since 1993 and “approved” by the industry through Mr Paul Volcker and his “group of 30” the very same year of 1993. Target: secure the liquidity of the fortress balance sheet.....
- 4- The evolution of this “Core credit Book” followed a strategy publicly disclosed by Mr Dimon in September 2010 which triggered quite official reactions from the regulators in late 2010. This had to be the case since **Mr Dimon was managing RWA-BaselIII targets** in view of massive **buy-backs** of the public shares of Jp Morgan in the markets. Target: “basis risk” and “skew risks”
- 5- The “**il-liquidity**” of **CDS markets was notorious since 2005** publicly so through several communications made by the main regulators of the planet. This is this concern that would shape the Basel 2 standards, the Basel 2.5 standards, the Basel III standards. This is this concern that would shape the CCAR program of the FED, the stress tests of the FED and the stress tests of the ECB among other new accounting rules like the “TOPIC820” or the LCR

Thus these 5 realities firmly anchored all the regulators into a close and continuous monitoring of this massive “required” CDS hedge at Jp Morgan. From the very start the regulators and Mr Dimon alike had a job to properly assess the liquidity reserves due to CDS markets exposures. One understands why the 5 facts formerly expressed could not escape their radar screen all along since 2007. Given the 5 realities they were closely involved in routinely, the regulators had to be “hands on” themselves on the 5 facts. My answers under oath would truthfully uncover the very framework of the regulators

themselves as they would see it through their own questioning plan. They were actors in the coming “London Whale” scandal already way before the first articles would come to press.

Bank strategic hedge

The extracts now are just here to complete what has been disclosed already. They will look rather “anecdotal” and will be indeed. The purpose is now to display the very high familiarity of regulators while they heard my answers to their carefully selected questions. This is what dismisses in full the argument above that they may have not been able to properly connect the dots in due time. For example, the FCA will fully understand why I alerted Mr Artajo first time in the morning of the 23rd March 2012. It should have displayed some puzzle or, better, some irony. But the UK regulator would not indulge in that. It had on its side too much evidence that the whole bank was on red alert by the 23rd March 2012. I knew that Mrs Drew had already elevated herself since the 16th March 2012 the issues to her boss, namely Mr Dimon. Which were the problems in question? First CIO would print a much larger loss than the one projected towards the regulators initially. That was a legal issue already then. The watchdogs were more than “embarrassed”. The question already was: “what the hell had they been waiting for?” That was indeed the regulators mandate to require a projection and check on whether the projection had been right. The projection had been breached since the 1st January 2012....It had been breached about by 900% at the very least by the 23rd March 2012! More than 2 months had passed during which 200 other violations on limits, including the “stop loss advisory”, had been reported to watchdogs. They had not even opened the emails if the US Senate report is reliable. They had already massively violated their own mandate! They had no excuse here. The rule was quite simple and is expressed in an exhibit of the US Senate report by an OCC staff: if the projection was inaccurate, reserves had to be taken as precautionary provisions.... That was the bank’s duty to inform regulators all the way. That was the regulators’ duty to enforce these provisions... the FCA knew therefore very well what motivated my communication to Mr Artajo. It knew that indeed Mr Artajo had told me the right thing to do here, ie inform him everyday upon my own estimation of the projected losses “IN TOTAL”. The loss in excess was to be budgeted on the 23rd March 2012 for March 2012 month end by CFO. The freshly demoted Mr Artajo knew all that and had no incentive to hide anything. That was statutory and directly involved the regulators. The same can be said about Mrs Drew towards her boss and her regulators....

Every day I thus was to update Mr Artajo so that he would elevate to Mrs Drew, a thing that he did undoubtedly. And on the 22nd March 2012 NY close, I saw prices that indicated that the excess loss was not to be like \$200-\$300 million in total any longer. It was rather to be \$600 million to be “safe” in the projections. This was NOT a situation where the loss in this book was not closely scrutinized by the very top of the bank daily. That was the very opposite as my account below indicates:

FCA: “Could I just ask you to explain one thing you just said, sorry. You mentioned the 300 million distance and you said, “Maybe we will converge”. Can you explain what you meant by that?” IKSIL: “No, no, I’m not talking about... So if you remember, the Friday (comment: ie march 23rd, a week before) I said the estimate is going to add another 300.” FCA: “So an additional 300 in addition to the distance figure that we’d already talked about? _” IKSIL: “Yes, that’s why I mentioned the 600 because that’s what Javier was asking me, “What’s the total number?” **because that’s what Ina wanted to know according to Javier.** But Javier wanted to know also what would be the loss that we would report in the estimate as such **by the end of the month.**” FCA: “For that month?” IKSIL:

“Yes. Yes. So that's the -- that's the context. Now what happened in the week, I said, “Well, it's still speeding up. There's even more to come” and Javier said, “Is it the distance or what?” I said, “No, no, no, it's the **estimate it's speeding up**”. He says, “And you still have the 300 million?” and I said, “Yes, you should ask Julien but I don't think it's declined, it's reduced. So, yes, you still have this 300” and I will remind Javier, you know, “don't forget about the 300. Don't forget that Jason's going to see.” FCA :”Sorry, I didn't understand...” FCA: “Jason's going to see, I think he said.” IKSIL: “The difference between our prices and the mids, most likely.”FCA: “Okay.”

My elevation that the projection should go from \$300 million to \$500 million had to be reported to regulators. That had happened one full week before month end. And regulators had to enforce provisions for that. Were they misinformed? They never complained about that explicitly, staying in vague blames, avoiding giving specific dates and specific omissions...They just could not try and do that. The FCA in July 2013 knows that VCG had picked \$238 million for March 30th 2012 and had made no mistake here, using as usual the FO broker quotes and resulting FO selected mids. “FO” stands here for “Front-Office”. And as the FCA knew, CIO-VCG would NOT adjust prices back to “broker mids” anyway but only to the closest bound of the “broker bid-offer”, ie the most favorable one minimizing knowingly the loss here independently of the “traders”....This was stated by Jason Hugues, stated in one of his email of the time, and this would be validated by the controller Allistair Webster in his dedicated May 10th 2012 memo on his audit of the CIO valuation process. That audit that had been requested by JP morgan top executives in new York in the eve of the Saturday 28th April 2012 “for regulators”. Thus that price difference had been elevated. The projections for bigger losses had been communicated... And still regulators enforced no provision. Was the bank resisting it? If “Yes”, what was the “currency” for the bank here towards its regulators that they would accept in exchange for this blatant absence of reserves? That sounds weird right? The bank resisting a reserve in exchange for a “currency” of some kind, some exculpatory excuse....The “London whale” myth was roaring....My name was planted in the scenery and no regulators wanted to talk to me...not yet!

It is probably worth reminding here an extract that more fully described the context before the FCA, at the request of the FCA. It describes better what all the regulators and the bank executives were waiting for on my part, ie they hoped that I would “execute a very large number of trades in order to fight the market prices”:

FCA I think what I would benefit from understanding better is I understand how at month end you might engage in price discovery trading in order to ascertain whether a run that you have been provided with was a run that was indicative of an actual market price. **Why at month end would you need to execute a very large number of trades in order to fight the market prices?** IKSIL; Because in March, as I mentioned once, **the book is in a unique situation. It's not normal business**, it should not happen, you know, in normal conditions that indeed.... even if you deploy capital, right? It's not -- it doesn't have to be at month end, it doesn't have to be at quarter end, right? But here we end up in a situation where -- **beginning of March the book is to be unwound for parts, I don't want to add to IG9 and CIO management is still considering eventually growing the positions.** I come to Javier, I tell him, “Look, we have this 300 million, you don't want the one-off, you don't want the cushion, it's not my job to do the liquidity reserve but, you know, it has to be reported”. **He says, “Okay, I'm going to talk to Ina, give me one week”.** Then we discuss further, right, and here what we discuss is he explains me the context that **they are in talks with the IB. We had this discussion with Ashley Bacon. On the 14th of March, Ashley Bacon made the feedback and he said there are obvious offsets between CIO and the Investment Bank, the positions of credit hybrids are**

moved -- over to Blue Mountain and we need to ask the regulator's approval to move the CIO parts. So that is the information I have that things are going to happen and Javier tells me that we have to wait until month end to know what's going to happen. So what I remind Julien, is that, keep in mind that – “project yourself towards month end when you do this distance, when you consider that this is the drift and this should be ignored and we will ratchet later”. Because that's a very unique situation where the book could be unwound and some places stripped out, offset with the IB whatever. One scenario is that, yes, we might — we might — trade maybe at month's end or maybe right after month's end but it was for sure a decision, radical decisions will be made for month's end and quarter end. That is how I'm presented the situation. ..

They all focused on “month end” , on March 2012, ie on the fake mismarking that they were all participating in. That had nothing to do with my job actually. I did not care about month end myself. That had always been the case. That remained the case for March 2012 even though I knew the book was dead for sure. I would not “execute a large number of trades at month end” in March 2012. Instead I would make more alerts. The bank executives and the regulators had put themselves in a corner towards the end of March 2012. All is said about the “strategic hedge” that was under the direct supervision of Mr Dimon. It matters at “month end” because this is the very deadline that the top executives have for themselves. As to me, the book is dead already. I do not care about this “month end” except for the fact that Mr Artajo had told me that it mattered a lot for the bank and Mr Dimon for his buybacks. That was “why” I may have been ordered to “execute a very large number of trades”. This disconnect in the focus is blatant in the extract above.

And unsurprisingly now the FCA, right on the follow, tries to push its false transcript using “to keep to our system”....What a timely diversion from the important facts!....What a bluff on the part of the FCA!.... “the bigger the better” like the “London Whale”, right?

.FCA: Okay, because you say, “So to keep to our system, all right” which implies to me that you will be keeping to a system of trading that you've previously used, not that March is an exceptional month where something different is going to happen. **IKSIL Sorry?** FCA: So the sentence is, “We're going to execute a very large number of trades” and you've given an explanation for why that might happen at March -- at month end because you are in an unusual situation but it actually reads, “We're going to execute a very large number of trades 150 ' **so to keep to our system, all right? Right.** “I'm asking what the system was that you were going to be keeping to.” **IKSIL That's... I'm not sure about what I mean here.** What I can say is that what I already said. Javier told me that maybe CIO's going to decide to deploy capital on this. Maybe CIO will decide to keep — maybe I should check whether I say system or not? **FCA Well, yes, your translation has it as ‘not audible’.** **IKSIL: It doesn't make sense to me, it doesn't make sense.** I am not sure that's “system” really -- because it doesn't make sense to me. What I see is that at the time, right, we don't know yet which parts of the book will be unwound, which parts of the book will be kept in which form and eventually which strategies might be increased. There's a bit of an anticipation of the fact that CIO is going to make radical decisions at the end of the month or maybe right after the result of the end of the month

That manipulation of evidence by the FCA did not make sense to me. I was not part of this “system” that the FCA slid in artificially. Here it is clear that “system” does not make sense to me. It is clear that I remember very well what I was conveying in this call to Julien Grout. I will argue with the FCA that this “to keep to our system” is NOT correct. It makes no sense. It is inconsistent with all the rest of the call, like a hair in the soup. And the FCA will accept it in October 2013, but only after it published its “settlement” with the bank. Now in its PIR in February 2015, the FCA will claim that I could not

"remember" what "to keep to our system" meant for me....I actually said that this expression made no sense at all to me! This is a gross misrepresentation of the facts here done by the FCA in full knowledge as one will read now...

FCA: If you just read ahead to line zz, "That means when compared to month end nothing changed whereas you know that something did. When month end occurs, considering what you're telling me, there is only one thing to do, it's to trade IG9 10 years, okay." (*FCA moves on still without specifying that the tape is of poor quality here*) IKSIL: Yes. FCA: So why would that be a result of -- why is that the only thing to do? IKSIL: Let me retrieve our translation. [20 seconds of silence] Yes, I mean, you know, here **there is an issue with the translation**, there are some slight, you know, problems --. - FCA: What we wanted to clarify is that in respect of the translations — and tab x is a good example - those that look like this, which have a job number and a reference but no Bates numbers, the Financial Services Authority, as it then was, now is the FCA, has commissioned certain documents to be translated. So these went out to an audio company and came back to us. They were then reviewed by a French speaker who is also a market expert, because of the technicality of the language, and -- and this is the sort of -- his -- his amended version that we've treated as final, which -- I just thought that might help you understand where ours are from. **lawyer Right. It's not always true for all of the translations in here.** (*untruthful the FCA? Guess...*) FCA: And the relevant expert: has experience in the relevant instruments, just to clarify. lawyer: Thank you.

The FCA in July 2013 saw very well what I was describing and tried to slide in the middle of my answers its "To keep to our system" out of an inaudible part of the recorded phone call. That manipulation of the recorded call was no doubt already done to try and support the knowingly flawed official "settled" versions of the bank for September 2013. The FCA said it: it needed to establish one way or another that I had a system that applied in March as much as it did in the months before...This focus of the FCA on "system" probably finds its root in the "close and continuous" supervision of the FCA itself that had started in November 2010. In July 2013 that was indeed a whole "system" of monitoring that the FCA had to fictitiously blur with another "system". There was no such "system" left that I was trying to maintain here. The "millions of documents" proved it: March 2012 was quite a peculiar month on every facet of this "tranche book", be that "valuation process", "trading", "risk taking", "reporting", "elevations", "rumors", "externalizations", "controls", "compliance" and so on....

The SEC interview of September 2016, would simply further document my story and the knowing duplicity of the UK regulator in 2013. It happened 3 years after the flawed "official settled story of the FCA" would go public without my being allowed to comment in the first place (violation of the FSMA 2000 Act). Regulators would all claim that they had been "let down" somehow. And one wonders really when and how....Critical events involving "key people" for the FCA had resulted from my alerts since the very start of 2012....

There was this anecdote for example of late January 2012 expressing the deep concern of Mr Macris. He would demote Mr Artajo as a result in coordination with Mrs Drew and the Human Ressource staff of Jp Morgan then.

IKSIL:...some uncertainty, but at least they couldn't frame anymore because we were always there and they could not pretend that we were not. That's the relation....Q: Okay. At the end of January--I'll come with that. So I think we were looking at the -- some of these emails and January 30th was a Monday, the 31st was a Tuesday, February 1st a Wednesday, February 2nd a Thursday, then February 3rd a Friday. Do you remember having a meeting or participating in a meeting with Ina Drew on

Friday February 3rd?...IKSIL: I do...Q: And do you recall what the purpose of that meeting was, as you understood it?...IKSIL: As I understood it from what Javier had told me, **Achilles had been very worried by what I had said in the ISMG meeting and he wanted to raise the matter to Ina Drew**...Q: Can you clarify when you say "he wanted to raise" whether you mean Achilles or Javier....IKSIL: Achilles

This "worry" and this "demotion" could have been the case for any trading book that was not "strategic" some would say. Granted! But Mr Macris had not picked Mr Artajo by chance here. The event was anyway a major turn that had to be reported to all regulators. I was at the origin of the event. Still they at the FCA really did not need to talk to me to understand the demotion of "key people" by another group of "key people" in straight relation to this "correlation book of CIO that was too concentrated" and was to be dismantled. Why demote Mr Artajo after all?

This other extract below simply shows how I operated in CIO. I was not the one to talk to for the CIO-VCG price controller within CIO anyway. There was no "loophole" or whatever "flaw" here, just a long standing process that I simply was not part of by design. Instead there was a well oiled process where Mr Artajo was the reference point for all:

IKSIL:independently of what Jason or Julien had done on the 30th. This change had started on the 6th of March, created a divergence between what the estimate P&L process used to be and what it had become after **the March 6th order sent by Javier**. So these were different things... Q: Did you tell Mr Hugues about the difference between those 2 things that you just described?...IKSIL: No...Q: Did you tell Mr Hugues about the order from March 6th?...IKSIL: No...Q: Did you tell him that one of the factors he should look at in deciding whether to take a cushion was that there had been a change in the process of the P&L estimate as you've described it as March 6th....**IKSIL: I don't understand your question actually**...Q: Well, why didn't you tell Mr Hugues about the instruction from Javier on March 6th?...**IKSIL: Javier told me he would talk to Jason**

Mr Artajo was "central". I was not. Mr Macris was not far from the epicenter. It matters to remind here an extract where I explain how Mr Macris misrepresented the events before the FCA, precisely about the period where he had demoted Mr Artajo with HR and Mrs Drew:

Q: Okay. I think you mentioned that you thought Mr Macris had lied in his FCA testimony that you read?...IKSIL: Yes...Q: Can you tell me-- can you tell me what you remember that you thought or felt Mr Macris had lied about in his FCA testimony?...IKSIL: I've read it 2 years ago now. So I tell you, the main thing where I think he lied. Achilles. It's on the timing of events at the end of January (2012), his awareness of the problems that the book had, and in particular, **I think he did not describe that he had sent Javier in the plane to New York on the 8th of February to get the limit extensions and keep trading. Achilles describes the problems of the book as if they were totally the responsibility of Javier, while actually he sent Javier in the plane**. He had just demoted Javier with the help of Ina in a way that cornered Javier, left him no choice. And by the way Javier never mentioned that to me, pretending that everything was normal. Well, nothing was normal. And in his testimony, Achilles portrays the situation as if it was not his fault, --he had tried his best. But I do remember I was with Javier and Achilles. **And I warned Achilles on the notional increase, the stupidity of this "cover the high yield losses"**. That was insane and it was not Javier pushing that. That was Achilles telling Javier "I don't want to see it in the office--see you in the office. You go. You take the plane and you knock on everyone's door. It's not possible that Bruno cannot keep trading because he's limited by Var, RWA whatever". So Achilles portrays himself as the poor top manager that did not know. And I know that he was ordering this increase...**Q: I think I have an exhibit for**

you that will help on this point. Let me hand you Mr Iksil what's been previously identified on this case as exhibit zzz, an email from Mr Macris to Mr Artajo on March 1, 2012.

That book was a strategic hedge and I was not close enough to the decision loop to understand why the executives persisted in their instructions to me. And that's the context that presided to the March 6th 2012 order. It really would be weird that Mr Artajo, being demoted and trapped as he was by Mr Macris HR and Mrs Drew, would ever try to withhold information or issue a dodgy order for this "Core Credit Book" that was so strategic. Instead, since Mr Artajo was a brand new fuse for the senior management since early February 2012, it becomes clearer why the top chiefs would then start sending dodgy orders in a dodgy way, messing up with all the existing controls on the way in March 2012 uniquely so (against the pretence of the FCA in 2013). Mr Artajo was indeed there, being "central" on top of me, "being big enough", being compromised anyway. Mr Artajo was the perfect scapegoat in that he had some faults on his scorecard already that he could fall for. But he had not been alone in that position. His demotion made him very well aware by his managers that he was to take the fall should anything go wrong....His partition in this concert of bad faith was to be instead quite reliable towards his managers....

One may argue that Mr Macris was pulling the strings, having demoted Mr Atajo with the traceable help of Mrs Drew and Human Ressource at Jp Morgan. Mr Macris may have been machiavelic enough to then instruct Mr Artajo to send this March 6th order while leaving Mrs Drew unaware of that. But then Mr Macris would have made a crucial mistake in bringing Ashley Bacon, based in New York, ALSO in the decision loop. Indeed Mr Bacon would organize the long planned transfer to a "third party" through which the valuation would be made independently of CIO. One could lend here a devilish plan to make Mr Bacon "discover" that "order of Mr Artajo" through the "price difference" that that the third party would have inevitably elevated. But then a reserve would have been flagged and Mr Artajo would have used his own demotion as a proof that prices had been quite uncertain. The blame would have fallen back to Mr Macris quite surely for Not elevating the matter in due time.

This requirement to have a third party pricing the transfer was a key in the scandal to come. That was mandatory indeed for a transfer of this kind since "ENRON" to have a "price check" done by a third party. For sure the "difference" would have been spotted. And the question to address in advance was : "who is to take the fall?" The third party would confirm what ICE was reporting every week at least since September 2011. This would show that the bank was mismarked in 2011 at year end. Then this March 6th 2012 order would have been investigated and Mr Artajo would have testified on "who" had instructed him. Mr Macris would have born the blame in full then...if he had been the transmitter of this order...But Mr Macris, when he called Mr Bacon, secured his own defense line here. He knew of this order. He knew that the NBIA was not amended. He therefore knew the mismarkings, both the older one and the decoy one in the making. Thus the assumption should rather be that Mr Artajo truthfully told me on march 6th 2012 that the orders came from "New York", ie from Mrs Drew or higher...independently from Mr Macris in fact, who only tried to secure his onw fate by calling in Mr Bacon voluntarily so. Mrs Drew's boss was Mr Dimon. Since late 2006, that difference was actually "welcome". It had become illegal since 2007 because of "missing reserves. Someone had to take the fall for that in 2012....

In order to further support this assumption that, yes, the orders all came from New York through Mrs Drew all along under Mr Dimon close watch, let's now get further extracts of my testimony about the fact that this "Strategic tail hedging book" had indeed no limit and no pre-defined budget. That book

was therefore NOT a “trading book” as such even though it weighed alone 40% in VaR terms of the total VaR of Jp Morgan. It matters to say here that Mrs Drew had “budgets” for all the other books that she ran at CIO. Only this one, the “tranche book” had no budget and no limit as such that Mrs Drew had to achieve. That book was directly managed by the Operating Committee as I was told since 2006. That was so sensible to actually “enslave” this book day after day to whatever the balance sheet of Jp Morgan was doing. And indeed this is how CIO acted on this “Core Credit Book”, ie on behalf of Mr Dimon through the routine supervision of Mrs Drew, Mr Hogan, Mr Cavannagh and Mr Braunstein week to week.....CIO London and Mr Macris were just the execution arm of their strategy day to day....and could not be anything else as regulators had required back in 2006...This feature “no budget, no limit” is thus quite revealing of the necessary direct involvement of Mr Dimon.

No budget-No Limits

“no budget, no limit” sounds like mad. In fact, this is counter-intuitive but quite sensible in this case. This “Core Credit Book” was driven by “strategic” considerations at Mr Dimon’s level about “excess liquidity reserves”. As a hedge it could simply NOT be valued by CIO in terms of straight ‘mark to market’ procedures in place at the firm. At best, had it been the case that CIO controlled the “mark to market” of this hedge, it would have generated duplicates. In practice it would only have sparked confusion with the existing setup. There were many parts involved, being already valued either as per the “mark to market” policies or as per the “Available For Sale” policies or as per “Held To maturity” policies that required reserves. That was the rule. They were there in the bank before CIO would be created. The risks that were to be “hedged at CIO” existed already. CIO was mandated to invest precautionary reserves wisely. These reserves came as a deduction from what Mr Cavannagh at the Treasury department had first “identified” day to day as being “available excess liquidity reserves”. Withholding from the latter the required amount of reserves as per the “MTM” and the “AFS” and the “HTM” accounting standards, Treasury was simply doing its job.... And withholding ALSO the diverse “cushions” that regulators would require specifically from Jp Morgan, CFO completed the job of Treasury... This is only then, therefore after several computations based upon already made MTM-AFS-HTM valuations, that the amounts allocated to CIO for investments were inferred and next the size of the strategic hedge. The performance of the latter was just a second order effect....

The firm-wide valuation was complex enough already to get all these figures accurately enough in the first place. Why mess up all this with a never-ending feedback process whereby all the businesses involved would have to review their own prices, and the provides a new proposition?... Could it be because CIO had found slightly different prices, albeit more sensible ones?... Time was limited....And a lot more had to be done thereafter. Only after these initial stages Mr Dimon, and his operating Committee alone, could infer what the “excess liquidity reserves” were that would be channeled in most part to the CIO created by Mr Dimon in 2006 and headed by his lieutenant, namely Mrs Drew. Investments would be made with these allocated “steady excess liquidity reserves” of the bank Jp Morgan, at CIO. They would be massive, therefore impacting the balance sheet. Most of them were actually executed from London under the direct supervision of Mr Macris. And of course these investments made with “excess liquidity reserves” had to be protected against a “liquidity crisis” now that they were exposed to markets fluctuations. This is only then that Mr Dimon, coordinating with CFO and Treasury, could decide with his partners what to do next. This is where the “Core Credit Book” came into play, both as a hedge for the firm and as a hedge for the investments made by CIO on behalf of Mr Dimon. Then, once all the other businesses were set in performance terms anyway, this strategic hedge performance was adjusted along with a couple of other reserves. Then, only then,

the strategy on this “tranche book” was determined, ie from the very top of the firm. This “tranche book” was therefore a moving target all along. Better was to enslave the performance of this “tranche hedge of CIO” to the prices that other businesses had set and invest the proceeds.... And refine the reserves in a second step...

If Mr Dimon had set a budget or limits to this book that would have had unpredictable echoes into the original businesses of the banking group. As the annual report of Jp Morgan for 2011 (published on February 29th 2012, ie contemporaneously to the future scandal), the review was made by Mr Dimon on a weekly basis. That was made week to week....

The stakes behind this “tranche book” were therefore enormous. If CIO had ever been in charge of the “mark to market” for this “strategic hedge” it could have disturbed the whole firm. The impact would have been no less enormous. Everyone would agree on that through the lens of quite objective criteria. This big “core Credit Book” had a huge VaR since 2007, some huge notional amounts and provided a huge “diversification benefit” on CDS markets to the IB of Jp Morgan. This was too big to be left unchecked or even “complacently ignored” or left to CIO alone. This book grossly boosted the profitability of the mark to market activities of Jp Morgan by 25% between 2007 and 2012.....That “diversification benefit” would be true ONLY IF the bank did reconcile every price difference....otherwise there was no possibility AT ALL to measure ANY “diversification benefit” and thus properly manage it day to day...And yet, given the size of the stakes at play, the mandate sitting post the reserve determination at the firm-wide level, it was plain sensible that this “Core Credit Book” of CIO had NO budget and No limit. Why limit a hedge? Why budget a tool of “diversification” of existing risks on a standalone basis? That was at best a pure waste of time.

The FCA made references to the status of this “Core Credit Book” of CIO inside Jp Morgan. But the FCA would not dig the “no budget, no limit” matter. The references would be consistently ignored by the UK regulator which knew always much more than me on this matter. It knew so much that it never needed to talk to me since November 2010 while it was officially on a “close and continuous supervision” of this “Correlation book” in particular. Here is just one extract that is telling of what was not surprising at all to the FCA, despite its future morphing misleading public stories. Here we are in late January 2012, 2 good months before the first seminal articles of the “London whale”. Ina Drew would become soon pretty much “aware of everything” already:

*-FCA: “The set of slides that you sent to Ina, did you send the set of slides to Ina or did Javier send them? “ **IKSIL: “No, Javier sent them** and there were some of them that were, those were the technical ones, so that's the thing. About one week later, I come back to the ISMG meeting and I want to discuss about - it's connected to the loss because CIO didn't want to lose any money on high yield default and I explained with just one slide this time that CIO would gain in a universe of 150 names, between \$100 million and \$250 million per default, except for say nine companies. So you had a universe of 150: on 140 names, companies, CIO would make on average 150, 200 and for nine of these companies, as a total if they all defaulted, CIO would lose like \$200 million at best, at worst say. And I wanted to explain that to cover this risk, we'd have to buy a lot of protection on high yield index and, therefore, sell a lot of protection through the investment spread trades that would cost a good \$200 million, \$300 million and this would increase the VaR and the RWA, so I was focused on the, you know, CIO wanted to spare a loss of \$200 million in something that would make a lot of money in a systemic crisis and would spend in trading costs at least \$200 million. **That made no sense to me**, so I highlighted that to Achilles Macris in the ISMG meeting early in February.” lawyer: “And what*

was his response?" **IKSIL: "He sent Javier over to New York** and we had a meeting after the ISMG and Achilles was sitting in front of Javier and myself and he said, "What is this childish explanation that you cannot cover the loss on high yield?" I said, **"Well, I'm sorry. You know, it's the liquidity cost and the RWA constraint, the VaR is going to increase"** and he looked at Javier and said, **"Look, Javier, I told you to take care about this, so now you go, you take the plane, you go to New York, you knock on everyone's door but it's not possible that Bruno is constrained by the RWA and cannot cover this"**. So then I made another presentation that I circulated for February saying that not only this additional 300 could be lost in the year but by the end of the quarter, again, from the drift as the trend was more and more confirmed. Unfortunately, I could not make the presentation because it was planned to be made for the end of February but there was the CIO business review and Achilles was not there. He was somewhere else in the world doing -- presenting his own slide. Still these slides where I announced that loss by the end of the quarter, end of February. **They were the slides used for Ina's SAA meeting that we referred to and the Ashley-Bacon meeting.** So that's what I communicated. Then there was another communication with Achilles, so it's later in March, around the time, you know, Achilles also received the comment on the \$40 million loss, right, like Ina. I expected them to react to it. And one of Achilles' reaction at one stage **is he said, "Look, guys, I think we stepped in shit with this IG9. What is it?"** and he asked me, "Bruno, why don't you tell me what's really bad?" And then I tried to explain him that we just happened to have the book of a CDS dealer but with a mirror image, so we are flat, balanced, and the dealers were moving the prices and because of the size of the positions, we are just suffering from that just every single day. That's all I understood from that."

Mr Macris was in the driving seat in March 2012, but only for "CIO London". The freshly demoted Mr Artajo was already sidelined himself by Mr Macris who then turned openly to Mr Bacon (firm-wide chief market risk officer) and to Mr Pinto (Jp morgan UK CEO). Did Mr Macris trust Mrs Drew then? The initiatives of Mr Macris contrasted with those of Mrs Drew. He wanted to speed up the internal collapse of risks while she resisted it on the face of it. Still, although this book was imminently dead, there was no actual limit be that on VaR, on RWA, on CS01 or else. The Task Force Report will recognize that in a convoluted way as well as the US Senate report. For example the Task Force report would recognize that there was no "hard limit" for CIO itself. The "limits" on this book were "matters to be discussed", not "enforcement items".... Regulators knew that absence of "hard limits" and knew that the "tranche book of CIO that had no limit and no budget" weighed 40% of the firm-wide VaR day after day since 2007. And the US Senate report will just express its inability to explain how 300 limit breaches at CIO will have been reported by the bank and still will have been ignored by the bank AND all the regulators during 4 months despite the articles...The US Senate report will also mention its perplexity as to why the firm policies in terms of "limit review" had NOT been applied to CIO... The US Senate Report would omit here that regulators had been just "fine" with that all those years. More there was no budget until January 4th 2012 in fact...It was there in the very specific context whereby since December 2011 this book was to be collapsed in risk internally with the IB books....The first one budget ever on this "tranche book" in 2012 had been exploded already by the 10th January 2012 (that was \$30 million and the loss was beyond that by January 13th 2012). Mr Artajo was not fired: he would be demoted only 2 weeks later AFTER my elevations in a way that was NOT a "constructive dismissal". Then Mr Artajo, rather than be "transferred" away from this book, will be solely allocated thereafter to this "Core Credit Book" exclusively...What a strange decision of Mr Macris, Mrs Drew and HR IF they simply were unhappy with the former actions of Mr Artajo about this book....They had put in charge of this book the very man that they felt was not executing well their instructions so far! What was their plan to "motivate" Mr Artajo from here?

The September 2016 SEC deposition in New York brought some more details on the topic “no budget-no limit”...and the demotion of Mr Artajo...

For example I explained why I was quoted saying that all this made no sense, that there was no future for this book by the 16th March 2012:

Q: Ok where you say "I'm fed up", "no drawdown", "patati patata", "it's impossible", what are you saying here?...”Other Q”: again I object to your saying that when he said "I'm fed up", he didn't say "I'm fed up". Someone has translated that as "I'm fed up"...IKSIL: So what I said is I'm morally tired of having to deal with conflicting instructions, which is we must reduce the RWA but we must have no loss, defend the P&L, trade with the dealers but have no loss, and reduce the book but increase it. I'm tired of this. It makes no sense to me. It's impossible to reach. So I've tried, and at that time I'm tired of this...Q: Okay. Now, if you look at hh:mm:ss on page zz. At h:m:s. What are you telling Mr Grout there?...IKSIL: I'm talking about many things at the same time. I think he's about to check on tactical, having set some prices on core, and I say "but we have to report it". I ask him...

They, at the top of CIO, all do whatever they want with this book but this makes no much sense to me. I can only ask and suggest. Mr Artajo knows what is going on and why he had to accept his demotion rather than resign in front of this ongoing nonsense. This is 3 weeks before the articles....And I am blind although Mr Artajo updates me at least in part with regards to the “\$300 million” still as of March 16th 2012, ie one full week before Mrs Drew would manufacture her “very, very, very, very serious accusations” against the IB of Mr Pinto (yes the partner of Mr Macris and Mr Bacon):

IKSIL: that we discussed, whether it should be 300, 400, more than 400, less than 300....Q: What do you remember Mr Martin-Artajo saying in those discussions?...IKSIL: He--...”other Q”: Objection to "those". Compound....IKSIL: **What I remember is that very often he said that a lot of was going on. He could not tell me everything.** And he told me that CIO was elevating the problem in the firm. And **he told me that that Ina was about to elevate all the things** and he was about himself to communicate the number, that he needed my help for that....Q: Okay. And when you said just now, "he was about to communicate the number", what number are you referring to?....IKSIL: **It was the total number. But he needed it to be broken down in 2 parts:** what would show in the estimate P&L report, and the divergence....

And this matter was cross-examined as it was both at the core of the genuine mismarking at Jp Morgan and the fake one that the bank would manufacture in June-July 2012:

Q: I'm sorry, before you get there, in March -- on March 16 2012, had you had any discussions where you told--you discussed with Mr Martin-Artajo the fact that there were hundreds of millions of dollars that were not shown in the P&L estimate report that would have been shown if there had not been the march 6th instruction?...”Other Q”: Objection to form of the question. You said in March, then you said on March 16, and then you used words. Are you asking him whether those...{one full page of arguments between lawyers}... Q: Let me refrain from commenting. Can we ask the court reporter to read back the question--the last 2 questions...”Other Q”: No, no. now you just want to lead him again. If the question is "what did you discuss with Mr Martin-Artajo on March 16th?", I don't have an objection...Q: Can the court reporter read back the last 2 questions?...{record read}...IKSIL: What we discussed was the amount, **the difference actually, that this instruction had created in the P&L estimate year to date.** And that difference was regularly added with Javier to the projected estimate P&L loss that was expected by the end of the month and computed between him and me as a total number that was to be sent to Ina Drew...

That was it as far as I was concerned. But Mrs Drew, to make her “very, very, very, very serious accusations” against the IB and Mr Pinto, had to get the “total number” knowing which part was reported in the estimate P&L itself that had changed in March 2012,...This “total” was the one needed that would be spread out through the firm, as she knew quite well, hence HER request to get the “total number” that she sent to the demoted Mr Artajo....Thus on the 23rd March 2012, first hour London morning, I contacted Mr Artajo so that he conveyed the “total number” to Ina Drew since this is what she wanted to have:

Q: Sir, who did you send this communication to?...IKSIL: To Javier Martin-Artajo...Q: And what were you telling Javier Martin-Artajo at this part of the chat time-stamped hh:mm:ss?...IKSIL: I--... “other Q”: I continue to object to foundation that there's any indication that Mr Martin-Artajo ever responds to a single entry in this chat...Q: You may answer the question...IKSIL: **So what I was telling him by this Bloomberg chat to Javier is what Javier wanted me to tell him at the first opportunity.** I needed to update him whether I saw that the total number that had to be communicated to Ina had differed from our former discussions, which ran between 300 and 400 million in total. I wanted to warn him that as of that day, from what I was seeing in this morning from the close of the day before, I anticipated, I projected that the estimate....

That was thus the 23rd march 2012 and Mrs Drew would manufacture her “very, very, very, very serious accusations” against the IB and Mr Pinto “all the way up” the chain. That happened in the “unaware bank” of Mr Dimon 2 full weeks BEFORE the very first articles of the “London Whale” that the bank would contribute to write as far as the WSJ and Mr Zuckerman are concerned (April 6th 2012). There was thus no much “surprise”, “complacency”, “unchecked price differences” then. Instead they were making a genuine commotion inside Jp morgan “all the way up” through Mrs Drew in person. It is really hard to see, first how Mrs Drew could allege having been “misinformed”, second how this book could ever have had any budget or limit given the alert that had been raised by her anyways...

“no budget, no limit”... Mr Artajo was demoted and still worked on this book failing to contain a loss that predictably was going only higher and higher... This demotion involved HR and had not been enough by far since Mrs Drew “freaked” really... The fact is that between March 16th 2012 and March 23rd 2012 Mr Dimon heard from his direct subordinate, namely Mrs Drew, that “very, very, very, very serious accusations” were in the pipeline inside Jp Morgan. They concerned the IB and the CEO of Jp Morgan UK, ie Mr Pinto. Not that he was the bad guy here, ie Mr Pinto. But he definitely was involved. He does not want to talk to me despite the straight invitation of Mr Macris to do so. Mr Pinto wants to talk to the demoted Mr Artajo. He is saying it in a recorded phone call from the 23rd March 2012, that he will talk to the firm-wide CRO John Hogan. Mr Hogan himself is directly involved in a firm-wide “IRC/CRM” split for this “Core Credit Book” since February 10th 2012. Mr Pinto and Mr Hogan both report to Mr Dimon. The legend still holds in 2018 that Mr Dimon was somewhat “unaware”. They both, through the “market risk” CRO of the firm named Mr Bacon, are finalizing the “externalization” of this “Core Credit book” towards a hedge fund like blue Mountain since March 12th 2012. Mr Bacon will confirm it to me on March 14th 2012 in company with Mr Artajo face to face. All this is done “for Jamie- priority No1”. Where they behaving like children as Mr Dimon was quoted to say? They were following orders for sure. The Compliance department of Mr Zubrow, also reporting directly to Mr Dimon, is also involved since March 19th 2012 at the explicit request of Mrs Drew through Mr Artajo.....Thus, one week before the end of March and 2 weeks before the very first “seminal” articles, many of the 15 members of the operating committee of Jp Morgan are reporting

to Mr Dimon “very, very, very, very serious” facts while they are themselves involved in finalizing the official death of this “Core Credit Book”. Mr Dimon is presumably “at the wheel”....And he is looking for every piece of information as his personal legend holds...However strange as it may be, the demotion of Mr Artajo had turned out to be a pure gesture of Mr Macris, Mrs Drew and HR at Jp Morgan....

Dimon at the wheel

Mr Dimon in September 2010 publicly announced in slides and speeches that the Basel III standards would likely induce the “run off” of some CDS portfolio. He mentioned “CIO”, the “IB”, the “50/50 diversification”. The “tranche book of CIO” was the target of the CEO. That was not new. Mr Dimon in late 2007 already had ordered Mr Macris to wind this book down so that he could “declare victory in front of the regulators”. And that had NOT been possible because of the ill-liquidity of the positions of CIO. No doubt after the financial crisis in 2008, the focus of the authorities was on “synthetic tranche” books be that at CIO, at the IB or at any other bank. And the future “London whale” book had always been recognized inside Jp morgan as a “tranche book” whatever its self-declared “strategic” purpose was....This “tranche book” is still the center of regulators concerns along the year 2010 as the many supervisory letters of the OCC, the Federal Reserve or the FCA testify. In December 2010 the OCC wants specifically to learn more about the valuation process for mark to market risks of CIO. This “tranche book” alone weighs 90% of the all the mark-to-market risks of CIO....The FCA specifically names this “correlation book” as one item of its self-defined watch-list for “close and continuous supervision”. The Federal Reserve at the same period has decided to launch in 2011 not one but 2 investigations on CIO, one being “more detailed” and the other being “transversal” (see the OIG report October 2014). In January 2011, the OCC, the FCA and the Federal Reserve had thus all expressed a targeted focus related to valuation issues and concentration issues associated with the “tranche book of CIO”, ie this “Core credit Book” of CIO, the one that they would all pretend to “discover” – one year later- in 2012 under the label “SCP”. More they required “more information”. They also knew that I had just been “promoted MD”. But they did NOT want to talk to me. I was NOT the one they wanted to talk to on this future “London Whale” book that they knew of. By March 2011, despite many misleading stress test violation reports, wrongly attributed to this same “Core Credit Book”, both the Fed and the OCC failed to enforce their investigation projects. The FCA ran its “close and continuous supervision” program but still did NOT want to talk to the brand new “MD” of this “Core Credit Book”. They had found someone else to talk to. The US Senate report, evoking the “stern” reaction of Mrs Drew about the MRA of the OCC, suggested that Mr Dimon was the person to talk to about this book of CIO actually.

One sure thing is that Mr Dimon would take radical decisions about the “tranche books” present at Jp Morgan. By November 2011, the synthetic tranche book at “Credit Hybrids” at the IB is shut down. Its co-head Olivier Vigneron, who was a longtime MD specialized on the tranches, quits the desk and moves to RWA modeling teams. He will play a crucial role in cornering CIO in 2012 from his new seat on RWA figures. He was brought in by Mr Macris in the hope that this “invitation” would ease the relations with the IB of Mr Pinto. And Mr Macris would soon coin the situation as a “checkmate” and a “crisis mode” in late March 2012. That “checkmate”, preluding the “post mortem” of March 26th March 2012 for this book, had been well engineered with the help of Mr Vigneron. That had been 100% intentional. Back in early December 2011 indeed, I had been ordered to go and try wind down some positions with the credit Hybrids tranche traders. And, although they were in theory “at risk”, witness the quick move of Mr Vigneron, having no mandate left inside the IB, they would turn my

offers down alleging that the market prices were NOT where they were marking the “tranche book” of the IB at “credit hybrids”. I would report their reply to Mr Artajo. At the very same time internal auditors had been sent to CIO London Office with a focus on this “Core Credit book” of CIO in the self-defined context of their “continuous audit” policy. Only Mr Dimon could have had enough clout to send the internal auditors then and give such confidence to the “credit hybrids” tranche traders who had no chief already given the departure of Mr Vigneron. Mr Vigneron moved to QR on RWA question and here he had a job to perform for January 2012 onwards that was directly meant to create this “checkmate”....he was just one pawn among others....

In the second half of December 2011, while the internal auditors wrote a critical report about the “Core Credit book”, mentioning “lack of consideration for reserves” linked to “concentrated index positions” and price uncertainty, the firm would organize not one but 2 “year end” valuations for this book. They will match in the calendar with “urgent requests” originating from the Federal Reserve which were explicitly related to “wind down costs” projected on this “core credit book” in the context of the Fed’s CCAR program (an official monitoring tool of the Fed to grant share buybacks or require new share issuance). The OCC right then too was told that this book was to be “taken down”... Yes, I am talking of the “London Whale” book that 5 months later the very existence of which the regulators would all pretend to have been “unaware of” until January 2012.... The fate of this book was already driven above the head of Mrs Drew then through Mr Dimon and his regulators....Her future defense line of 2012 alleging “misinformation” from her subordinates is thus quite surprising to hear. And this is an understatement on my part here. She was already committed to “dismantle” it officially so for “Jamie” and for HER “regulators”....She would be the one acknowledging in May 2012 that “we made a mistake” last year by not taking a reserve tantamount to “whatever the year to date of this book was for 2011, \$400 \$500... whatever...”...Mr Macris and Mr Artajo nodded in silence...They seemed to be “aware” and “covered” all the same. I was stunned hearing that for the first time...I was not part of this “we”....This “we” was made of Mrs Drew, CFO, Mr Dimon, the OCC and the Fed may be on top of few others sitting at the Operating Committee...

In the coming extracts it will appear in my testimony that question marks had remained from the year end of 2011, for Mrs Drew on reserves, for auditors on reserves, for CFO on reserves, for CIO-VCG on reserves, for the IB collateral team on reserves, for the Federal Reserve on reserves... The question marks were in the process to be “solved in 2012”, no doubt about that. My answers showed a bit better “how” Mr Dimon and regulators sorted their issue here....

The first extract with the FCA will show how I communicated to Mr Grout so that we could try and address all the conflicting directions we received at the same time for our own specific tasks. My testimony shows how this issue on reserves and the resulting orders conflicted with one each other, something which led to the orders of March 6th 2012. Please bear in mind that that day I was off, on holiday 1000km away from the CIO London office and my colleagues. Please also remember that the orders had been conveyed already by Mr Artajo to Mr Grout face to face without my presence or my awareness of them on the 5th March 2012. The order came from New York... Mrs Drew did NOT amend the NBIA as she should have. She then knew that it was as such in breach of the Sarbanes-Oxley laws. So did Mr Artajo and Mr Macris and no one alerted Compliance on that matter. They did not fear regulators’ reaction to that it seems. BUT they wanted me to be on a recorded phone line conveying these orders once again to Mr Grout from a distance of 1000 km, that they had already channeled to him via Mr Artajo :

FCA: “All right? So the first thing I just wanted to clarify was on the second page. So this is a conversation between you and Julien, -in which you're recounting a conversation you've had with Javier on 6th March. So the first comment I wanted to take you to was at lines x, y and z on that page. You say, “There are several things that you must do. **First of all, the P&L, we have to try to show that the P&L is stable, so this week you can continue to drift down**, okay, but what Javier would like is that if you start to see some gains, we have to report it.” So when we were discussing Javier's instructions to you, I had understood you to have been told to ignore the drift. Here there's a reference to continuing “to drift down”. Are you saying to Julien in this conversation that it was okay for him to be still incorporating the drift into the pricing?” IKSIL: “It's a problem with vocabulary. There is a former discussion with Julien before Javier calls me where I explain Julien the broader context, so this drift here is not a drift of the IG9.” FCA: “And the drift here is a different instrument?” IKSIL: “No, it's a -- it's a — **it refers to this former conversation where I explained Julien that it's most likely that the book will be unwound, that typically we don't know where, when, how much...** we are going to trade out, right... but assume we are at the mids at the time. **We are not going to unwind with the IB or with anyone else at the mids. We are going to unwind at less favorable prices**, and I tell Julien, “Look, don't stick to the mids. Anticipate already that we will have an execution cost exiting, unwinding positions. The problem is --” I tell him, “I don't know how much, I don't know where, but just bear in mind that we'd rather be conservative”. **So now I'm mixing the instruction of Javier** to ignore the drift with the fact that the book will be unwound soon. We had a custom in the past to send the estimate where we would exit, so typically when we were unwinding a position, we were impacting the coming cost to unwind already in the -- in the estimate, even though we had not traded yet, and we kept close to the mids anyway, right, because you never know when and how much you are going to unwind, even though you decided to do it. So that -- this drift is not directly connected to it, it's indirectly, because the reason why it's -- it's unwinding is because I want to stop trading on this book, **I want this to be frozen, unwound. It's too big, it's not manageable**. So that's the connection.” **FCA: “I understand, thank you.** And the second thing you say is, “Javier would like is that if you start to see some gains, we have to report it.”” So what was that instruction from Javier?” IKSIL: “**I told Javier that because of the coming unwind, it would overwhelm any kind of small gains we should see and he — he countered, saying, “No, no, no, if you see some gains, you show them”**”. That was part of the global discussion, so I was mixing the guidance I provided to Julien with the instructions of Javier.”

The orders were clearly conflicting as I explain here. I was not participant to this “global discussion” where, for one, Mr Dimon had sent this “tranche book” of CIO to be collapsed in risk terms with the IB since December 2011 as per different channels like “externalization” or “internal wind downs”, and for two, Mrs Drew wanted “options” in her “talks with the IB”... This reference to “options” completely dismisses the tale of the FCA that there still was here a “system” to “keep” somehow. Moreover Mr Artajo had explained to me the context of these 2 conflicting directions “drift down” and “ignore the drift”. There was a sensible reason for this inherent conflict to exist actually: there was no “system” left to survive about this “tranche book of CIO” soon enough. Indeed I made also a reference to what “New York” allegedly believed. That “belief” actually plainly explained the instructions of March 6th 2012:

FCA: “Okay, thank you. And if you move down to lines zz onwards, you say, “However, if there's no reason — you see, what he doesn't want is that the people are under the impression that in fact we lag — we lag — we lag to acknowledge the losses.” So does that reflect the instruction you previously described that Javier gave you to ignore the drift?” IKSIL: “Let me check. Where is it, xx?” FCA: yy to zz. It's lines xx to aa on the translation you provided. **[14 seconds of silence(It should have been “14**

seconds of reading” as I am just checking what the FCA version has versus mine since this question is crucial)] IKSIL: Yes. What -- what I'm saying here is I refer to what Javier explained me about **the perception of New York, that thought basically that the book did not make this 400 million year-to-date in 2011**, that in some ways, we had pushed the prices by trading and inflating the value of the book towards the end of the year, and that here, in 2012, we were sort of, you know, hiding behind this drift and this thing to actually delay in time the acknowledgement of a loss that would come versus the undue gains that we may have announced towards the end of 2011.” **FCA: “Okay.”**

Just in case one wonders what the above description conveys: the whole CIO from the very top in New York, namely Mrs Drew reporting to Mr Dimon, openly doubted the valuation of the “tranche book” that had done by her own “traders” since December 2011. But they only stated it in early March 2012. That was not new at all as it seems on surface. Yet that kind of “doubt” did not call for “complacency” at all. That at least shows that “New York”, reporting straight to Mr Dimon through Mrs Drew, was wondering what the hell was going on in this book in terms of losses year to date. And they spontaneously had “December 2011” in mind themselves. I had no such suspicion myself. One year later Mrs Drew would allege for her defense that she had been “deceived”, “let down” or “misinformed” by her London staff. But she would just never bring up any evidence of that “deception”. In that case, if she testified truthfully in 2013 under oath, she had quite a peculiar way of checking what she allegedly openly doubted since January 10th 2012 onwards to March 2012. She had demoted Mr Artajo; heard from me that this book could lose up to \$100 million in just one day and right after that she claimed that this was not a “drawdown” (sic) and that she was not “worried”. So much for the future alleged “unawareness”, “complacency”, “control deficiency”, “betrayal” right?

“New York” had been suspicious already at year end 2011 witness the Federal reserve queries, witness the 2 year end valuations.... 2 stormy months had passed where Mrs Drew had in person ordered to stop winding down the positions, “maximize P&L” instead and had heard next repeated projections from me that the book could lose another \$300 million like a snap of fingers by the end of March 2012...Mr Artajo was demoted and sent in the plane to New York to get limit extensions for Mrs Drew’s orders to be completed....Limits for CIO were extended “a volo” from New York on “temporary” basis knowingly so... And we landed in early March 2012. Mr Macris wrote to Mr Artajo that he was concerned. Mr Macris brought Mr Ashley Bacon in the loop at that same moment. Mrs Drew was “aware” of all this since SHE was making the trading orders all along.

That first quarter of 2012 was a very special moment whatever the angle one looks at it against the pretence of the FCA. The month of December 2011 had also been quite peculiar in the 6 years of life of this book that was to be “taken down”, ie “dismantled” in good English. One wonders how the UK regulator, being informed in due time of this imminent “dismantlement” in late 2011, could ever imagine that there was a “system” that “traders” would want to “keep” on this book 3 months later.... This cannot be called a “bias” on the part of the FCA here. To remind again just few anecdotes dating back from December 2011 year end: the Fed had sent urgent queries and the bank made not one but two “year end closing” and had sent the internal auditors...CIO VCG would alter its process, using tolerances but without any corresponding reserve (that is called a mismarking too) and yet no change would come to the original NBIA (that is also called a mismarking as this is a plain violation of “books and records”)....No less than that... Yes there was a plan featuring Mr Vigneron where himself he was just another RWA-pawn. And on March 6th 2012, after these 2 stormy months had gone with 2

standing deliberate mismarkings (reserves and NBIA), CFO was finalizing an "action plan". The uncertainty on prices was the focus of all. The instructions of Mrs Drew sounded well justified indeed to make the clear on an already long-standing doubt related to price uncertainty. As if another coincidence, Jason Hugues at CIO-VCG was applying "tolerance bands" making official this "price uncertainty" flagged by auditors. AND, just one more coincidence, CFO was managing the "action plan" to better document the use of the tolerance by CIO for this book specifically so....But no reserve was taken and that was a mistake done at the very top as Mrs Drew acknowledged "in hindsight" in early May 2012....She referred here to discussions that Mr Macris and Mr Artajo knew of but ones that I was NOT part of in any manner....

Given that context above, I had also pictured to the FCA how Mr Dimon had actually been the risk taker on this book since 2007. The FCA would just never challenge me on what follows despite its official morphing "stories" about me:

FCA: "And when you're talking about substantiating it, are you talking about some sort of commentary that you would provide to them?" IKSIL: "Yes, because every day with the estimate, right, we had to explain what was really happening on these billions of capital that the bank was putting on those positions. And to me, I understood that Javier and Achilles thought that **because these were not our positions**, you know, we may be careless about the message we were sending or unaware of the people who would read it. Because truly I think **Jamie Dimon was reading that every day.**" So just to go further with the context, because the instructions were not this clear, they became much clearer in July 07 on the back of a big high yield trade that would be one of the backbone of the book still in 2012, as you will see later. And **Jamie Dimon wanted to set a protection for the firm on the high yield market** because the firm was number one in leveraged loan underwriting, number one in high yield bond trading, number one everywhere, and whatever was leveraged on in high yield the US. And so there was some back and forth, Javier proposed the first idea that was rejected. And there was -- Achilles came back to me saying, "Okay, you have to think". I came 'back with another solution based on tranches and high yield indices. That was a, you know, four leg trade. So it was a bit sophisticated and it involved some trading costs." FCA: "Yes." IKSIL: "And **the idea pleased Jamie Dimon like, very much**, and he wanted to do like a very, very big size. Much, much, much bigger than what the market could do. And what happened in July, so we got the "go ahead", and like Jamie Dimon, he said, you know, "1st July I want this". 2nd July-- he assumed it was there. But it wasn't, because the market was not liquid. So we had to trade. And we traded a lot. And we traded with most — almost all dealers in two weeks and after two weeks we -- Luis and I reported a loss on the position, because we were still at 'mids." FCA: "Yes."

The SEC deposition brought a better light on how Mr Dimon all along commanded the fate of this book in very fine details. Even though he was not "trading" per se, he was taking the risks in full awareness. It is likely that Mrs Drew, not amending the NBIA of 2006 to reflect the creation of "strategy 27" in July 2011, or the change in CIO-VCG of December 2011 or the change induced by the March 6th 2012 order, was here believing that Mr Dimon covered her structurally:

Q: Okay. And you also say, starting around line zz, "**first of all, for the P&L, uh, you need to try to show that the P&L is stable.**" Why did you tell this to Mr Grout in this call?... IKSIL: Because I was, again, reflecting what Javier had explained to me in relation to what he was communicating to New York... Q: And what did Javier tell you on March 6th about wanting to show that the P&L was stable?... IKSIL: He told me that **he had sent me an e-mail showing what in substance he was telling Ina. The whole debate was, as he explained me, that New York wanted the book to be**

balanced. And the first criteria of New York, beyond the risk metrics, was the evolution of the P&L, say, on week to week basis or on a month to month basis. The problem had been so far that the P&L was more and more and more negative. And as Javier explained me, **New York was in disbelief that with this growing loss, the book was actually balanced.** And he explained me that they knew about the drift, about the manipulations, and they wanted to make sure that, aside from the drift, there was nothing else in the book. And apart from the drift, the book was balanced. That's what he explained me....Q: And on this call at around line xx, you say, "but what Javier would like is if you ever see , we see a gain, we begin to report it." Why did you tell this to Mr Grout during this phone call?...IKSIL: Because after Javier explained that to me, I told him that still the drift was there, even though it had stopped recently. It was here to stay. I believed. And that actually even though the loss number was big, this was not a big change in prices. And **I told Javier--and actually, if we are going to unwind with the IB, the loss is going to be bigger.** So I told him that better was to be more, more conservative and to drift down in P&L, even though we saw nothing. And Javier contradicted me and said "no, no, no don't do that. If you see something that is really positive for the P&L? I want you to show that." So that's what I'm conveying when I say "but then be careful. But what Javier would like is", because right before I said "so this week you can continue to drift down, okay?"...Q: Okay. And you also say " what he told me is that he, he, **he is communicating about the drawdown,** saying "well it's a dealer thing, It's a thing with the street. But you see the P&L hit is bounded. You see. Ie there is no, we've taken the shoot, see."" Do you see the language?...IKSIL: Yes...Q: When you say "what he told me is that he is communication about the drawdown". who's the "he" you're referring to?...IKSIL: Javier...Q: And what are you referring to by the term **"drawdown"?**...IKSIL: **"Drawdown" is the word I heard at CIO in 09.** And my understanding had always been that it was a reference to a loss that was accumulating in significant size and was expected to grow further. So it conveys both the loss and the expectation that it's going to lead to bigger loss in the near future...Q: And on the March 6th call, did Mr Martin-Artajo tell you that he was communicating with New York about the drawdown, saying that it's a dealer thing?...IKSIL: Yes...Q: And do you see where you say "the P&L hit is bounded"?...IKSIL: Yes...Q: Did you discuss that topic with Mr Martin-Artajo on March 6?...IKSIL: Yes...Q: What did he say about that topic?...IKSIL: After he mentioned this email that we'll have to look at, he explained me that--he tried to convey the idea that, yes, it's a big number, outright, and those positions are very volatile in P&L. But that this is not a loss that cannot be recovered: that at one point there would be a mean reversion, and at one--at one point in time the p&l will hit the trough, the maximum loss. And what Javier wanted was to say more or less what was the additional loss that the book should suffer from and what then would be the expected gain from those positions....Q: Okay. And you used it-- and you said in your answer, he tried to convey the idea. convey the idea to who?...IKSIL: My understanding was to new York and, therefore, to Ina Drew....Q: Okay. Now if you look at lines xx through yy where you state "so he says, okay, if there is ever default, if there is something that hits us, well then we do like with rescap, you see, we take the slap over 2-3 days. We take the shoot and there's clearly something to flag. Right. You follow?"...IKSIL: Yes...Q: Do you see that?...IKSIL: Yes...Q: What were you telling Mr Grout there? I was reflecting--I mean, I was giving account of the discussion I just had, the exchanges I just had with Javier on the phone after Javier had told me " don't be too conservative. If you see a gain, I want you to report because I want to show that, aside from the drift, the P&L is more or less stable". And I said "yes, but if we have another loss like Rescap, or Kodak, we may have to show a big loss. It's going to come back, as we know, but the first field would be a loss". And he said "yeah, okay. okay. okay. Of course, if you have another Rescap, you show it as usual."...Q: Okay and now if you look at line zz through xx, do you see where you say, "what he doesn't want is for people to have the impression that in fact, you know, well we're lagging, we're lagging, we're lagging to acknowledge this loss." DO you see that?...IKSIL: Yes...Q: What were you explaining to Mr Grout here?...IKSIL: I was explaining to

Julien what Javier conveyed to me, that this lag in performance that was repeating itself every day, that was in the comments every day, **was making people tired of this explanation. They were unsatisfied** with that and they had become suspicious that actually we were spreading over time a loss that we knew was there from the start. And we were sort of inventing this explanation of the drift while there was no drift actually...Q: Okay. Now, if you look at lines xx and yy, you say--well starting at the end of line zz "but he told me, if you see the guys are framing prices and that this is impacting you, then well you, you ignore it, you see?" Who's the "he" you're referring to there?...IKSIL: Javier...

I would also testify on the role played by Mr Ashley Bacon. Mr Bacon's boss, Mr Hogan was directly involved in the "IRC/CRM" split of this book since February 10th 2012. Mr Hogan reported to Mr Dimon while he launched this "IRC/CRM" split that would freeze the trading on the book forever. Mr Hogan went into play right when the freshly demoted Mr Artajo had been sent to New York at the express request of Mr Macris so that I could continue executing "Ina's instructions". They all worked "for Jamie" here. On February 16th 2012 Mrs Drew had asked in a direct email to me whether the loss was due to the "forwards" of not. Sometimes she knew quite well how to reach out to me in direct. And I confirmed to her in writing that "yes" that was the case. Mrs Drew would not challenge me at all on that matter that she had raised. I do not know what "Jamie" could not catch already then in relation to the IG9 10yr, unless Mrs Drew had NOT reported back to him then in Mid February 2016 on this matter that she investigated in person. Still Mr Artajo, 3 weeks later on March 6th 2012, would convey to me that actually she had doubts. Was it ALSO something that she had NOT reported to her boss, namely "Jamie"? This is just unbelievable. And, in any event, irrespective of whether SHE left HER boss in the blind, Mr Macris would bring in Mr Bacon in the hope he would be a "neutral partner" on March 2nd 2012. Mr Macris too doubted. Mr Macris was concerned and Mr Bacon would take over, reporting himself to Mr Hogan, who reported to "Jamie"... whatever Mrs Drew did or would do....:

Q: Were you present at a meeting on March 12th?...IKSIL: Yes...Q: With Mr Bacon?...IKSIL: Yes...Q: And who else was present at that meeting?...IKSIL: So, there was Ashley Bacon, Ian Green, Achilles Macris, Javier Martin-Artajo, Julien Grout, I think Keith Stephan was there too. ..Q: And, you, you were there?...IKSIL: Yes...Q: Tell us what you remember about that meeting with Mr Bacon. What do you remember being discussed in that meeting on March 12th with Mr Bacon? ...IKSIL: What I remember was that **Achilles made the introduction. Then Javier made the presentation. Then Ashley Bacon said he understood very well all this**. And Ian Green summarized saying "okay, so let's hear you. You have a protection for free. You have a free option on the market if spread changes, and on top of that you make money if nothing happens. Sounds like a free lunch". That's what Ian Green said, "free lunch". I'm sure of this. And then **I spoke and I said** "well, there's no free lunch in this world. What you said is true but we have to pay a price. **This positioning is a nightmare in P&L**". And then Achilles Macris cut the meeting at that moment "saying "well, you can see that we at CIO, we are transparent and we are happy to answer all of your questions" And this was the end of the meeting....

I was "transparent" right? Mr Bacon and Mr Green would not ask a single question to me here ever. I was crystal clear. May be Mr Macris had much less "doubts" than Mrs Drew then. I was quite explicit and straight: the P&L was a nightmare and they all knew what I meant. The word "nightmare" is everything but reassuring right? Whatever Mrs Drew "ignored" or "concealed" to "Jamie", Mr Bacon and Mr Greene knew from my mouth face to face: the P&L was a nightmare. What else should I have said instead to make them be "aware"? That was on the 12th March 2012, ie 3 good weeks BEFORE the bank would contribute to the seminal "London whale" articles with Mr Zuckerman at the WSJ.

And 2 days later only, whatever the “doubts” of Mr Drew or the certainties of Mr Macris, here is what happened:

IKSIL : after Ashley Bacon arrived in the -- in the open space and Javier brought me with him and we had a very quick conversation with Ashley Bacon...Q: Okay. And what did you remember was said at that second meeting, and this is the one between you Mr Bacon and Mr Artajo...IKSIL: **Ashley Bacon saw us coming towards him and he said " yes, there are obvious synergies. This offset with the IB. "** he mentioned the fact that he would organize some transfer, but **he needed the regulator's approval first**...Q: Do you remember when this meeting took place?...IKSIL: it was in London on the 14th...Q: I thought we were talking about a second meeting on the 12th...IKSIL: No, no, the second meeting took place on the 14th. There was nothing in between...Q: All right, let me go back...IKSIL: Okay

Mr Bacon had taken over. Regulators were involved directly. We were then March 14th 2012, ie more than 3 weeks before the first seminal “London whale” articles and 1 months and a half BEFORE Mr Dimon would start alleging that he had not “caught it”...that also happened almost 4 months BEFORE the very same regulators would start alleging that they had a problem with a price difference that they had been “unaware of” so far...(see the restatement of July 12th 2012)... So as of March 14th 2012, a valuation was started using a third party anyway, differing from CIO and from the IB altogether... There may very well have been “other meetings” indeed with Mr Bacon and Mr Artajo since Mr Artajo was already aware of what I testify on here. But I had not been invited...I had been transparent enough no “doubt” about it. That was the standard procedure at CIO and at Jp Morgan anyway for me not to attend the decision meetings on this book. I knew very little of what was really happening for this book in terms of what the higher ups had been discussing BEFORE sending their instructions through Mr Artajo down to me. Mr Artajo was the one who attended most of the decision meetings on this book. They were involved at the top, executing instructions of “Jamie” after the 14th March 2012. Here is now another example of the involvement of Mr Dimon, albeit indirect, related to the compliance investigation. I would not be told ever inside Jp Morgan that CIO had dropped the very complaint that Mrs Drew and Mr Macris had instructed me to document for them in the first place. Mr Pinto (IB) would ask Mr Macris (CIO) to “drop it” and Mr Macris would just never inform me on that. To be sure, nobody at CIO would ever tell me that it had been “dropped” and nobody at Compliance would inform me on the matter. Would Mr Pinto, the CEO of JPM UK, ever take this initiative without the consent of Mr Dimon the CEO of JPM “world”? No. Yet this decision to drop it would never be told to me. Compliance instead would tell me face to face at one stage that they could not investigate the IB books. Who was betraying who here? Here is what I truthfully described:

Q: Mr Iksil, did you ever find out from anyone how the compliance investigation ended?...IKSIL: I can only think of an indication that Javier I think gave in the interview I read before the FCA where he mentioned that **Pinto Asked Achilles Macris to drop the complaints.** (*ie that came to my knowledge ONLY after February 2015. The following evidence here was unknown to me until September 2016 actually...*) ...Q: Let me show you what's been previously marked in this case as exhibit XXX, a transcript of a call between Mr Achilles Macris and Mr Daniel Pinto. I'll just represent to you that I believe Mr Artajo has testified that he was near Mr Macris on the day this call occurred and he overheard a portion of this call, the part that he could hear. and so my question to you is if you could just take a moment to look at the transcript and tell me if you overheard any portion of this conversation when it was taking place...Well, I can tell you I never--**it's the first time I hear of this call**...Q: Okay. Just take a second to just

Who can imagine that Mr Pinto, the CEO of JP Morgan UK, would ask Mr Macris the chief of CIO London that had been recruited by Mr Dimon in person back in 2005 for that role, to drop the "compliance thing"? But more, who could imagine that Mr Macris would agree and let me in the blind on this? Mr Macris, who had declared the "crisis mode" and organized daily "post mortem" meetings for this book, would NOT have done that "drop" without the explicit consent of Mr Dimon as well. As to the reference I would make in September 2016 to Mr Dimon in name. Here are just few samples.....

I repeated that in my "first days at CIO" I had been told that the estimate P&L was made for Mr Dimon's use:

Q: Okay. Did you have any discussions with Mr Martin-Artajo about what the purpose of the P&L estimate report was?...IKSIL: Yes..Q: When did you have those discussions?...**IKSIL: That was in the course of 2007...**Q: And what did you discuss with him in the course of 2007?...IKSIL: The purpose of this report was to go to really the higher ups in the bank. **The purpose of this report was to go to the highest ranks in the bank, including Jamie Dimon.** I was told that I should figure out that Jamie Dimon was reading this report every day. It went for sure to Ina Drew; the CFO of the CIO. And Javier explained that this was a sort of a guiding report. I had to imagine that this book was a big tanker and...

IKSIL: I mentioned "time disconnected things" where he had to extrapolate from older quotes. That's the ones I wanted him to look at, which was not his initial purpose... Q: Okay. And the older quotes you thought he should look at because those require even more judgment with respect to what the actual price levels should be. Is that right? Let me withdraw that. The older quotes you thought he should look at because they required more judgment in determining what a reasonable estimate would be for the position?...IKSIL: In my view yes...Q: Yesterday **you testified that it was your understanding that the daily P&L estimates that got sent out at the end of every day went to higher ups in the bank including the CEO Jamie Dimon. Is that right?....**IKSIL: Yes...

I also testified on the fact that Mrs Drew's trading orders since the start of 2011 were all driven by the "priority No 1" of Mr Dimon, ie the share buybacks all dependent upon reducing the RWA-"Basel III" on this "Core Credit Book" as per Mrs Drew account :

IKSIL: that was the only intelligent solution... I had to comply with the instruction that was to reduce the RWA on this book, that I could support...Q: Okay. And just so the records is clear when you say "comply with the instruction to reduce the RWA on this book", when did that instruction--when was that instruction given?... IKSIL: It was given by Javier first on early March 2011. And it was repeated very clearly by Ina Drew at the end of March 2011...Q: And in early March 2011 when Mr Martin-Artajo gave you the instruction to reduce the RWA, did he say why he was giving you that instruction?... IKSIL: He said why, yes...Q: What did he say?...**IKSIL: He said that it was a direct consequence of the share buyback plan of Jamie Dimon...**Q: Did you understand what he was referring to when he said--let me rephrase the question. You just used the term "buyback plan". In March 2011 did you know what that was? IKSIL: he gave me-- he gave me the reason, the--for the connection. **He said that Jamie Dimon had decided to place JpMorgan under the Basel III rules before anybody else.** He wanted to prove that JpMorgan was able to withstand the new regulation. **And he had made a deal with the regulators** that, if he could prove he had excess capital under the Basel III rules, he could use this excess capital to buy back the shares of the firm. Javier explained that Jamie Dimon wanted to do that because he thought the bank had too much capital, that there was not enough opportunities to invest this capital. And so he wanted to return the capital to shareholders....Q: You just discussed what Javier explained. Did you have any discussions with Mr Dimon in which he

discussed RWA or the Basel III?...IKSIL: No...Q: Okay. If you could just give me a second, I think we might be close to wrapping up.

In December 2011, Mr Dimon was the one sliding an order which would lead to “double down” suspicions in 2012. If there had been any “trader betting on short term horizons” here, that was Mr Dimon allegedly so in that instance:

Q: What did you discuss?...IKSIL: What we discussed was that this bearish bias was structural in this book and that, as he said, **Jamie Dimon had turned very, very bullish, very optimistic** on the outcome for the markets once the European Central Bank would launch a special operation called LTRO. Javier told me that Jamie Dimon expected this LTRO operation to spark a very strong rally in the markets and that Javier had heard that "this book must not lose money" in this rally that is going to come. And therefore, Javier said "this book has a bearish bias structurally. I want you to set the book long risk to balance the bearish bias."...Q: Okay. In December 2011, did Mr Martin-Artajo discuss with you the topic of reducing the core Book's RWA? ...IKSIL: Yes...Q: What did you discuss with him on the topic of reducing the core Book's RWA?...IKSIL: We discussed in 2 occasions as i remember

Yes all this string of orders of Mrs Drew was “explained” by the share buybacks of Mr Dimon...It seems unreal that Mrs Drew did all this from February 2011 until March 2012 without telling exactly what she had been doing to her boss, Mr Dimon. Her email of April 5th 2012, copying to all the members of the Operating Committee of Jp Morgan where she mentions words like “merger”, “drawdown” and “Hogan”, “presumably” in relation this “exotics credit wind down” plan of Mr Dimon, only supports the view that “yes” she had fully informed her manager and her partners here...This “complete setup” that I was talking about openly, based upon the explanations that Mr Artajo had given me on the 15th March 2012, was quite real and all driven by nobody else than Mr Dimon at Jp Morgan. All the “complete setup” that I mentioned was based upon the “RWA under Basel III standards”....It was made legitimate by the projected massive “share buybacks of Jamie”....

Share buyback and Basel III

I will make a couple of hints to that “buyback” in my testimony. Even though Mr Artajo spent hours describing to me in his office what the “plan” was in the granular and how it impacted my own job, I was kept in the blind as to the real plan of the CEO as such. The “London whale” myth would be simply one more part of the plan actually that Mr Artajo would just never announce to me. But Mr Artajo on April 16th 2012 would confess in a recorded phone call ‘available in the US Senate report exhibits’ that this plan and this “London whale” event were being “cathartic” when taken altogether (ie 10 days after the seminal “London whale” article had been contributed by the bank).

There is no new relevant extract in the FCA interview. But the extract above from the SEC deposition was the one and the only one that would transpire. Is that a coincidence? No. I was so remotely involved in what was driving the instructions on this book and on the risks that were undertaken on this book by Jp Morgan that my testimony could not bring any further light indeed. This share buyback however has been the driver with Mr Dimon at the command all along. And regulators were quite involved in this “cathartic” turn that the “London whale” myth would be for them all. It was a setup where a trader had to fall....I felt that trap by March 15th 2012 where I believed then my own bosses had been caught in by the IB guys and had used me in their fight....I only saw the surface of things here. Yet I also said that Mr Dimon was their “great commander in chief”....

Q: During this call with Mr Grout on March 16th, did you tell him that "either we do a one-off immediately before the end of the month so we don't have to worry you see?"...IKSIL: Yes...Q: Prior to this call, had you discussed with Mr Grout your proposal to do a one-off?...IKSIL: Yes...Q: What did you tell him about your proposal to do a one-off?...IKSIL: **I told him that-- all this story about the RWA, the investment spread trades, the notional increase, the fight with the IB, all this was a complete setup.** I come to realize that in the course of this week. And **I felt I had been completely used by the management of CIO.** And I was convinced that the only thing that was reasonable to do was to put this book in run-off mode so that it disappears from the radar screens...Q: That's the run-off. Q: What about the one-off?...IKSIL: And in the context I said, "we really should do a one-off, show the full extent of the loss, so that CIO management really thinks twice before growing even further this book. **Because to me it was a complete setup. That was a trap....**"Q/ And what did Mr Grout say when you said "we should do a one-off to show the full extent of the loss so that CIO really thinks twice before growing even further this book?"...IKSIL: I remember he did not disagree with me. Maybe he thought I was a bit pessimistic..."other Q": I'll move to strike as nonresponsive. the question is what did he say right? Not what he didn't say or what he thought... IKSIL: About what he did say was he sort of agreed with me on the idea that it was not manageable...Q: And what about with respect to the actual one-off proposal itself? Did he express any opinion on that idea?...IKSIL: He expressed an opinion when—....

Q: Do you see that?...IKSIL: Yes...Q: Why were you telling Mr Martin-Artajo in this email that the real choice to make is whether the book should be in run-off mode?...IKSIL: It was a response **to a discussion I had had with Javier the day before where I had realized that all this RWA thing, this reduction since beginning of 2011, all this was a set-up, that it was pointless.** Also Javier wanted to fight with the IB. he wanted to keep the IG9. It was pointless in my view to do that. And he, sort of, agreed with my point of view and said " okay, but we need options here because a lot is going on, a lot is going on". So he asked me to provide him with my--my thoughts, my ideas as to what would be best for the book...Q: Okay... IKSIL: And that's why I said the real choice is whether to decide to keep fighting in this set-up or just let the book die...Q: And do you see where you write "we would allow for P&L swings"?...IKSIL: Yes...Q: What does that mean?...IKSIL: It means that the P&L is going to range a lot, inducing at times big losses, several hundreds of millions of losses, and that's it. That's what I mean....Q: I'm going to now direct your attention to an exhibit that identified as JMA xxx. Sir can you tell us what we're looking at?...IKSIL: We're looking at an email that I sent to Javier Martin-Artajo on the 16th of March...Q: Why did you send this email to your boss Mr Martin-Artajo?...IKSIL: I wanted him to know what the divergence was worth and that it kept growing...Q: Do you see where you write "the divergence has increased to 300 now"?...IKSIL: Yes...Q: What is that reference to?...IKSIL: It's a reference to many former discussions I had had with Javier in the week where he always asked me "how much is it?" trying to--that was my impression, to lowball the number, like, if I said "it's 300"--"do you think it's 200?". I said "maybe"--"and you think it could be 100?" And I would say "no". So we ended up with between 200 and 300. And it was basically the conclusion we had come to at the end of the 15th of March. And I wanted to warn him on the 16th March that now I was convinced it was at least 300. And he should expect to consider 400 by the end of the month...Q: **Did you say "lowball" or "lower"?...IKSIL: "Lowball"...Q: Lowball...IKSIL: Lowball. Okay...**Q: And where in this email you say "I reckon we get to 400 difference very soon", what are you stating there?...IKSIL: I'm stating that the drift now is back. It's not going to stop. And Julien is close to the bid-offers as par his account. And I reckon we are going to reach to a divergence of 400.

IKSIL....you may have manipulations as in the past without this drift. **This drift, as I said, is -- is a very specific phenomenon that is observed in 2012...**Q: Okay. We can read a little farther. In line zzz, you say **"all the rest is nothing, but nothing but setup. You know"**. Do you see that?...IKSIL: Yes...Q: That's a reference to the manipulation isn't it?...IKSIL: No...Q: Well, that is the setup that you're referring to there?...IKSIL: I refer you line xx to line yy. That's the setup I'm referring to in this call that is...Q: Explain to me what that setup is that you're describing there...IKSIL: **This setup is something that is totally internal**. That's something that I come back to on line xx, that I was instructed to reduce the RWA back in March 2011. like **Javier said "your job is at stake"**. It was an emergency. It was a priority number one, blah, blah, blah. and we had realized days before that day that actually back then the split IRC/CRM could have been done and would have addressed the need to reduce the RWA without doing all those forward investment spread trades, all those notionals, would have spared the problems. So when **I say "it's a total setup" that comes from inside JpMorgan since at least the beginning of 2011**. So I tell Julien "Javier maybe doesn't realize that all this come from the inside". So he wants to fight to keep a position while his own firm is actually setting this book up for at least a year. That's the setup I'm talking about and that's it...Q: Okay. So let me go back to line yyy to zzz and still, I understand what you've said and I see how there other portions of the transcript might relate to that. But I want to go back to this..."other Q": objection to the commentary...Q: You say here "it's an online massacre and then that's all, you know. Monday we start. We had a gap of a hundred million. Now we're ending the week we have a gap of 300 million." Do you see that?...IKSIL: Yes

Q: So where you say "I'm fed up", "no drawdown", "patati patata", "it's impossible", what are you saying here?... "other Q" : again **I object** to your saying that when he said "I'm fed up", **he didn't say "I'm fed up"**. Someone has translated that as "I'm fed up"... **IKSIL: So what I said is I'm morally tired** of having to deal with conflicting instructions, which is we must reduce the RWA but we must have no loss, defend the P&L, trade with the dealers but have no loss, and reduce the book but increase it. I'm tired of this. It makes no sense to me. It's impossible to reach. So I've tried, and at that time I'm tired of this...Q: Okay. Now, if you look at hh:mm:ss on page xx. At hh:mm:ss. What are you telling Mr Grout there?...IKSIL: I'm talking about many things at the same time. I think he's about to check on tactical, having set some prices on core, and I say "but we have to report it". I ask him

Q: "review them or I did not renew them"?...IKSIL: No, Renew. Renew...Q: And did Mr Martin-Artajo's instructions concerning RWA in December (2011) influence how you traded that month and in January?... "other Q": Objection to form. What instruction concerning RWA? What are you referring to?...IKSIL: So yes. The way this RWA instruction to reduce all the time influenced the way I traded in the market in many aspects..Q: How so?...IKSIL: We're still in December 11 to January 2012?...Q: Correct...IKSIL: So first, and in a paradoxical way, this RWA instruction could only be performed in a sensible using what we used to call the "marginals", ie the first order, which were the sensitivities of the RWA figure that QR was producing on this book with regards to changes in the positions that were in the book; namely **I absolutely needed to know first how much the RWA would change from QR perspective**, if one positions had changed by a given amount so that I could make combinations of sensible trades and see whether that would lead ultimately to an RWA reduction. The problem I had had since-- **I had had since April 2011 was that QR had stopped sending updates on those figures**, and so I relied on proxies that Pat Hagan was computing for me. SO it influenced my trades in the sense that **I totally lacked information coming from QR** and I depended more and more on the approximations that Pat Hagan could do for me, which increased the uncertainty and the blindness in which I was at the time, which made me reluctant to trade actually...Q: Okay. Now sir, you referred to

a Pat Hagan. Who was Pat Hagan?...IKSIL: Pat Hagan was the senior quantitative modeler that Javier had hired back in 2008. I think to design in-house models of risk especially.

So the setup was quite clear: QR was the unit based in New York that Mrs Drew forced me to work closely with, the very same unit that would refuse to send me the data that I obviously needed to work properly. I had asked QR on behalf of Mrs Drew, by email in early April 2011, to send me the information I needed. QR would do it once only. Next QR would hear back from me with a word document of 8 pages that its model contained many very gross flaws. After that QR would ignore all my requests to receive updated information. I could therefore NOT execute the instructions that I had received from Mrs Drew and that were made "for Jamie"... I would ask Mr Artajo, Mr Stephan, Mr Weiland, Mr Wilmot, and Mrs Drew to help me on that in September 2011, ie to contact QR and tell them how badly I needed their figures. None of the persons would manage to change the attitude of QR. That was a complete setup already where I was a pawn for all.

The problem had started in mid February 2011. It was not a complete setup yet. Then Mr Artajo only threatened me about this RWA order... I had to trade, fast and a lot... After I had said that this instruction made no sense to me, I heard Mr Artajo saying "your job is at stake!" He was right about that whatever I would do next. For Mrs Drew and "for Jamie", I had to trade urgently all of a sudden and get this RWA down fast on this "tranche book of CIO". "Don't ask. Do It"... Meanwhile the bank sent misleading reports on stress test violations of CIO itself, wrongfully alleging that the breach of the whole unit was due to changes in this "tranche book". The problem for them was that I actually did NOT trade or very little since July 2010. The book had not changed or so little.... Truly my job was at stake already... But I would not trade anyway... I would not trade, despite the pressure of Mr Artajo, having then no data and no support.... Then, about 3 weeks later, Mrs Drew came along to explain in CIO London office in person that it was "priority No 1 for Jamie". As I explained then, I fully depended upon New-York QR data... That was acknowledged.... And QR would start withholding this crucial information after April 2011 already. Next Mrs Drew would order me to grow some positions in the blind- anyway through Mr Artajo- during the summer 2011 where liquidity got even worse... In September 2011 I would fly to New York to warn about the risks and this absence of crucial information from QR.... Mrs Drew would cancel 2 pre-agreed meetings with me then to finally grant me 20 minutes... The rest is known starting in December 2011 onwards.... So was the catharsis in the making at Jp Morgan that had started as soon as I had been "promoted MD-Chocolate medal" by Mr Dimon, not Mr Artajo in late 2010... It was a complete setup. The CEO had a strong motive that regulators shared with him then. They needed a "fall guy" for the il-liquidity of CDS markets that was NOT accounted for properly since 2007. The mismarking was here in the accounts of the firm in straight relation to this "core credit" "tranche book" of CIO. It was made visible because the book "diversified" the risks of the bank big time... As the regulators knew quite well...

Illiquidity

The il-liquidity in CDS markets was the very reason of being for the "Core Credit Book". This theme appeared right and center in the routine monitoring of all the regulators following Jp Morgan. Indeed CIO was investing the "excess liquidity reserve" by mandate. It carried some "credit risk" and some "interest rate risk" for the firm as a whole in order to address some long-term "liability risks". The investments of CIO were exposed like any other investment to stress scenarios occurring in financial markets. The "interest rate" risk was easily covered using swaps and US treasuries. The firm was left with the "credit risk" expressed in a "synthetic form". Only CDS markets would in theory allow the

bank to hedge this “synthetic credit” risk. In practice the bank was generating more “basis risk”, more “skew risk”. The investments of CIO made with the “excess stated liquidity” of the firm contained as well this “credit risk” synthetically speaking. They might be impaired by a fall in prices as much as any other asset held on the balance sheet of Jp Morgan. It would likely be “OK” if CIO had to sell only a small fraction of its investments in case the firm had to use its “excess liquidity” one day. But that may not be the case if the liquidity crisis was lasting and was deep rooted. Therefore that “fall in prices” would induce then a “liquidity crisis” for the bank as Jp Morgan might NOT be able to sell its CIO investments back at a sufficiently high price. That issue was known as the “basis risk”. This “Core Credit Book” was here to predate an extreme liquidity crisis per se, preventing the need for CIO to enter in a forced selling mode on its positions. All the aspects of that scenario above were perfectly rational and were well monitored. As such The “tranche book of CIO” protected the invested “excess liquidity reserve” that CIO was monitoring day after day on behalf of CFO and Treasury for Jp Morgan. Such was the plan of the CEO Jamie Dimon since 2005, when he brought Mr Macris at Jp Morgan and appointed Ina Drew as chief of his brand new CIO of the group JpMorgan-Chase-BankOne...This is why I said that the very reason of being for this “tranche book of CIO” was the known structural ill-liquidity of CDS markets.

All was clear for regulators as well on that matter. The bank did not need to source liquidity for itself on a day to day basis. Thus the role played by this “Core Credit book” was NOT to provide more liquidity day to day. The bank itself considered that – as a firm- it was one of the major liquidity provider, especially in CDS and CDO markets actually. No, Jp Morgan through this “Core Credit book” meant to predate structural deep rooted liquidity rare issues pertaining to credit markets as a whole. Thus the bank Jp Morgan prepared itself to be able to keep lending when no one else could. This is what the regulators clearly knew of in 2008 through the financial crisis, making all these calls to Mr Dimon. The bank here had positioned the “tranche book of CIO” on stress scenarios that were unlikely but potentially lethal. Which part of this book was pure speculation upon what would trigger the next crisis? Which part of this book was simply basic Asset-liability-Management for Jp Morgan? Which part of this book was rather a disguised way for the bank to say it was glued with unwanted risks? There were crucial questions that regulators had to ask and get convincing answers to....Since 2007 it felt like this book was managed at CIO as per some regulator’s “optics” rather than typical “banking business” angle. Banks indeed make credit rather than fear credit. Regulators adopt a complementary approach whereby they “fear” the situation where there has been “too much credit” granted. To understand that situation, one has simply to consider that “making credit to someone” actually is generating some liquidity out of nothing. It is as such a bet on the future that this liquidity will find a match in a future “value creation” that will appear somewhere in the world economy. This is banking business 1-0-1. At the present time the fact is that this “credit” is backed by nothing else than hope, a hope for the best. What if a crisis occurs, albeit short lived? There will be a destruction of value and therefore destruction of liquidity in the first place. There may be a “butterfly effect”, also called “contagion” or “snowballing effect”, and this was what the “core credit book” was meant to hedge the bank against. This is regulators’ optics 1-0-1. The monitoring of this “tranche book of CIO” thus sat spontaneously at the crossroads between Sarbanes-Oxley laws, FAS 157, Basel 2 and Dodd-Frank laws. The monitoring had to be close and rigorous.

Thus the ill-liquidity of credit markets and CDS markets in particular was at the center of all the decisions and risks that would be undertaken with the “core credit book” at CIO. Its deployment was done on the line of “regulators’ optics” not “banking business 1-0-1”. The aim was to spot projective

liquidity issues through CDS and mostly “tranche” markets when actually liquidity may dry up suddenly. I testified on that in front of regulators who needed really very few “clarifications” on this matter as the coming extracts will show.

On top of the many references to “liquidity” and “il-liquidity” here this somewhat counter-intuitive anecdote where the FCA “understands” that there was no such thing as a “mid” actually....I mean in real life....

FCA: “Okay. And I suppose then, following that through to an approximately \$600 million for mids, if I understand correctly, the line above, i.e. \$300 million using the most narrow bid offer spread and then approximately \$600 million from mids, do you mean the mid of that narrow bid offer spread?” IKSIL: “No, from...” FCA: “Or the mid of what?” IKSIL: “The crude mids, basically and it's to say, “Look, you should expect \$300 million more in the estimate and you still have this distance from the mids”.” **FCA: “I understand.”**

In this other extract, the FCA understood perfectly why, if you did not trade, you simply did NOT know where the market actually was. The CDS markets were done Over-The-Counter, ie out of any regulated place. Thus any consensus data was in itself irrelevant for 90% of the positions held in this “Core Credit Book” of CIO. The il-liquidity was so deep-rooted that, yes, the IG9 could be manipulated at will in 2012 by few dealers as almost nothing was trading. The prices could then drift for ages over almost any range. Almost no-one would care except few dealers who had massive IG9 skew exposures. Jp Morgan was probably the largest stakeholder on the planet in that case. And the sentence “the S9 indices are still deemed liquid” was a complete misrepresentation and known to be such by regulators and bank executives in mid April 2012:

FCA: Okay. If you move ahead to the next paragraph, there's a reference to an insistent bid for an IG9 10 year later in the day, which I think we've already discussed. “Among the other weird moves we observed today I picked this one because this is the most obvious one when we analyzed the lags we have in the core book.” So my first question is, the most obvious one for what? IKSIL: Sorry, where are you? Which paragraph is it? FCA: The second paragraph, the last sentence. “Among the other weird moves we observed today I picked this one because this is the most obvious one when we analyzed the lags we have in the core book.” So my first question is, the most obvious one for what? **IKSIL: Weird moves.** FCA: Weird moves. So you've identified that it was one of the weird moves and you say, **“I picked this one because this is the most obvious one”**. IKSIL: Yes. FCA: So it was the most obvious, the weirdest move, is what you're saying? IKSIL: Yes. I consider — I still consider that these moves, **even though they were explained by lack of liquidity**, whatever, they were still move -- weird, **not in their nature but in their magnitude**. They ~were fundamentally -- they could be understood this way. That's what I thought initially in January but in February it has taken, you know, for example what was very strange is that, as long as the market rallied a lot you could understand the drift of these less liquid instruments and therefore the lag in the performance. But in the second half of February, the markets, they don't really rally anymore and still the drift keeps going. So here, I really wonder, you know, why, and so that's weird and that's the most obvious one, indeed. FCA: And when you say, “the most obvious one when we analyzed the lags we have in the core book”, what analysis of lags are you talking about there? IKSIL: You remember the 20th? We have several lags. We have a lag in the high yield forward spread investments, we have a lag on the i-Traxx, S9 forward spreads, and we have this lag also on the IG9 forward spread. FCA: And did you -- was the fact of the lag something that prompted you to trade? IKSIL: Yes, well, that's why I waited since mid — I asked Javier, you know, his authorization to let the short risk accumulate through the protection

boughts (*I meant "purchases" here- my bad!*) and I explained him that I had to wait if I really wanted to capture, say, the economic value that was showing up day after day, slowly through the drift.FCA And why did you have to wait?(*typical cross examination here*)IKSIL: Okay, because these drifts say was 1/8th of a basis point and if I traded I had to pay two basis points. So basically to get 1/8th, I would pay one basis point and 7/8th. So I was fooled by myself here, you see. I had to wait typically eight days, and in eight days I would have one full basis point of drift and I could hope trading one basis point better than the bid. But actually I would just add zero trading cost from where the P&L was eight days before. That's all.

In this other anecdote, I explain that on March 30th 2012, based upon one IG9 10yr quote that I had not seen anyway, it was possible that the daily estimate P&L would vary by about \$100 million all other things remaining unchanged (Mr Grout had had so far a \$200 million daily estimate loss when he would call me with his new result based upon one new quote that I had not seen anyway)....that position on IG9 10yr weighed just 15% of the book in risk terms....Thus it was clear that a \$600 million uncertainty prevailed day after day about the year to date estimated performance from CIO London.....Irrespective of whether we at CIO London should have picked "mids" that actually were nonexistent, the bank and the regulators had to enforce a \$600 million liquidity reserve since 2011. They had NOT done THEIR job since 2007 and my interview confirmed that:

FCA: "Understood, thank you. So let's move on to 30th March, if we may. If I just take you to two tabs to put things into context and then we can just discuss the events on the day. So the first tab is tab xx which is an email from Julien Grout to Javier Martin-Artajo and Bruno Iksil dated 30th March 2012. The subject is "Today's P&L". The bate number is zzzzzzzz and in the email Julien says, "**Hi, Javier/Bruno, the latest estimate for today's P&L is (\$117.6m)**".(*it is a loss*) And then if you look at tab xx, that's an email from Bruno Iksil to Julien Grout dated 30th March 2012 subject "Re: Today's PNL". The bate number is xxxxxx. The bottom email is from Julien Grout and he provides an estimate of (\$138m) (*it is also a loss, being larger than the one above*) and then you respond to him, "Approved, please send". So given that Julien sent two differing amounts via email representing an estimate for the P&L on that day, **can you sort of explain to us the estimation process** on that particular day on 30th March and what the order of events was please."IKSIL: "So, at the time, usually I am not working in the office on Fridays. I commute back to France on Thursday afternoon and I work from home on Fridays. On that day, I stayed in the office and I took the train back to France at 8.00pm London time. So I'm in the train and if you travel to France you will notice that you go through tunnels so I had very poor communication and if it's out of the tunnel or the speed of train, so the communication was scattered. At the start of the day, and that was not customary, Julien asked me to validate his result at the end of the day." FCA: "So this was a conversation that you had face-to-face with Julien whilst you're in the office? IKSIL: "Yes. Yes, on the Friday morning and..." (*The FCA interrupts me here, diverting me from what I was about to say as an answer. Next the FCA will pretend that I had diverged on my own. That was plain wrong*) FCA: "Did he explain why he wanted you to validate it on that day?"IKSIL: "Yes. I mean, I don't remember exactly the words but I have..."FCA: "If you can recall the gist of it." IKSIL: "My recollection of this is -- the reason for his request, he was afraid of the fact that the method had changed and that through month end, most likely typically VCG would observe a material difference between our prices and the mids and even though I told him that the instruction came from Javier, that Ina was aware, that everyone was on top of it, he said, "Yes, but I don't want to look like the guy who does that without any written instructions". So I said, "Don't worry." I am confident on that. "All I ask you is that you stick to the golden rule of thumb; you stay in the bid offer spread. You do no fat finger." Because Julien is customary of doing fat fingers under pressure he ..." So a fat finger is like, you know, you have a price of 100 and you're

keying in 199 whatever, you know, and it's very bad, you know, when comes the check——why did you put this number? It doesn't look serious, everyone understands but I said, “Look, you've got to be extremely, extremely careful. Nothing out of the bid offer; that you should not pollute yourself with the change, that everyone is aware of this. Don't worry”.

As the FCA saw in the evidence of February 2012, the IG9 10yr was NOT liquid. It was barely trading even though I was offering the market players to trade around “mids” precisely so....The fact is that there was no mid until Mr Weinstein needed at New York close for February 2012 month end to try and push the prices in his favor....

-FCA: But it's still —— but you recognize that it's of benefit to you to do the trades and that's why you enter into the trades... ...IKSIL: I have no choice. FCA Why do you have no choice.... IKSIL: **Because I have to cover this protection on high yield that I need to do. That's the number one priority** I have, and the preceding priority I have to respect is to maintain the book in a slightly long bias. But you really need to look at the chats because you will see what I'm saying, that I'm just not moving, it's the buyer coming to me in an aggressive manner. FCA And when you get to the point where you have covered the high yield, what is the reason for trading beyond that? **IKSIL: Because I've been fishing for a care on IG9 for three days already** and we are 30 minutes before the close. I mean, you know —— I don't remember, maybe -- Julien as well, maybe I'm the only one in the room because I'm freaking out because I know that Javier the morning after is going to tell me, “You told me you were to -- you would cover the short bias”. So when the guy is coming. I'm very happy, I'm — phew-- you know, I was good to stay. It was good I stayed. So, I won't —— I will do a little ‘bit more rather than a little bit less because they will look at the color of the number, you know, they want to see the book long risk not short risk. So I will do a little more and then as the thing is coming I wish I could buy protection more on high yield but I couldn't, the guys were not showing anything

There was almost no liquidity in IG9 markets. I had alerted Mrs Drew, Mr Macris, CFO, risk managers face to face since March 2011 on this matter. I had been fully heard, and would be fully understood in repeated occasions for months and still I was continuously ordered to keep trading in February 2012. Then the result of all my alerts had been that Mr Artajo had been demoted by Mr Macris, Mrs Drew and Jp Morgan Human Resources. It had been done in such a way that Mr Artajo could not claim that it had been a constructive dismissal. Thus Mr Artajo was glued to this “tranche book” and he was told to instruct me to keep trading on IG9 still...What a strong incentive for Mr Artajo! Did Mr Macris and Mrs Drew and HR hope really for a “happy end” on this book? No, they knew a scandal was in the making already in early February 2012. So Did Mr Artajo himself. Hence his acceptance of his demotion.... Such was the setup where he was then to fall along with me, unless he was very, very faithful with his bosses and he finally trapped me for good....The NY September 2016 deposition would bring a bit more details on this well known il-liquidity of the IG9 and others....

Here is for example my account of what the freshly demoted Mr Arajo was telling Mr Macris and Mrs Drew on a daily basis almost in February 2012 about the il-liquidity and other related issues like the losses:

IKSIL:that we had that they were moving the prices against CIO that was creating a big issue, that **if we interacted with them they did not offer any liquidity--any liquidity or very small**. This led to very expensive trades to execute because we couldn't trade where we wanted to trade. We traded at worst prices. **So that was a loss anyway. That was painful...**Q: Did you have any discussions with Mr Martin-Artajo on the topic of trading to limit the pain in January 2012?....IKSIL: yes...Q: What did

you discuss?...**IKSIL: Javier used to say that what I did was damaging the plans of CIO for this book, that all this was painful. This loss, this framing, those reports** were--we kept reporting losses day after day that was setting Ina And Achilles on alert every day. Ina was calling him every night--Javier told me Ina was calling him every night. He could not sleep. So he wanted to keep trading, keep being in the market, keep defending the P&L...Q: OKay. Sir, I'm going to ask you to look now at another exhibit, zzz. Do you refer to "damage" there, the term "damage", what are you referring to?...**IKSIL: I'm referring to an expression that Javier had** when he commented on my communications, or my way of executing the instructions, that all ended up in "damaging the plans that CIO had for this book", those plans being to balance the book in risk, avoid this collapse with the IB, avoid this growing loss, reduce the RWA....Q: Now sir, prior to you sending this email, did Mr Martin-Artajo know that you would be making large trades that would add to the notionals in the IG9 position?...**IKSIL: He knew that I was doing those large notional trades but he didn't know the full extent of the trades that had been done late that day....Q: Okay. And why did you believe that he knew that you'd be making large trades that would add to the notionals in the IG9 positions that day?**

Well that is obvious how I knew that! I was ordered to do it. In response I was alerting that it was illiquid, costly, dangerous, overexposed, too visible...Mr Artajo said many times that I was damaging the plans of CIO here through my emails and slides. And, despite his demotion, he still ordered me, along with Mr Macris and Mrs Drew, to "keep trading on IG9"! This "damage" was of a peculiar nature. The next extract is another anecdote showing the lack of liquidity. In 2012 many dealers sent quotes but they were almost never ready to trade on their own quotes. They were all just "indicative" and anyway did not give way to any volume.

Q: Now. You spoke previously about this concept of defending the P&L. Can you tell us why you were telling Mr Grout in this communication that "we've got to hit Itraxx now?"...**IKSIL: Let me check first. Yes, okay. I can tell you...**Q: Why were you telling him that on January 30 2012?...**IKSIL: I am telling him that because if we want to refine our perception of where the market really is, we need to indeed interact with the dealers and we need to be a bit, I will not say aggressive, but I would say that, like, we cannot be shy really. We really need to go and try it with those guys. and it's explained on the follow actually, because they're cheating, they're hiding. So you've got to go after them...**Q: Okay. When you say "hit itraxx now", is there a specific Itraxx position that you're referring to?...**IKSIL: I am not sure. It can either be crossover, or main, on the run or the S9 positions**

Here I am candidly asked about the last quote on March 30th 2012 that brought up a standalone \$100 million reduction in the daily loss whether that "looked ok". I could not tell either way....

Q: Okay. And at the time you sent this communication where-- at 16:30:38 (NY time), where you say "remove the most aggressive", had you looked at Mr Hassan's run?...**IKSIL: No...**Q: Where were you at the time of this communication?...**IKSIL: In the Eurostar still...**Q: And you wrote "we have a bit of room there". what were you referring to there?...**IKSIL: To the level of loss that Javier expected before I left the office that was at 150 million. Julien just announced me that he was at the time at a lower loss, at 117 million. So I thought it could be more conservative maybe on some prices, and get from--- a loss of 117 to something close to 150 million....Q: Okay. At the time of this chat when you're on the Eurostar, do you have Mr Grout's March 30 prices for the instruments in the core book in front of you?...IKSIL: no**

Next I am asked whether this run from Nomura was the cause for the improvement....

IKSIL: It looks like it, but I cannot tell. I cannot tell whether including this run from Nomura he had not also adjusted other prices as he would otherwise, on the follow, considering other runs that he did not mention specifically. And I don't know when he did that inclusion of the Nomura's run. **He was still down 200 on the down, or down 117, or whatever. I don't know.** I cannot tell you that the connection is there...Q: Okay. You can't say that the Nomura run itself had an \$83 million impact?...IKSIL: I cannot tell...Q: Okay. It's possible that that's the reason for the \$83 million difference but it could be other things as well?...IKSIL: It looks unlikely, but it's possible yes...Q: And \$83 million difference, if that was all as a result of that run, would that have been about 2 basis point change in the IG9 price?...IKSIL: That would have been a change of 2 basis points on the IG9 10 year price with no change elsewhere, which is I believe very (*"unlikely" indeed. This was a lot at this time of the day. This is why I cannot tell and why I suspect that Mr Grout adjusted other prices right on the follow once he had included this run here of Nomura. But that was "possible" still given the lack of liquidity and the lack of certainty in the prices we received*)

Dealing with the lack of liquidity in CDS markets was the daily activity around this "Core credit book" at CIO. All had been designed to monitor the book quite thoroughly on this matter in particular from the very start in 2006... Hence the very special valuation process at CIO London that would be born from the special focus on the known lack of liquidity of index CDS markets. As I explained before that special focus was the reason of being for this "tranche book" to exist at CIO within Jp Morgan from the very start!... hence also the absence of budget or limits... hence the straight control of Mr Dimon... hence the highly delegated execution though 1-2-3 hierarchical levels from Mr Dimon....hence the shared responsibilities between Treasury, CFO, CRO, Compliance and CIO top of course....hence my structural absence from any decision making forum... hence the complete transparency of my role that appeared so clearly through the "millions of documents" in the subsequent investigations....hence the absence of will from regulators to even talk to me between 2006 and 2012....to be precise here, before July 2012 whatever was in the media anyways....

Thus these 5 realities showed ongoing processes that prove the close and almost complete involvement of the regulators in the very genesis of this book. This means that not only they were 100% aware of the 5 facts but also perfectly aware that this "London whale" tale was a fiction at every point in time. They participated in it and even fueled it after June 2012...They started being quite active participants in creating the fiction in July 2012 when they endorsed this fake restatement based on a fake mismarking. This is my story, the real one. That one unique story was also unfolded in my testimony: it followed 3 dates that in real life determined the fate of this book in full and were systematically emptied of their significance in the future morphing official "stories". This series of 3 crucial dates, paving the real story, is what is going to be sketched with additional extracts next.

3 dates

At this stage it is not surprising to read that 3 key dates would deliberately NOT be the center of the "investigations" even though they had determined 100% of the trades of 2012, 100% of the market manipulation, and 100% of the targeting around my name in the cathartic but fictional "London whale" tale. That also was obvious in the "millions of documents" and in my answers consistently so. The 3 dates were also revealing the genuine mismarking as much as they were for the fake mismarking. The dates were:

- 1- November 2011 when "credit hybrids" tranche business was shut down,
- 2- December 2011 when a double 'year end' was done under Mr Dimon and the Fed oversight

- 3- 23rd March 2012 when Mrs Drew pointed the finger back at Mr Dimon and the Operating Committee of Jp Morgan in a pure gesture of hers

The following extracts shall be scarce since no investigation looked at the facts in the way that the "millions of documents" and my testimony consistently suggested. Still it is good to read that I was again crystal clear, truthful and consistent from 2013 to 2018....

November 2011

November-December 2011, that was the deadline moment ("by 2011") announced by Mr Dimon publicly in September 2010 that was targeted to put the "Core Credit Book" of CIO in "run off" mode. Following up with his announced plan in November 2011, Mr Dimon started then with closing the IB "tranche book", namely the synthetic tranche business of "credit Hybrids". The IB "tranche book" thus was closed. A lot of instructions came from the very top of the firm and from the FED in particular for that to happen. The event is totally concealed and yet totally tied to the "tranche book of CIO" itself.

It is worth reminding this reference to the "doubt" from New-York that had originated through November 2011 month end. Then the bankruptcy of American Airlines brought an instant gain of \$400 million in the book while the IB sent "bad collateral marks". This collateral issue was worth \$300 million and was based upon the marks of "credit hybrids" that was closing. Thus the "doubt" was around the fact that CIO had lost back the \$400million through collateral issues, ie price uncertainties:

FCA: "Okay, thank you. And if you move down to lines zz onwards, you say, "However, if there's no reason — you see, what he doesn't want is that the people are under the impression that in fact we lag — we lag — we lag to acknowledge the losses." So does that reflect the instruction you previously described that Javier gave you to ignore the drift?" IKSIL: "Let me check. Where is it, 10? zz to zzz. It's lines zz to zzz on the translation you provided. [14 seconds of silence] Yes. What -- what I'm saying here is I refer to what Javier explained me about the perception of New York, that thought basically that the book did not make this 400 million year-to-date in 2011, that in some ways, we had pushed the prices by trading and inflating the value of the book towards the end of the year, and that here, in 2012, we were sort of, you know, hiding behind this drift and this thing to actually delay in time the acknowledgement of a loss that would come versus the undue gains that we may have announced towards the end of 2011." FCA: "Okay."

I had advised to add a "cushion" of about \$300Million that CIO-VCG Jason Hugues picked. He elevated to CFO who next canceled out this "cushion" for November month end 2011. Thus I had been overridden in full knowledge here. The FCA checked on my account that was truthful:

FCA: "And can I just clarify the meaning of the word "lag"?" IKSIL: "Yes, it's not — it's not — the lag -- the lag in performance that is coming from the drift of IG9 here, it's just that -- what I just describe, right, that we just delay the acknowledgement of a loss that we knew from day one in 2012 we had to take to offset the undue gain that we may have shown in 2011." FCA: "Okay, thank you. If you turn over to the next page, so that's the Bates number ending in xxx..." IKSIL: "Sorry?" FCA: "xxx" IKSIL: "Okay." FCA: "So I will read from line a to b. You say, "Okay, so what I explained to Javier is that it's 3 BP on IG9 [I'm not sure if that's a typo], 4 BPs on S9." IKSIL: "I think -- let me check. It must be IG9. It must be IG9. Yes, IG9."

Thus all this suspicion had come from a sudden gain that I had advised should be reduced with a big "cushion" equivalent to the gain itself. This "cushion" would be nullified by VCG and CFO at the time.

There would remain a "doubt" for sure that was directly related to the fact that the IB prices from "credit hybrids" were "bad collateral marks" for CIO since then...costing about \$300 million as per Mr Artajo account to me in December 2011... was the IB right here? This "doubt" weighed on the shoulders of VCG and CFO in December 2011. As explained before, this "\$300 million" issue standing between CIO and the IB had been identified by controllers since September 2011 at least. Thus this "doubt" uncovered a mismarking suspicion that was already well present in December 2011. But then CFO was responsible for it clearly so. If one questioner of the SEC deposition is to be believed, this of course was known by the CFO of Jp Morgan at the time.

In that context quite weird instructions and queries would surface in December 2011...But before let's see that through my SEC testimony I would provide a bit more background to the situation of November 2011 whereby the "strategy 27" was here to facilitate the internal collapse with the IB and the subsequent "run off"

IKSIL: On the left hand side, you have the core credit book and the arrow going on the left in pointing at the year to date P&L of the new investments. This is the nickname I put for the **forward spread trades that were approved in the summer of 2011**. This number, if I remember well, is extracted from **strategy 27 P&L year to date**, if I remember well. On the right hand side you have the tactical book and you can see that 2--the block 4 is actually very successful. And you can notice that block 4 and this strat--this new investment P&L were behaving in a very different way. You had one that was down while it should have been up in the rally because it was a long risk position. And you could check that, if it had not been implemented with such visibility and targeting, expressed in slightly different forms, actually it would be very successful because it would have mimicked very well the variation in the market...Q: did this information shown in these 2 graphs relate in any way to your opinion at this time that the dealers were manipulating the prices?...IKSIL: It did relate in some way, yes.

Here was a direct hint at the explanation of the real situation where regulators were like very, very, very, very involved...in November 2011 and onwards....

IKSIL: **And Javier had explained me that although Credit Hybrids and the core book in tranche positions were diversifying the risks of the bank, there were big offsets, this diversification benefit was not accepted by the regulators. And that's what had prompted this internal collapse back in late 2011.** And so the idea was to actually externalize, ie transfer the tranche positions both of credit hybrids and the core book to a hedge fund that I thought was Blue Mountain. That's the reference to me that Javier is making here. The hedge fund I thought was "blue Mountain"...Q: Now I'm going to direct you to

That was crystal clear and truthful. This is what happened actually... Jp Morgan did NOT wind down the CIO positions in the markets... It did not have to of course. This "tranche book of CIO" was not a "risk taker" at the firm-wide level: it was mostly hedging the "risk taker", mostly "Credit Hybrids" at the IB of Jp Morgan. Here was one more confirmation as to why Jp Morgan did not need to wind down the "london whale" book in the markets in 2012..

IKSIL: So Javier described that the stronger the position of CIO, the more CIO has the ability to negotiate a better price for CIO...Q: Okay, now, with respect to the language "settle with the IB", what is that a reference to?...IKSIL: That's a reference to the **ongoing talks to collapse in particular the tranche positions between credit hybrids and the core book that started to my knowledge, in**

December 2011. And that turned into a dispute, a row between CIO and the IB. And it felt to me that the discussions were not leading to an agreement, but rather a fight. And there was a need to settle this fight, settle with the IB, find a truce, find an agreement ultimately....Q: Do you see on page xx, starting at line yy, there's a reference to the **"CRM that we need to externalize"**?...IKSIL: Yes...Q: What do you understand Mr Martin-Artajo to be referring to there?...IKSIL: He was referring to the CRM, which is the component of the RWA figure that relates to the tranches, the correlation...

Some evidence would show that the IB was mismarked in late 2011...The bank had to "correct" that but in a way that created tensions since the "blue blood", namely the IB of Jp Morgan, could NOT be sacrificed. That IB was 50% of the banking behemoth. If the IB died, so did the whole bank JPMorgan-Chase-BankOne. CIO weighed only 15%. It was an obscure unit that was a "client" of the IB mostly. CIO represented nothing of the public image of Jp Morgan. CIO could be "sacrificed". This is the heart of the cathartic role played by the "London whale" myth... better was to sacrifice an obscure "trader" at CIO rather than kill the whole IB of Jp Morgan....

Q: can you tell me what it is that you learned recently that made you think there was a problem with the december 2011 profit and loss?...IKSIL: Well i can tell you. It's in one document that you showed me, I think...Q: Oh the big spreadsheet?...IKSIL: Yes, I'm not sure of the number...Q: 336 million?...IKSIL: It's--I don't know. It's XXX I think...Q: Okay. That was the spreadsheet that showed the difference between the front office value and what the value of the positions would have been had other benchmarks been used at Decemner 31? It's--..."other Q": Objection. Objecting to the foundation...IKSIL: **It's an email from Jean franois Bessin dated May 3rd, subject CIO price variance analysis september 11, april 12.** And for me , and for me, I saw the numbers. **I saw that there were more than 300 million difference between totem ICE and credit hybrids.** So I could imagine that CIO had big difference with credit hybrids given my own experience with the credit hybrids guys. But I thought, from what Julien told me, what Javier did not tell me, and from the report of Jason Hugues that I saw, having heard of nothing, 300 million difference against ICE-Totem, I thought I would have heard of that. I would have been told. And no one told me anything. And then I reconciled with things I read in the senate report. And I said "okay, there was a problem in December for sure. for sure"...Q: OKay...IKSIL: And then I heard several times, you know, the typical question, "what--what kind of 300 million you're talking about? Is it your slides? Is it divergence? Is it my slides, my first presentation, is it divergence? Is it year to date? What is it exactly?" And suddenly I remembered that Julien had told me the first day that when I arrived he had initial metric of 250 million.

IKSIL; If I look at the columns L and M showing the price difference between the front office marks and the TOTEM/ICE marks on the IB credit hybrids marks at 30 September 2011, what this column tells me is that the **IB at JpMorgan was marked much farther away from these benchmarks than the CIO.** **Q: Do you have any knowledge of that?...**IKSIL: The only—"other Q":...objection to the words "by that"....IKSIL: Yeah. What do you mean by "that"?...Q: Well, do you have any knowledge, any personal knowledge or any knowledge you can share with us why it was that the IB at JpMorgan was so much farther--had marked their books, their positions so much farther from these indexes and these benchmarks than the CIO in September of 2011?...IKSIL: The only knowledge I have of that was what Javier told me once in December 2011, and later on in beginning of 2012, yes.

Q: okay. Are you satisfied that that's been disclosed to the chief financial officer of JpMorgan and not concealed from him?... "other Q": Objection to that. Objection to lack of foundation. Objection to basis for the witness's knowledge... IKSIL: Yeah, I'm confused by the word "satisfied". All I can tell you it seems obvious to me that, as I always believed, the price differences were transparent, but....Q:

okay. All right. Let me ask you a few questions as we start to wind down in time here about a letter that I started asking about before. And I didn't want to have run right up to that seventh hour and have--have the examination stop. So let me--what exhibit is this? Exhibit ZZZ. Can you pull out exhibit ZZZ there? While they're looking for that, the spreadsheet that we were just talking about, when did you first see that spreadsheet?

I saw it in September 2016...The whole background for the scandal was sketched by my answers:

IKSIL: And I relied on him...Q: Okay. Now I might have misspoken and said I referred to Pat Hagan. I meant you referred to Pat Hagan...IKSIL: Yes I referred to Pat Hagan. Yes...Q: Just to note for the record. Sir, **in december 2011, did the topic of unwinding the book come up?**...IKSIL: Yes...Q: How did it come up?...IKSIL: Well, it came up first with this instruction of Javier to me to go and see the IB traders, since Credit Hybrids had closed. Then at the same time I--I took advantage of the big gains that came from American Airlines to unwind as many positions as I could with regards to the RWA reduction instruction. And I realized--and that's the second aspect where my trading was influenced--**I realized and communicated that reducing the book by 10 or 20 percent in the best conditions had cost 200 million**, which meant that it would be extremely difficult to unwind with the IB at a decent price, or a less decent price, if possible...Q: In December 2011, did you--well you said "unwind with the IB". Were there discussions in December 2011 about unwinding with the IB?...IKSIL: Yes...Q: Okay. Who did you discuss that topic with in December 2011?...IKSIL: Javier...Q: Are those discussions you talked about approaching the credit index desk at the IB, or is it something else. Can you give us a brief description of what those discussions entailed?...IKSIL: Yeah. There was a first discussion, as I said, where **Javier asked me to go and talk to the IB on tranches**. So these were the credit Hybrids traders. And I went to talk to also the credit index traders. And I had a very limited success. And I went back to Javier, explaining what I could do and what I could not do. And then we had a conversation where Javier said that that's what he feared, explained me that **he was not surprised by what I was telling him because the IB was setting bad collateral marks to CIO**...Q: Is that "setting" or "sending" bad collateral marks?...other Q: did you say "setting" or "sending"?...IKSIL: I understood "setting"...other Q: Okay...Q: Now sir. Did you say previously that a credit desk at the IB was closing or something to that effect?...IKSIL: Yes...Q: Okay. Can you--I missed part of that. Can you explain what was happening?...**IKSIL: What was happening is that a desk called Credit Hybrids, which was market-making markets for tranches in CDS and all sorts of complex derivatives products based on credit default swaps, was closing its activity on tranches**...Q: Did you have an understanding in December 2011 why the credit hybrids desk at the IB was closing its activity in tranches?...IKSIL: I had one yes... Q: What was your understanding?...IKSIL: My understanding was that they had many problems at the same time. They had too much notionals, **too much skew exposure, no liquidity** in the index tranche market to hedge their own risk at a decent cost. And on top of it, they had no--not a lot of activity in the tranche market anyway...Q: Okay. Let's--okay. It's--one of the things you said was that they had too much notionals and too much secure exposure...IKSIL: **No, no, too much skew exposure...s-k-e-w**...Q: Okay thank you. So what was the basis of your understanding that the credit hybrids desk had... "other Q" well do you want to make a proffer to me as to what his understanding that credit hybrid desk had too much notionals in the credit hybrid desk in December 2011 has to do with this case? Just in 2 sentences, 3 sentences, tell me why it's relevant and I'll stop objecting...Q: How about I do that proffer when it's your turn to ask questions? But right now I'm going to ask the witness to answer the questions that I'm Asking. Can Madam Court reporter read back the question? [record read]...IKSIL: **The basis for my understanding was both discussions I had with Javier face-to-face and**

discussion that Javier, Tolga Uzuner, Achilles Macris had had back in 2008, when Tolga Uzuner had just joined CIO from Credit Hybrids...Q: Okay

There was nothing new at all here. After the closing at Credit Hybrids the “tranche” book of CIO was to collapse very soon. That was simple. That was planned since late 2010. That was in the interest of the bank with regards to firm-wide RWA figures and diversification benefits that would not be gained any longer. And yet weird instructions and events would surface in December 2011...The bank and regulators still had to preserve the IB of Jp Morgan in all this coming catharsis.

December 2011

December 2011 would start with a clear override of Mrs Drew. The \$300 million “cushion” that I had advised to put against the sudden \$400 million gain obtained from American Airlines bankruptcy was overwritten from the VCG/CFO control of month end for November 2011. That was done by CFO with Mrs Drew plain awareness despite my short meetings face to face in September 2011. It is useful to provide at this stage a short script of the subsequent events of December 2011 that I know of...

That was a “done” thing for Mrs Drew as of December 5th 2011: my cushion had been overridden by CFO, the IB “tranche book” at “Credit Hybrids” had been shut down, she had received instructions from Mr Dimon for this “tranche book” of CIO, and the IB tranche traders would refuse to wind down positions with me. She was already preparing her trip to London CIO scheduled the 9th December 2011, a Friday. She was not open to discussion. She just had orders to convey here in person. Then, following her agenda and reporting to Mr Dimon straight, she would have a quick meeting with Mr Macris, Mr Artajo and me. She was quite tense and would display some nervousness about the “RWA”. She would cut my answer to her question about American Airlines, “fine! This is what we want here at CIO, cheap options on defaults. Renew these positions!” Was it a “guidance” as she would allege later for her defense under oath before the US Senate Commission? It did not sound like a “guidance” at all when I was in the room. She never was either “hand off” or unwilling to decide what to do anyway on this book since 2007. The very opposite was and would be the rule still in 2012....There would a dinner with her that same day of December 9th 2011 in the evening. She would have a bitter tone and acerbic remarks to many invitees making fun about their plans for Christmas. Why did she ask all of us in the first place to describe shortly our plans for Christmas then? She ran the show and she left early the dinner, not taking the desert, stating “I am taking the plane tomorrow. I am tired. As you know I have a family too. I brought you a present that is here”. She would not say what it was and why she made us this present. She walked out of the dining room in silence and disappeared. Her “present” was a book titled “Talent is overrated”. Then, right after that she left. Mr Macris would read aloud the title to us and throw the book in the middle of the dining room “Talent it overrated... What is this b...t!”. And we would all leave the dining room on the follow. I do not remember anyone taking a sample of the book before leaving the room....

Mrs Drew had many reasons to feel bitter, acerbic, tense and very concerned actually about her “tranche book”. But she would never elaborate on that in front of me. All I knew was that she was obsessed with “RWA”. Instead she seemed rather “pleased” but straight since she ordered me to “renew it!” Back to my job then, I had been already trying to wind down the positions with the “credit hybrids” trader who had turned me down explaining that their marks were NOT where the market actually was. And Mr Artajo had already explained that the IB was setting “bad collateral marks” for this book of CIO. On, the 15th December 2011, Mrs Giovanetti Allison would convene me to a phone call with Mr Wilmot (CIO CFO reporting directly to the firm-wide CFO Mr Braunstein). That was unique

in my 6 years at CIO for me to talk to CFO in direct. It would turn out to be quite useless as she said in advance when she convened me to the call. But she needed me to tell the CFO in my words what she told me she had already explained to the CFO, ie what this “\$300 million” amount was in my slides as per my own analysis and projections. I explained what Mr Wilmot had anyway already heard through Mrs Giovanetti. It was the same that I had conveyed through the face to face meeting with Mrs Drew of the 9th December 2011. There had been a \$400 million gain from American Airlines bankruptcy at November month end 2011. There had been a somewhat “\$300 million” carry gain that the positions had accumulated over the year 2011. There had been ALSO a \$300 million “cushion” that I had advised to have against il-liquidity right when the gains from American Airlines had surged. And there had been a quite comparable \$300 million amount of trading costs that the book had accumulated in 2011 due to the lack of liquidity of all the positions. I explained that this \$300 million cushion was justified by the observed estimated \$300 million of unwind costs that I had to pay in 2011. Since I expected to keep unwinding in 2012, I just projected a similar cost than the one I had had in 2011. And I reminded Mr Wilmot then that we had been quite lucky at CIO this year 2011 with the net result given that the American Airline gains were rather small compared to the trading costs that we had . That was caused by the high il-liquidity of the markets in general. I explained that this “\$300 million” carry gain that had accumulated was sort of needed: the book could not be simply “short the markets” all along or expect windfall events all the time... Unwinding would cost a fortune. Maintaining the protection would cost ALSO a fortune over a year. The American Airlines had generated quit favorable unwinding conditions that we should not hope for in the future. They were quite exceptional as such. All in all the \$300 million “carry” balanced the expected \$300 million execution costs in a normal year. 2011 had been a “lucky” year with this American Airlines gain. It should therefore be provisioned in anticipation of less lucky times looking forward. Hence this \$300 million “cushion” that CFO had erased recently across November 2011 month end....

That was crystal clear for Mrs Giovanetti who told me that this is what she had already conveyed to CIO New York. In the afternoon the internal auditors of Jp Morgan would like to talk to me just “few minutes” to introduce themselves and ask me broad questions like what my role was, what my opinion was on the economy and on the liquidity in the markets. I was an adviser answering requests that came from the top of the bank on strategic hedging needs. Next I had to execute and report on what I saw in the markets to the higher ups. 20 Minutes and that was it! No question on liquidity. No question on valuation process. No question on visibility. No question on unwinding or “taking down” the book. No question on “trading strategy” in the flesh of it. As they knew, my role was to think about “tail trade ideas” all day and report. I explained then that my personal focus was on Europe. They thanked me. I could go....

On the evening of the 15th December 2011, while I was travelling back to France, it would be announced at the last minute that on the Friday 16th December 2011 a “year end close” would be processed for this “Core Credit Book” of CIO. Unusually so, Mr Grout was “upset” although I could not figure really why: he mentioned his plans to leave for Christmas and some problems he anticipated with prices. The lack of liquidity was an issue for him. He wished I had been sitting here next to him. However that it would not have changed his own work in practice. His concern I believe was that markets were very, very il-liquid and he felt a bit lonely to make appropriate choices on prices. A second look was helpful for him before he reported to Mr Artajo as usual. The “year end close” of December 16th 2011 would go fine as it seems. I was not there, being on holiday even before Mr Grout had finished his job on the matter for Mr Artajo and CIO. But Mr Grout would then be told to freeze

his prices for the time being. That was quite unusual as well. He would not tell me at the time. However I would have to help Mr Grout few days later as some position were to expire on December 20th 2012, which induced that some key prices would end at "100" mechanically so. This is when Mr Grout would explain me his problem that he faced in his job obeying the instructions of Mr Artajo here. Thus some prices could not be frozen while the rest had to as per "NY instructions" to Mr Grout. As of December 21st 2011, Jason Hugues at had sent his price check on this quite early and unusual "year end of December 16th 2011". One has to know that even in 2008, when the markets were disrupted the "year end close" would be done as usual on December 31st. But 2011 was quite a peculiar vintage for this "Core Credit Book" indeed. As to me I was on Holiday since Friday 16th 2011 afternoon. Jason Hugues would have finished and elevated his price control inside the firm by the 21st December 2011...The Federal reserve via the OCC would receive valuation reports soon after.

Around the 23rd December 2011, by a coincidence, Mrs Drew channeled "urgent queries" related to CCAR from the Federal Reserve. That request targeted specifically this "Core credit Book" and the associated "wind down costs".....Mr Grout would not tell me about that. But Mr Artajo would call me. There Mr Artajo would convey to me instead a broader "RWA reduction" plan query where CIO was concerned as a whole unit. To him only this "Core Credit Book" could do the job of satisfying the Fed query. I was asked by Mr Artajo about that around Christmas eve and believed that it was recent since it was "urgent". It was not that recent. Mr Artajo would engineer a response for the FED. He would provide the answer drowning the "Core Credit Book" reduction into an "overall" RWA reduction at CIO projected over 2012. The Federal Reserve would come back on the 27th December 2011 with a clear query this time targeting the "Core credit Book" only. I would not be in the loop here. Mr Artajo would then email Mrs Drew that reducing the book by the first 25% in 2012 would induce a cost for CIO of \$1.1 billion. He then was saying that winding down the book was about to be \$4-5 billion already. Mr Artajo would not talk to me about this second "urgent query" and his answer. That was done in an email to Mrs Drew that she was to convey to the Federal Reserve among other watchdogs. I would discover this evidence in part only much, much later than 2012... There was nothing mysterious behind this "urgent query" of the Fed. There was nothing mysterious in the order of magnitude, ie \$5 billion to provision for this book that was to be "dismantled", that Mr Artajo conveyed to the Federal Reserve via Mrs Drew.

There was really no reason for not taking a reserve on this book in particular then, ie in December 2011....As the US Senate reported the OCC had been told right then that the book would be 'taken down', which in plain English means "dismantled". The US Senate reported as well that the CFO of CIO was explaining that the internal auditors had already written the core of their report hinting at "insufficient consideration" for fair value adjustments related to the "concentrated index positions" and the "price uncertainty" that concerned this "Core credit book". Thus internal auditors advised already on this book that Mr Hugues at CIO-VCG should now make an explicit use of "tolerance bands" in his own price control. The next day, ie the 28th December 2011, Mr Grout was ordered to resume updating the prices that he had been told to freeze since Friday 16th 2011. And Mr Grout will execute the order but he will not tell me what had happened in fact. All was fine it seems....Thus a second "year end close" will be processed without any problems as I was told. ON January 4th 2012 though Mr Hugues at CIO-VCG would therefore communicate a second report for "year end price control of VCG" on this book and would, for the very first time, make mention of "tolerances" that existed but that he had not had to use...There was no corresponding reserve for these existing

tolerances, irrespective of the use that the Mr Hugues would make of them..CFO maintained here that this "Core credit Book" of CIO did not need a "cushion"....

Here is now what I testified on in July 2013 before the FCA.....The UK regulator actually did NOT question me at all on the events described above. The UK regulator knew those facts and more. But here are few new extracts that show how in real life the month of December 2011 shaped the whole scandal.

First let's have a look at the early days of February 2012. They were crucial.... I referred already to the 9th February 2012 when Mr Macris had sent the freshly demoted Mr Artajo in the plane to New York to get as many extensions as needed in limits so that "Bruno" could continue "executing the trades for Ina". The US Senate reported that during that very same week the CFO of Jp Morgan granted to Mr Wilmot the CFO at CIO New York temporary extensions on RWA. The US Senate reported ALSO that the CRO of Jp Morgan, Mr Hogan, granted Mr Weiland in CIO New York an extension on a CS01 limit that uncovered the recent increase in the size of the book. That was temporary too. Mr Artajo described to me that, during this very same week Mrs Drew would open talks with the IB for the planned collapse announced by Mr Dimon in September 2010. Mr Artajo also told me that the CRO of Jp Morgan, Mr Hogan, "advised" to operate a "CRM/IRC" split of the "Core Credit Book" a thing that was 100% in the hands of Mr Hogan's team called "QR" and 0% in CIO's hands anyway. As Mr Hagan questioned the usefulness of this "IRC/CRM split towards Mr Artajo, I heard Mr Artajo yelling at Mr Hagan that this actually was an "order" of Mr Hogan, not a "suggestion" at all. It was NOT to be discussed at CIO anyway. Mr Artajo also told me that "Jamie wants you to trade". I could have guessed after what Mr Macris had said....The extract starts with an email of mine dated March 1st 2012 where I described the problems caused by il-liquidity in practice.....

FCA Okay. In the next paragraph there's a reference to the HY versus the IG9. You say, "Initially I sold risk in HY in front of the risk I added in IG9 10 year but the HY market could not provide enough risk versus the size I was, trading in IG9." So, I'm slightly confused by this sentence. IKSIL: Initially I sold high yield. FCA I'm slightly confused based on the explanation you've given of the need to cover the HY today because it reads to me as if you had begun the day selling risk in HY. Which is true and quite obvious on the trading blotters over the last 5 sessions...IKSIL: Yes, initially I sold risk in HY. In front of the risk I added in IG9 10 year. That's because here, after I do all this size, I'm slightly ahead of what I wanted to sell, slightly. FCA: And the reference to selling HY in front of the IG9, could you just explain the purpose of selling the HY in that context? IKSIL: Okay. Initially in February what I said, **initially in February I sold HY**, right, and as it comes to the end of the month - - okay, sold in risk because — okay... the high yield index, they quote in price, and when you sell in price you actually buy protection. FCA Yes. IKSIL: But the index, the IG9 index quoted in spreads so when you sell the protection, you actually buy in price. FCA: Yes. IKSIL: So what I sold is initially I sold the high yield in front of the protection I sold on IG9 10 year and I went ahead of -- I went -- I did a bit more when the guy lifted me like that. I realized when I sent the email that as, you know, it's just to say, "Sorry, I went through the CS01 and you know what, I did a bit too much of IG9 when it went because at the time that was New York close and I had no liquidity on high yield to match, and I still had to sell risk in high yield indices". FCA: And why were you still selling risk in high yield indices on the last day of February? IKSIL: **Because I was not done. You see, I had -- I'm throwing numbers here, right, but when Achilles confirmed around the 8 of Feb that I still had to cover this risk in high yield, I think I had like 4, call it 4 billion of high yield index to buy. In February I started with buying one -- one 1.5 billion which meant that I had to sell more or less 5, 6 maybe 7 billion of IG9,**

you know, as a rule just to balance the trade. But I was still far from the final target that was 4 billion. I just had done say, call it 1.5 billion, so I still had more high yield to sell in risk. FCA: I.e. to buy in protection, right? IKSIL: Yes, yes. FCA ; Okay, fine. IKSIL: So I know it's a bit confusing but what I'm saying is by the time I had covered the IG9 I had to do, I had the opportunity to do a bit more, which I did. That triggered the CSO1 breach and because this were the last 30 minutes of New York I couldn't find any liquidity on high yield to balance the thing.

The conflicts of December 2011 thus led through January 2012 to a major but secretive demotion, to a "temporary but unlimited" increase in the limits of CIO, and to a significant increase in the trading activity of CIO. But that did not create the "mad trader". The problems I met were so predominant that I told Mr Artajo and Mr Macris on March 1st 2012 that I would stop trading. They could fire me if they wanted to. I did not mind...There was no market in my eyes. I would stop trading in these "dead" markets. Mr Macris would then call the deputy CRO of Jp morgan, namely Ashley Bacon, right on the follow. He was openly concerned that "they" could not "defend the positions"... Mr Macris would email Mr Artajo indeed writing that he was concerned "they" at CIO would not be able to "defend" their positions on the future due to former RWA "commitments". I was NOT a recipient of this email. Mrs Drew was to have a key "SAA meeting" about this "Core credit book" on the following week. I was on holiday that week and anyway I was NOT to attend the SAA meetings even when Mrs Drew made decisions on this "Core Credit book". Mr Artajo was the "trader" for her and Mr Macris "the chief trader". Then, right after Friday March 2nd 2012, Mrs Drew would send orders to Mr Arajo, ahead of this SAA meeting. By the 5th March 2012, Monday, Mr Artajo would convey all these instructions to Mr Grout without telling me or putting me in the loop. Mr Artajo would NOT tell me about HIS orders to Mr Grout then. Mr Grout would leave me aside likewise, simply mentioning that day to me that he had a lot of stuff to do for "Javier" (Mr Artajo). They may have wanted to have me enjoy my holiday. And that same day Mr Grout would channel on his own decision an email to CIO New York chiefs as per Mr Artajo's orders to him and in relation to what Mrs Drew wanted "done" for the key SAA meeting in preparation. I was unaware of all this. Mr Grout would send a projection that the IG9 10 position alone should be expected to lose \$350 million potentially. The CRO of CIO, Mr Goldman would read that and revert to Mr Artajo saying that Mr Grout had put "New York be all over the place". Mr Artajo would have a quite tense discussion with Mr Grout criticizing harshly mr Grout's communication. And Mr grout would recognize what he had done wrong here in front of Mr Artajo. I still was NOT informed. ONLY after that, ie on March 6th 2012, Mr Artajo would try to call me a first time while I was in a ski resort 1000km away from Mr Grout and the CIO London office where Mr Artajo sat 10 meters away from Mr Grout. Mr Artajo basically wanted me to repeat what he had told Mr Grout already. He explained that my French may help avoid Mr Grout sending disrupting emails to New York again. I complied and quickly saw that Mr Grout had already fully understood Mr Artajo then, on March 5th 2012. Mr Grout also understood why he had "messed up" here with his projection even before I explained my own thinking on Mrs Drew's queries. I would spend 30 minutes to 1 hour on the phone with Mr Grout to secure all this. We would NOT discuss much the change in the estimate P&L process since Mr Grout at once assured me he got it already. That was not the problem and the reason for this call that Mr Artajo had ordered was to be found elsewhere. We would mostly discuss what I was thinking of all these queries of Mrs Drew regarding the "forward investment spread trades" on a long term basis. Next Mr Grout and Mr Artajo would work together to prepare the SAA meeting of Mrs Drew of March 8th 2012 and next the even more critical meeting with Mr Ashley Bacon of March 12th 2012 WITHOUT asking me anything again....Here is how I sketched the period before the FCA....

FCA: "All right? So the first thing I just wanted to clarify was on the second page. So this is a conversation between you and Julien, -in which you're recounting a conversation you've had with Javier on 6th March. So the first comment I wanted to take you to was at lines 5, 6 and 7 on that page. You say, "There are several things that you must do. First of all, the P&L, we have to try to show that the P&L is stable, so this week you can continue to drift down, okay, but what Javier would like is that if you start to see some gains, we have to report it." So when we were discussing Javier's instructions to you, I had understood you to have been told to ignore the drift. Here there's a reference to continuing "to drift down". Are you saying to Julien in this conversation that it was okay for him to be still incorporating the drift into the pricing?" IKSIL: "It's a problem with vocabulary. There is a former discussion with Julien before Javier calls me where I explain Julien the broader context, so this drift here is not a drift of the IG9." FCA: "And the drift here is a different instrument? IKSIL: "No, it's a -- it's a — it refers to this former conversation where **I explained Julien that it's most likely that the book will be unwound, that typically we don't know where, when, how much**, we are going to trade out, right, but assume we are at the mids at the time. **We are not going to unwind with the IB or with anyone else at the mids. We are going to unwind at less favorable prices**, and I tell Julien, "Look, don't stick to the mids. Anticipate already that we will have an execution cost exiting, unwinding positions. The problem is --" I tell him, "I don't know how much, I don't know where, but just bear in mind that we'd rather be conservative". So now **I'm mixing the instruction of Javier to ignore the drift with the fact that the book will be unwound soon**. We had a custom in the past to send the estimate where we would exit, so typically when we were unwinding a position, we were impacting the coming cost to unwind already in the -- in the estimate, even though we had not traded yet, and we kept close to the mids anyway, right, because you never know when and how much you are going to unwind, even though you decided to do it. So that -- this drift is not directly connected to it, it's indirectly, because the reason why it's -- it's unwinding is because I want to stop trading on this book, I want this to be frozen, unwound. It's too big, it's not manageable. So that's the connection." FCA: "I understand, thank you. And the second thing you say is, "Javier would like is that if you start to see some gains, we have to report it." So what was that instruction from Javier?" IKSIL: "I told Javier that because of the coming unwind, it would overwhelm any kind of small gains we should see and he — he countered, saying, "No, no, no, if you see some gains, you show them". That was part of the global discussion, so I was mixing the guidance I provided to Julien with the instructions of Javier."

The thread from December 2011 to March 6th 2012 is thus crystal clear: internal collapse with the IB, ill-liquidity, \$300 million internal dispute between CIO and IB, valuation issues at year end 2011, price uncertainty then, reserves missing then, more trades in 2012 to refine prices, drift, loss, Mr Artajo is demoted, Ina Drew opens "collapse talks" with the IB, more loss, I stop trading, Mr Macris brings Mr Bacon in the loop, the book will be "externalized" and collapsed with IB positions, new instructions for the estimate P&L in preparation for that..... My SEC deposition in New York would provide more descriptions of this key period starting in December 2011....

It is worth reminding that I testified on the events...

IKSIL: And one of the first thing that you would do is to ensure that the book was market neutral, ie had an ultimate premium that was close to zero, as small as possible. And therefore, this book looked like a neutral book with no cost of carrying those options, but whenever a crisis would surge, then suddenly the book would show a big gain. And on the other side, if the markets rallied or were just behaving normally, this book was expected to lose, but very little. And so, there was an asymmetrical profile whereby if markets rallied or were normal, the expected P&L for the book was zero to slightly

negative. And if there was a crisis, then the expected P&L for the book was very high, counting in billions....Q: Okay. In December 2012, did you have any conversations with your boss---...IKSIL: you said 2012...Q: Sorry. Thank you. In December of 2011, did you have any conversations with your boss, Mr Martin-Artajo, about the bearish bias on the Core Book?...IKSIL: Yes...Q: What did you discuss?...IKSIL: What we discussed was that this bearish bias was structural in this book and that, as he said, Jamie Dimon had turned very, very bullish, very optimistic on the outcome for the markets once the European Central Bank would launch a special operation called LTRO. Javier told me that Jamie Dimon expected this LTRO operation to spark a very strong rally in the markets and that Javiers had heard that "this book must not lose money" in this rally that is going to come. And therefore, Javier said "this book has a bearish bias structurally. I want you to set the book long risk to balance the bearish bias."...Q: Okay. In December 2011, did Mr Martin-Artajo discuss with you the topic of reducing the core Book's RWA? ...IKSIL: Yes...Q: What did you discuss with him on the topic of reducing the core Book's RWA?...IKSIL: We discussed in 2 occasions as i remember.

I described in full if one remembers how this "setup" took shape in December 2011 already....

IKSIL: And I relied on him...Q: Okay. Now I might have misspoken and said I referred to Pat Hagan. I meant you referred to Pat Hagan...IKSIL: Yes I referred to Pat Hagan. Yes...Q: Just to note for the record. Sir, **in December 2011, did the topic of unwinding the book come up?**...IKSIL: Yes...Q: How did it come up?...IKSIL: Well, it came up first with this instruction of Javier to me to go and see the IB traders, since Credit Hybrids had closed. Then at the same time I--I took advantage of the big gains that came from American Airlines to unwind as many positions as I could with regards to the RWA reduction instruction. And I realized--and that's the second aspect where my trading was influenced--**I realized and communicated that reducing the book by 10 or 20 percent in the best conditions had cost 200 million**, which meant that it would be extremely difficult to unwind with the IB at a decent price, or a less decent price, if possible...Q: In December 2011, did you--well **you said "unwind with the IB"**. Were there discussions in December 2011 about unwinding with the IB?...IKSIL: Yes...Q: Okay. Who did you discuss that topic with in December 2011?...IKSIL: Javier...Q: Are those discussions you talked about approaching the credit index desk at the IB, or is it something else. Can you give us a brief description of what those discussions entailed?...IKSIL: Yeah. There was a first discussion, as I said, where **Javier asked me to go and talk to the IB on tranches**. So these were the credit Hybrids traders. And I went to talk to also the credit index traders. And I had a very limited success. And I went back to Javier, explaining what I could do and what I could not do. And then we had a conversation where Javier said that that's **what he feared, explained me that he was not surprised by what I was telling him because the IB was setting bad collateral marks to CIO**...Q: Is that "setting" or "sending" bad collateral marks?...other Q": did you say "setting" or "sending"?...IKSIL: I understood "setting"...other Q": Okay...Q: Now sir. Did you say previously that **a credit desk at the IB was closing** or something to that effect?...IKSIL: Yes...Q: Okay. Can you--I missed part of that. Can you explain what was happening?...IKSIL: What was happening is that a desk called Credit Hybrids, which was market--making markets for tranches in CDS and all sorts of complex derivatives products based on credit default swaps, was closing its activity on tranches...Q: Did you have an understanding in December 2011 why the credit hybrids desk at the IB was closing its activity in tranches?...IKSIL: I had one yes...Q: What was your understanding?...IKSIL My understanding was that they had many problems at the same time. **They had too much notionals, too much skew exposure, no liquidity in the index tranche market to hedge their own risk at a decent cost**. And on top of it, they had no--not a lot of activity in the tranche market anyway...Q: Okay. Let's--okay. It's--one of the things you said was that they had too much notionals and too much secure exposure...IKSIL: **No, no, too much skew exposure...s-k-e-w**...Q: Okay thank you. So what

was the basis of your understanding that the credit hybrids desk had... "other Q": well do you want to make a proffer to as me as to what his understanding that credit hybrid desk had too much notionals in the credit hybrid desk in December 2011 has to do with this case? Just in 2 sentences, 3 sentences, tell me why it's relevant and I'll stop objecting...Q: How about I do that proffer when it's your turn to ask questions? But right now I'm going to ask the witness to answer the questions that I'm Asking. Can Madam Court reporter read back the question? [record read]...IKSIL: The basis for my understanding was both discussions I had with Javier face-to-face and discussion that Javier, Tolga Uzun, Achilles Macris had had back in 2008, when Tolga Uzun had just joined CIO from Credit Hybrids...Q: Okay

I explained what was quite well known in the bank and among all the regulators....

Q: Okay. And what does it mean when there's not a lot of liquidity in the index and tranche markets?...."other Q": Objection as to the form...Q: okay. So with respect to the phrase **"No liquidity in the index and tranche markets"**, what were you referring to there?...IKSIL: I was referring to the fact that you could do one small trade, but the conditions were much, much worse than they had ever been. The only point of comparison I had in terms of lack of liquidity was the period of October to November 08. It felt to me in December 2011 it was quite comparable...Q: Okay. Why was there a lack of liquidity in the index and tranche markets in December 2011?...IKSIL: It was a combination of, in any view, 3 factors. First, it was--first of them, not the most important, it was the end of the year. And typically you didn't have a lot of liquidity in December. The most important factor now was the recent crisis in Europe that was really squeezing most of the European banks. And those European banks had remained very, very big players in the credit and index markets. They were forced out, and that removed a lot-- a lot of the liquidity that existed before. And the third factor was the general change in the regulation with regards to tranche products that was so penalizing for all the banks that my experience was that all the banks were just reducing their exposure to the tranche market all at the same time...Q: Now when you say "reducing their exposure to the tranche market", does that relate in any way to the demand that the banks have to invest in tranches?..."other Q": objection to form of the question... "other Q": Objection. Lack of foundation...Q: Okay. When you say "reducing"--let me ask a better question ...

IKSIL: Unwind the book, and if it ever happened, it would be at **very, very high cost, in several hundreds of millions**. And where it influenced me is I realized that the trading costs were extremely high. They were for the first time really a multiple of the P&L that book could be expected to make in a year. And so that convinced me that trading further and growing the notionals was a real problem...Q: Move to strike as "nonresponsive"..."other Q": He addressed the objection..."other Q": So that--There's no question pending Mr Iksil...Q: Sir, in december 2011, did you have a view as to whether the trading costs were extremely high?...IKSIL: yes..."other Q": Objection to the form of the question. Vague "extremely"...IKSIL: My view was supported by—

Below I made the connection between the events of December 2011 and what was happening in March 2012 with Mr Bacon, Mrs Drew and the IB through Mr Dimon supervision:

Q: What did you understand Mr Martin-Artajo to be telling you when he said "so the more we recognize that we have a problem, the harder it is--the more you recognize, the harder it is to settle with the IB, you know, at a better price?"...IKSIL: What I understood Javier to say here is the more we acknowledge the loss that is growing, the more we acknowledge that CIO is losing money on this book where CIO may claim that actually this book is good--it's good as said for CIO. But if it's losing

money and creating problems for CIO, then CIO has to admit in its open negotiations with the IB that CIO has a stronger and stronger reason to accept IB prices. And so what I understand Javier saying is, the more we report a loss in the estimate P&L, the bigger the pressure on CIO to accept the IB prices that differ from the CIO prices anyway. IKSIL: So Javier described that the stronger the position of CIO, the more CIO has the ability to negotiate a better price for CIO...Q: Okay, now, with respect to the language "settle with the IB", what is that a reference to?...IKSIL: That's a reference to **the ongoing talks to collapse** in particular the tranche positions **between credit hybrids and the core book that started to my knowledge, in December 2011**. And that turned into a dispute, a row between CIO and the IB. And it felt to me that the discussions were not leading to an agreement, but rather a fight. And there was a need to settle this fight, settle with the IB, find a truce, find an agreement ultimately....Q: Do you see on page xx, starting at line yy, **there's a reference to the "CRM that we need to externalize"**?...IKSIL: Yes...Q: What do you understand Mr Martin-Artajo to be referring to there?...IKSIL: He was referring to the CRM, which is the component of the RWA figure that relates to the tranches, the correlation

I described the meeting of December 15th 2011, its straight connection to the meetings of Mrs Drew between January 13th 2012 and January 18th 2012....leading to the demotion of Mr Artajo in early February 2012...

Q: okay. And can you tell me about when those were and what the circumstances were of those meetings?...IKSIL: So the first circumstance that I have in mind, I'm not sure about the date, that's either the **17th of the 18th January. I had just told Javier Martin-Artajo that as per Ina Drew request**, she wanted to know how unwinding a quarter of the book in the coming 3 months would cost more than what had been estimated in December. It was not any longer 500 million, but 700. Javier was to have a conference call with Ina Drew, Achilles Macris, John Wilmot, Evan Kalimtgis to talk management of CIO and **I was not expected to attend**. But Javier came to pick me up and brought me in the meeting,. And I started saying that, that the cost had increased and that's when I tell--**Ina Drew hearing that, she exploded, she was very angry**. She said "well, I wish someone here at CIO would have told me it was so expensive". And then I--**I replied saying "well, you know, we had discussed the matter already with John Wilmot** on the 15th december or so, with Alisson Giovanetti. I told you that unwinding the book just 20 percent in the best conditions cost at least 200 million. So if the conditions are not favorable, it's going to be worse. It was 500 in December and now it's 700". And then she said "well, okay, I think you have a lot to do. I'm not going to stay here. I have more important things to do. I leave this with you to work. I am going away." Actually she had not gone away. She kept listening. She went back in the call later on. That's the conversation I had with Ina Drew. And the other one was a few days later on the 20th because at that time, Kodak had filed for bankruptcy and the first time in the history of this book that had lost money on the high yield default. And that had induced a loss for CIO in this book. And then Ina Drew instructed me to cover this risk, renew the protection on High yield, and keep the book long risk still. So I said "It's going to increase the notionals " and **she replied " yes but with regards to the regulators' expectation, we at CIO cannot afford to lose another time on high yield default"**. She said "it's okay with this what 50 70 million loss because we made so much money with American Airlines, that's fine, but **it must not happen again**"...

Was it again a "guidance" of hers or an express "order"? I remembered then that book titled "talent is overrated". That was what CIO London staff looked like in her eyes. She was not "trusting" us so much, was she? And we were actually showing her everything we knew. I also testified on the fact that Mr Artajo was in charge quite officially inside the bank. Mrs Drew was NOT telling us all that she

knew in fact...The questioners asks me about what Mr Macris told me on 6th May 2012, ie one month AFTER the "London whale" myth had been created and spread through the world by the bank and others:

Q: Do you remember that?...IKSIL: Yes...Q/ And in your answer you said something about a cab. So you remember that?...IKSIL: Yes...Q: Did you have --well, strike that. What was your opinion of Mr Macris's intelligence?...IKSIL: .He was extremely intelligent...Q: Okay. And in the--and did you have a cab ride with Mr Macris that day?...IKSIL: That night yes...Q: Okay. And did you have any discussions with that extremely intelligent man in the cab?...IKSIL: Yes...Q: Okay. And did he say anything in the cab about Mr Martin-Artajo?...IKSIL: Yes he did...Q: What did he say about Mr Martin-Artajo?...IKSIL: Suddenly, it was in early May, he said, "Look, Bruno, I hold Javier totally responsible for all this mess. I asked him to do-- to take care of this, and he completely failed". And I remember I replied to him, " but it was an impossible mission this year to avoid this debacle". And Achilles stopped there....Q: And what did you mean by the phrase "impossible mission to avoid the debacle"?...IKSIL: **I meant from the start of the year, if not in December, the instructions were totally conflicting. I-I alerted and I knew Achilles had been worried in January seriously.** And then after came the articles, which made the matters even worse. We tried to escape the scrutiny of the dealers in March, and in April the whole planet--...Q: tried to?...IKSIL: to escape the scrutiny of the dealers in March, and in April, he read those articles that made the matters apocalyptic. So that was impossible. There was a sort of force....

IKSIL: ...that was visible since the market players told us that they saw the IB of JpMorgan doing that and those players told us that because they prefer to keep their relationship to CIO as they had no interest in teaming up with the IB of Jp Morgan. So it didn't work necessarily. It happened to work in 2012....Q: What's this manipulation?...IKSIL: It's my speculation from my understanding based on Javier's account that I base all my speculation here **upon the trades that I proposed initially to the IB in December, and I assume that since I asked the IB and now Guy America is coming back (10th February 2012),** he's actually interested by the trades I originally proposed to do in a tear-up. And so I look at those trades and they are pretty market neutral and big. So even though it's a big P&L item, I mean, **It's huge, 150 million, 200 million it's a big gain, it will be based on small price changes** So, as I've experienced --and Julien-- that all this year to date loss that we have in the book is actually driven by small price changes. It must be the same on the side of Guy America. So basically he knows very well as well that his 150 million, 200 million gain on the back of CIO is really based on price manipulation, framing **that could vanish in one day or two if the markets reverse....**Q: Was it his framing or just framing generally?...IKSIL: Well, he's the market maker. So he's making the market so that it fits with his P&L typically. So I speculate that he knows very well that this gain that he has is really **because he has leaked in the market the so-called sudden deleveraging of CIO and he's made his own prices in favor of his P&L, but he knows that it's all within the bid-offer. So he needs CIO to lock the gain.**"

This "imminent deleveraging of CIO" was the connection that through the March orders showed that the IB people already were setting the stage for a mismarking since 2011. And within CIO I was already the target for Mrs Drew to be her "fall guy". In December 2011, \$300 million were missing: it was either CIO, or the IB or both. This mismarking was there in September 2011 already. It had itself a long story already too....In early 2012, she knew of this mismarking and Mrs Drew did not want to be accused. Talent is overrated, isn't it? So she hid behind the orders she sent to me. She used me as a screen in that context. But I would "damage" her plans here no doubt with my alerts. Mr Artajo had failed to stop me in late January 2012. That was a big issue for Mrs Drew, her boss and others. Mr

Macris took the initiative here. Mr Artajo was demoted and knew his fate if she failed. I kept elevating pretty accurate projections for the losses and their origin....By the 1st March 2012, I said that I would stop trading anyway. I was not to be "the fall guy trader"... Mr Macris was concerned more than ever. He would take the sideways from Mrs Drew getting closer to Mr Dimon through Mr Bacon and Mr Pinto. Mrs Drew and Mr Macris would now adopt different agendas as to their chances of success. And I would make more "damaging" communications for their plans again. They would join their forces back again....That would lead to the well thought of "elevation all the way up" of Ina Drew of March 23rd 2012. The setup was not working well enough in her eyes: she had finally shared Mr Macris concerns.... I was not to fall so easily in her traps....

23rd march 2012

This day would be quite central in the manufacture of the future "London whale" myth. The events of November 2011 and December 2011 were quite well understood by all the investigation teams. They did not need at all to question me too much on them. That was so clear and logical a turn of events. The "millions of documents", and more, many more, would only "corroborate" this story of mine to paraphrase the FBI (august 2013).....They had been in the front row seats since 2007 and I was not. The same conclusion applies for the events of the 23rd March 2012. That day Mrs Drew rebelled against her boss and her partners. She saw that even the demotion of Mr Artajo would not provide the needed fall guy. She must have really freaked indeed. She pointed the finger "all the way up". Is this someone does usually? Well, not in such a visible and dramatic fashion.... Mrs Drew felt then like a scapegoat for Mr Dimon and the Operating Committee... She had her reasons and her evidence to do that rather than keep putting the blame on me as she was ordered to since 2010. This is the key date when the bank decided to launch this "London whale" myth as a cathartic decoy. No regulator ever complained that they had not been told of this "elevation all the way up of Mrs Drew" in a timely fashion....They were aware and therefore let the bank in full knowledge deploy this misleading tale thereafter. They would even come to actively support it in June 2012 when they gave at last their long awaited "go ahead" for the "externalization/off-shoring/ credit exotics wind down" plan of Mr Dimon.

The extracts below have already been shown for most of them. They are reminded here in order to show how consistent I would be between 2013 and 2016 on my account...

The FCA would try to fully avoid talking about the 23rd March 2012. But the tangible evidence was here....It started on March 20th 2012 clearly so:

-IKSIL: "The second is that in the commentary, **I knew and I hoped that Ina Drew would read the commentary and my expectation at the time was that she would disagree** because from Javier's explanation..." FCA: "This is the commentary, just to make that absolutely clear..." IKSIL: "On the 20th, yes." FCA: "...on 20th March? Yes." IKSIL: "so...Because Javier told me that New York did not believe in this lag story — drift story — so I knew that the day after we would have a meeting with Ina Drew and, knowing her, I expected her to react and to start the discussion, because I expected her to disagree with what I would say about the loss and actually the whole meeting which was very long was only focused on RWA and the CRM IRC split and that was it." FCA: "When you're talking about the lag that you hoped Drew would disagree with, can you just specify which figure you're talking about there?" IKSIL: "I am talking about the comment where I said not only the 40 million loss on the day is from the lag of performance of the IG9 but the whole year-to-date loss is not something that we try to catch up for possible things we did in 2011. It's really still the same thing that is really

hammering down the book.” FCA: “And what figure is that loss that you're talking about?” IKSIL: “So there was the 40 If you want to turn to the document, it's in tab zzz. I mean this -- you know, you have the year-to—date 275 and this is the sum of a big positive somewhere in the book and a big negative that is between 600 and 800 million due to the lag of performance of the forward investment spreads.” FCA: “So just to be absolutely clear, the figure that you were hoping Ina Drew would pick on is the 600 to 800 million underperformance?” IKSIL: “Plus the 40 because ‘40’ would drag her attention anyway. I think she would discuss the explanation for the figure, both, the 40 and she would read the comments saying “how do you come to this 600, 800 million?”” FCA: “And where you — did you consider conveying to her the distance in addition to that, the 300 million figure that we've talked about previously?” ... IKSIL: “I thought it was already communicated through Javier. FCA: And so why not include that in the commentary? IKSIL: That was not part of the estimate and to me that was managed by Javier directly to her.” **FCA: “But the commentary sort of gave you the opportunity to discuss the underperformance.” IKSIL: “Yes, absolutely.** I thought we would discuss ‘the lag and would ultimately end up discussing the liquidity reserve, the distance and all the things, yes. That was my expectation.”

Oups! Yes truly the big numbers were here. Spontaneously the FCA admitted that they were “sort of an opportunity to discuss the underperformance” in full. And the FCA would not be long to acknowledge that there was a lot of “tangible evidence” that Mrs Drew was involved and “hands on”....There was a lot of other “tangible evidence” described before that Mrs Drew learnt nothing new at all then...

FCA “I understand that. I suppose really where I'm coming from is that from the middle of March, and we're now on the 8th of April, you've been under the impression, from what Javier has told you, that a large amount of loss is going to be recognized in one form or another and the way that he says he's intending to recognize it to you is through a liquidity reserve. I suppose what I find difficult to understand is why you wouldn't want your manager's manager to be aware that there was this large outstanding amount that hadn't been accounted for anywhere yet.” IKSIL: “Well first, I suggested Javier a liquidity reserve, I understood it would come in the form of a liquidity reserve. I didn't know how it would come out, first. Second, I always assumed Achilles was already aware of all these issues. If you look at, if you read the call that I have with Javier on the 20th, he told me that Achilles told him, so -- and Ina is aware, so I have absolutely no reason to doubt this.” FCA: “I suppose what I'm saying is the thing that might have given you cause for doubt is how long you've been being told that it was going to happen but you'd yet had no evidence that it had happened.” IKSIL: “Well, again, Javier told me that weekend that they would take a liquidity reserve starting with IG9 indices. That was my understanding.” FCA: “I understand that but am I right in thinking that Javier had been giving you that explanation since the middle of March?” IKSIL: “What is your question?” IKSIL: Well, I've many reasons to think that there were tangible signs. First, there was Javier talking to Ina, Javier synchronizing the number of the loss that was communicated the 30th of March, talking to New York. Then he tells me that there is this \$100 million, there's whatever reserve on IG9 indices, so there is a process that is underway and the other tangible thing is that it's risen even above Ina Drew. -FCA: “Okay and how did you know that it had risen above Ina Drew?” As the FCA knows quiet well, the evidence abounds. But the FCA ignores at least, to name a few events: AB meeting March 12th , ADE, Weinstein and Compliance March 19th-20th-21st, ID freaking March 22nd, March 23rd elevation, AM ‘crisis mode’, MBS NY sales, DB meeting announced on March 28th, FCA meeting on March 28th 2012... The FCA has the evidence of AM’s email asking all to be ‘on the deck’ that week end and the next ones... IKSIL: “Ah. Because at the start of April, I worked all weekend between the end of March and the start of April to prepare for a meeting that was to happen I think, I'm not sure,

with Doug Braunstein, and the high level management, even before the articles were published so... And at the time, frankly, and I am the target of all these articles and, you know, I'm not like -- only focused with what's going to happen to the liquidity reserve but, against your point, I have a lot of tangible signs that things are being dealt with on this book." FCA: "And the work that you had been doing for Doug Braunstein that weekend that you've just described, was that work around the potential liquidity reserve or what was that work around?" ...IKSIL: "Okay.' You need to see where I stand in the hierarchy here. First, you know, yes, I was promoted MD in 2011 and Javier told me, "Okay, at the end of 2011, Eric, Luis and Julien will report to you but don't get over it. It's a chocolate medal, it doesn't change anything". No, no... "" FCA: "No I was going to say..."IKSIL: "No, you need to know —"...FCA: "can I help you out a little bit because my question is focused on whether you'd had any information from anybody other than Javier. That's what I'm really getting at." IKSIL: "Yes. I had no information other than Javier, so I had to be on his word." FCA "And you're welcome to give me other... any explanation you would like to but that was the purpose of me asking those questions, to ascertain that the source of all your tangible signs was Javier." IKSIL: "Yes, Javier was the only point of information for me, the only point of instruction for me."FCA "Okay, that's helpful. Thank you."...."

So much for the FCA who heard of tangible evidence that It certainly would NOT investigate seriously.

My Sec deposition brought further light on my story consistently so...One could better understand the path that Mrs Drew had followed before she "freaked really".

I would explain for example how the deputy firm-wide CRO, namely Mr Ashley Bacon, may very well have fueled the future "London whale" myth as early as March 2nd 2012 towards hedge funds that HE was in touch with for the purpose of "externalization" that Mr Bacon was already tasked to manage for Mr Hogan and Mr Dimon ... for example.....

Q: the dealers, the hedge funds and potentially the IB were involved in a manipulation at that point. Is that right?...IKSIL: Yes. Let me first specify what I understand by "reasonable suspicion" in my words...Q: Okay...IKSIL: It was a suspicion. Therefore, (*it was*) a belief that I questioned myself. And it had become clearer and clearer over time that it was well supported by anecdotes and that was far to be unreasonable. Now such a belief that you were the target and you are manipulated, it--at first sight it looks unreasonable, right? But the more the time went, the more real it looked to me...Q: Okay. let me just make sure that the reporter understood what you said there. I think as it was coming out it was "that was far to be unreasonable". I don't think that's what you actually said. I think you were saying something else. Can you make sure we correct the record...IKSIL: Yeah, or maybe that's my English. It's to say that if you start thinking you're the "target", you know, you must wonder whether you're not paranoid, over-stretched , whatever. And you say "may be"--you tell yourself "i'm unreasonable. I try to find an excuse". And in fact the anecdotes, as time passed by, I realized that actually that scenario would be crazy as it seemed, was really happening. And therefore that was reasonable to think like that...."other Q": Not to cut into your time. I haven't been objecting to every question that goes beyond the scope. but can we have an understanding that that's a standing objection?...Q: Sure..."other Q": And I'd also like the same standing objection....Q: Sure...So you mentioned that one of the things you mentioned to Mr Wilson (**Compliance**), I think you said you gave him some specific names of hedge funds that might be involved. I think the names you gave were Saba, Blue Mountain and Blue Crest. Is that right?...IKSIL: yes...Q: and did you have any understanding as to whether the principals--principal executives of Blue Mountain or Blue Crest have any prior association with the Jp Morgan Investment Bank?...IKSIL: You mean at the time right?...IKSIL: at the time I knew that Blue Mountain was directly involved with the transfer that

concerned the core book. And I had one anecdote from a colleague of mine, Ade Adetayo, that strongly suggested to me that Blue Mountain was having a very--a very manipulative role actually in all this...Q: And who was Ade Adetayo? You said it was Ade Adetayo?...IKSIL: Adetayo...Q: And who is Mr Adetayo? Ade is his first name?...IKSIL: His family name is Adetayo...Q: Who was Ade Adetayo?...IKSIL: He was a colleague of mine at CIO. **He was working with the risk department.**... so for Blue Mountain that was it. For Saba and Blue Crest, the connection was not direct with the IB...Q: Okay. What was the next involvement for compliance that you were aware of after this follow on discussion you described with Mr Wilson (**Compliance**)?...IKSIL: Later in April, way after the articles, I received a phone call from compliance which told me that they had found nothing with the hedge funds and they were asking me whether there were other hedge funds which I believed were involved....Q: And what did you tell them?... Basically that I didn't-- I didn't have really any other name. Maybe Brevan Howard or some other big hedge funds would be involved. But I wasn't sure....Q: When was that call relative to the articles?...IKSIL: This last call?...Q: yes...IKSIL: I would say 2 to 3 weeks after the articles

I provided a fair account of how, since the 19th March 2012, Compliance ALSO had been involved at the instruction of Mrs Drew already. The bank was on red alert already by the 19th March 2012 as per the will of Mrs Drew. It was Mr Artajo who ordered me to "raise" to Compliance. He actually did the job of alerting Compliance. I would ask him "what" the issues were that he wanted me to raise. I was in fight with the IB as he said. Ina Drew was in fight with the IB. Mr Artajo did not tell me everything. He omitted things like he had been demoted by Mr Macris and Mrs Drew and HR in early February 2012. Since then Mr Macris was NOT fighting the IB any longer, partnering with the IB chief Mr Pinto (also CEO of JPM UK thus somehow one reporting line of Mr Macris), and partnering with Mr Bacon (deputy firm-wide CRO). So Mr Artajo conveyed here an instruction from Mrs Drew, not from Mr Macris, to me. That could NOT be the initiative of Mr Artajo alone in any case. Thus when she made her elevation on March 23rd 2012 she had well prepared her ground...

Q: investigation that took place in March and April 2012?... Other Q": i'm just going to object. Again beyond the scope of our questioning (SEC)...Q: Yes... "other Q": And i'm going to object beyond the scope of the questioning. **This is not rebuttal.** And I'm going also to object to the questioning to the fact that compliance investigation is an undefined term...Q: So what is **your first recollection of when anyone from the compliance department at JP Morgan got involved** in looking at any issues related to the core credit book?...IKSIL: My first recollection is **Javier instructed me to go and contact compliance essentially to complain about the IB**...Q: Now, do you remember when that took place, that that instruction came from Mr Martin-Artajo...IKSIL: My recollection it was face to face discussion, a quick one where I told him that as far as I could tell, we didn't have a problem in the markets with the IB since we were not trading with them. We were avoiding them. And he said " okay, just go and tell compliance about the problems you are seeing in the markets". And that was on the 19th March....Q: And are you able to remember that date, the 19th March, that that's when that communication took place? Is there anyway you can place that for us?...Q: I remember that because I saw the compliance guys I think in the afternoon. And the morning after, that's why I remember the date very well, Eric De Sanguines in the morning told us that he had had dinner with the Number 2 of SABA, the hedge fund run by Boaz Weinstein, and that next he had had a call with Boaz Weinstein that tried to poach him. I think that's the expression you have to describe another firm that wants someone to leave his current firm to join this other firm. Eric said "no, than you" **and Boaz Weinstein told Eric then " all right, fair enough but I have to tell you I'm going to make public your position on the IG9"** And so Eric on the morning after was telling us that and my reaction said was, "ah you know what, I've just told--told compliance about the problem. I think you should tell them this

anecdote because it is pretty telling that we are targeted and there are leaks about our positions in the market"...Q: Okay. So this would be March 19 then, that was the Monday?...IKSIL: Yes...Q: A Monday. And that would have been the Monday immediately following your call with Mr Artajo on March 16th that you've already talked about right? Let me just retrace it. On Friday, March 16th, you had several calls with Mr Artajo that you've already talked about. Correct?...IKSIL: Yes...Q: And then on the ensuing Monday Mr Artajo asked you to go to compliance to report, I think your words were, the problem we were seeing in the markets...IKSIL: Initially he wanted me to elevate problems with the IB. I replied 'well, I don't trade with the IB. I don't want to trade with the IB. So I cannot say I have problems with the IB in the markets.' He said " yeah, okay, but explain what you are seeing in the market"...Q: Okay. And when he said to you, you should explain to compliance the problems you were seeing in the market, what did you understand--well, what did you understand him to be asking you to do?...IKSIL: "raise to compliance". **he told me that he ensured that some compliance guys would come to me** and I think he mentioned that he had to go right after that discussion I had with him...Q: Okay. Did you then speak with anyone from compliance on that Monday, March 19th?...IKSIL: Yes...Q: Who did you speak with?...IKSIL: I spoke with 2 men. And I just remember one name because I didn't see the other one. And his name was **James Wilson**. ...Q: And where were you and where was.....

In the extract below I describe what the Compliance action will be. The staff from Compliance was far away from being "sidelined" or being unable to communicate key information "all the way up"....against the official future storyline

IKSIL: No, no, yeah. I mean, I was not sitting next to the dealers talking together to target CIO. The way I described it to compliance is "Look, you know, maybe I'm paranoid, maybe that's my job, but I have the impression that CIO is targeted by a couple of dealers and I have the suspicion that they are informed by the IB from within JpMorgan"....Q: Okay. How long did you spend with Mr Wilson?...IKSIL: I was not a very long meeting. But it lasted more than 5, 10 minutes. So I cannot tell in between. Maybe a quarter, maybe 30 minutes...Q: I think you mentioned last week that--you remember we talked about the meeting with Ashley Bacon on March the 12th right? Do you remember that?...IKSIL: You mentioned "last"--this week you mean?...Q: Yeah, do you remember that was the meeting with Ashley Bacon that you attended on March 12th?...IKSIL: We had a meeting with Ashley Bacon on the 12th March yes....Q: Okay. Do you remember you said that after the meeting with Ashley Bacon you noticed that the market--that some different things began to happen in the market?...IKSIL: There were some different things yes. things different...Q: And you felt that the things you were seeing in the market after your meeting with Ashley Bacon indicated to you that there was further manipulation going on in the market. Is that right?...IKSIL: I'm not sure what you mean by "further manipulation". What it felt to me from Julien's account and the way the drift was starting again, was that the manipulation had sort of evolved into something really completely systematic across all the positions in the book....Q: Did you repeat what you said to us to Mr Wilson when you met with him, that is that after the meeting with Mr Bacon the manipulation evolved into something really completely systematic, all the positions in the book?...IKSIL: I don't remember what I told compliance in the details as of today...Q: Did you hand over any documents to compliance in that--March 19th when you met with Mr Wilson?...IKSIL: No...IKSIL: What was your next awareness of involvement with compliance in issues related to the core credit book as of March 19?...IKSIL: **I heard Javier telling me around the 23rd that they had found a big problem with ICE, that the IB had a big problem with ICE, that it was going all the way up.** And Javier told me that because one of the things I had indicated to compliance about the IB role was that my suspicion was that they were spying on the activity of CIO through the booking in the systems that went to ICE next.....Q: You

say you had indicated that to compliance?...IKSIL: Compliance told me "where do you think we should look for?" and I said " well, **I suspect that the IB is spying on us through ICE bookings because they do the booking for us.** So whenever we trade, we have to book the trade in the system of JP, then it goes through ICE. but then the IB guy is seeing every single trade we do". I said " may be you should look there". 4 days later Javier said they had found something on ICE. And a few days later, whether it was early april or the last week of March, I saw James Wilson coming back to Javier telling him first that our suspicion about the IB and ICE were founded. These were his words. And he --Javier told me "hey Bruno"--he was close to me and he said--he showed **James Wilson who told me again "yes that was founded"**.... Q: And do you remember any more detail about what Mr Wilson told you specifically, you know, what was founded about--and when you say founded-- now I've.... IKSIL: Well, i cannot tell. All I remember is Javier and James Wilson coming to me it was founded...Q: Okay. So there was at least a part of this conversation where you Mr Artajo and James Wilson were altogether?...IKSIL: Only to tell me it was founded...Q: Okay. And I think you said this was a few days later, a few days after March 23?...IKSIL: Yes. It was not immediately after. It was a period of time after the 23rd..Q: .Okay. Did Mr Wilson say anything in the discussion that you were part of about whether he had intended to do any follow up investigation on the suspicions that you had raised?...**IKSIL: My recollection he just came back to say this was founded**...Q: Okay. Now the conversation that you described, the 3 way conversation between you Mr Artajo and Mr Wilson, are you confident that conversation took place before any newspaper articles or media about the London whale issues?...**IKSIL: In my recollection they both came to tell me that before the articles**...Q: All right. What was your awareness or your next awareness of the next thing that happened with compliance that you-- that you are aware of **relating to the core credit book**?..."other Q": Objection as to the form. I don't understand the question...Q: Well, what is your next awareness of the next thing that happened?...IKSIL: Next awareness?... Q: Look I'll ask it as many times as you want. I think it's clear. What happened next so far as you are aware----with respect to compliance and the core credit book?....IKSIL : I received a phone call from compliance. Sorry, before that phone call I had a meeting with Compliance in person, and the compliance guys told me that now to go further they needed me to provide more information. I had provided them already with some evidence from chat, especially proving what the dealers were doing. **And they said that was not enough for them to proceed. They needed me to tell them when, which trader, which instrument, which book, which price at the IB they should look at to substantiate the role played by the IB. And I told them "well, I mean, if I contacted you I thought that was your role to do that. I cannot know which trader--no trader at the IB is going to tell me "hey, you know Bruno, we are going to destroy your market and destroy your P&L". "Of course" they said "yet we are not allowed without specific information to investigate the blotters of the traders at the IB". And the compliance guy told me "well in that case we cannot go farther than that"** And next they asked me whether there were hedge funds that I thought were involved. So I mentioned the 2 to 3 hedge funds that I suspected to be involved in this. That was Saba, Blue Mountain, Blue Crest. And the compliance said " okay, we are going to look into that now"....Q: Okay. Let's -- and I don't want to cut you off. But let's stop there. let me go back. I got to fill in some blanks here. So you said you had a meeting with compliance in which they said that it was now to go farther I think was what you said, they were going to go farther, right?...IKSIL: Yes... Q: First of all, who were the people from compliance that you had this--this meeting with?...IKSIL: There was one guy only and I believe it was James Wilson...Q: Okay. And do you remember--I just want to make sure I get the timing of this meeting right. You had talked about seeing Mr Wilson a few days after March 23 when he...IKSIL: I remember that I contacted the compliance around the time of the articles to give them a file or 2 of papers that I was afraid might fall under the eyes of some journalist, because I was harassed from morning to evening by those people. I was fearful they might find a way to get into the open space. And I just wanted to leave on my desk some non-sensitive

papers. And the only place I thought of was compliance to be safe...Q: What do you mean by "open space"?...IKSIL: That's the place where we were all working. It was called an open space. So as soon as someone would enter, no one would check. It could go--my desk was on the open space. So probably this person asks someone, "where is bruno?", they could take any paper they wanted...Q: Okay. SO I'm going to, kind of, press your memory here a little bit, because as you know, we've spent a lot of time in the case, we've talked to other witnesses including people from compliance and I don't think I'm going out on a limb when I say we've had testimony from people in compliance and we've seen handwritten notes of theirs of an interview that they say they had of you of either the 5th or the 6th when the articles were first coming out. Does that refresh your memory at all?...IKSIL: The only thing I remember is my fear to see some papers being taken away. And I remember, but that was not instant, someone came to pick that file. Was it that day, was it a bit later? I don't remember...Q: The person that came--did a person come from compliance to pick up your file?...IKSIL: Yes...Q: Okay. And this file, could you just describe for me physically what it looked like?...IKSIL: that was a folder this large, this format, with papers inside...Q: Okay. You're gesturing something make 3 or 4 inches in height? I'm doing this because even though we have a... Go ahead...IKSIL: I would say my thought process basically for that file was to put all the documents that were related and were in my view sensitive to the book and what had happened recently...Q: Okay. DO you remember whether you had in that file a copy of the email that Mr Grout had sent to Mr Artajo on thursday, march 15th that had the spreadsheet attached to it?. Did you have a copy of that in that file?...IKSIL: I don't remember. maybe, maybe not...Q: Okay. Can you think of any reason that you would have put the email in that file but not put the spreadsheet in with it?...IKSIL: First one reason it would have been there, but I'm not sure about the timing, is , at the time, I was when I saw the articles I realized that something had gone very wrong in all this. And I did not understand what. And so I started collecting and printing emails and documents and presentations from the last quarter. And I tried to make to myself a sort of storyboard just to find myself in that. And the problem I met with that is there was a time limitation for printing some emails or some attachments. So your question suggests to me that maybe I printed the email because I could and not the attachment because I could not...Q: Okay. The file that you handed over to compliance on that day, well, actually let me back up a step. When this person came--I think you answered this. Did someone come from compliance to get your file that day? I think you said "yes", that someone came to get your file?...IKSIL The problem is "that day"...Q: Okay...IKSIL: I understand you were on the 5th or the 6th while I said I don't remember

I also described a bit better what had induced Mr Artajo to call me on March 6th 2012 to simply repeat to Mr Grout. It simply was what Mr Artajo had already clearly expressed on March 5th 2012 to Mr Grout face to face in person in London at CIO. Then I was 1000 km away anyway....Looking back at what Mrs Drew would do between the 19th March and 23rd March 2012, ie preparing a commotion that was as such a complete gesture on her part, it is quite useful to re-visit this March 6th order which again could not be the initiative of Mr Artajo alone...against the official future storyline...once more

Q: On the 6th, okay. And what do you recall Mr Artajo telling you about "range bound" in that call?...IKSIL: I recall him telling me that he wanted to show that the P&L was range bound. And we discussed some figures. And I remember we--he looked more optimistic than me in his expectations, but we--he said "okay, okay". **He told me "you explain Julien what I want and we will discuss later"**. So that's all I knew...Q: Did he express to you any frustration of Julien to get the information that he was looking for?...IKSIL I don't know by "working". He wanted me to call Julien to repeat to Julien but with my words in French what he had already asked him, because Julien had really upset him a lot ...

IKSIL: ...He was very upset at the start of the call...Q: And you said that he asked you to talk to Julien in your words with French. I mean did he actually say that he was having a hard time communicating with Julien and he wanted you to do that because you could speak French with him?...IKSIL: He made a reference to the fact that we were both French speakers, that there was obviously a communication problem at the time, that **Julien made a big misstep sending an email about the skew. And that Javier had a call back from Irv Goldman that New York was all over the place.** And so he was very upset because he explained me that Julien, with this initiative, was actually destroying what he, Javier, tried to--to communicate. So he wanted me to call Julien at once right after this call to insure that Julien understood what Javier wanted Julien to do...Q: Okay. Did you make that call to Mr Grout?...IKSIL: Yes...

This series of extracts shows that there had been really little room for improvisation in what would lead Mrs Drew to issue “very, very, very, very serious accusations” against the IB of Mr Pinto, then CEO of Jp Morgan UK. She would stop trading herself pretending that she ordered us in London to stop trading. This was just another gesture of hers that she had prepared on the 22nd March 2012. She had got caught off guard by me again in her scheme. Indeed I would write and so would Mr Grout that we were “done” actually by the night of March 22nd 2012 with regards with what Mrs Drew had ordered us to execute for her since December 2011. That simple remark of mine displayed my unwillingness to trade. That was in complete denial of the “mad trader” myth had tried to build on my name since 2010....Mrs Drew had good reasons to feel that she would be the scapegoat, whatever happened to me. She would thus turn her finger back to those who were building this “mad trader” myth since 2010... The included Mr Dimon, the Operating Committee and their watchdogs....

The role of Compliance was quite illustrative of the cathartic setup that the “London whale” myth would be for the bank after Mrs Drew had made all this gesture “all the way up”. But I had to be discredited irremediably. All sorts of pressures would be put on me next. But my testimony would be truthful and corroborated by “millions of documents”. In that my story is just NOT like the morphing stories that the bank and the authorities will be conveying still in 2018...How many times will they have to change again? Their current tales still do not hold water. And it can be seen ALSO in my answers that remain under confidential seal.

I had thus not been even a “scapegoat” for Mr Dimon and his watchdogs for the simple reason that I was not part of their decision process. Mrs Drew was their future scapegoat of choice if I was not to fall. This is what made her “freak really” on March 22nd 2012. She knew what was going on indeed. Here is what she knew.... They, Mr Dimon and his regulators, had secured since 2007 that I was just a screen for them. The bank was mismarked already to the tune of about \$45 billion in liquidity reserves. They would try to hide their mismarking next behind this “human face in the markets” as a decoy. I was therefore sidelined from what they were really doing all these years. Mrs Drew made her elevation on March 23rd 2012, trying to avoid being the sole scapegoat among HER “partners” in the scheme that had targeted me long before. Thus by design I knew very little of what really mattered then, on purpose.

It remains that my testimony also showed the white stones that paved the way of the real story....As it has been seen so far, the bank and the regulators can easily mislead the medias with one of their cherished stereotypes. They could even more easily deceive the markets and the public making peremptory statements along the lines of “deterrence”, “integrity”, “wrongdoing”, “victory”, “misconduct”, “mismarking”, “restatement”....They could benefit from the credit that people grant

them to withhold key evidence, present “cooperating witnesses” as if they were on TV shows, whisper “off the record” misrepresentations of the facts, violate human rights hiding being the matter of state... And, because they had in fact been layering up risks with this “tranche book of CIO” for years, because they added up layers of make-up in 2012 onwards, no one could decrypt what had really happened. In that they were helped by my close colleagues. The latter would no doubt refrain from telling the public what they had done and why they had done it. I was the only one left in this story who cared to tell the real course of events.

But what did I know? I knew little at the time. Things would be carefully concealed next by the “investigation” teams. It is really afterwards that things would become clear, especially with regards to the role played by Mr Grout and Mr Artajo. Still the authorities saw in my testimony enough of the white stones that could enable anyone to rebuild the story, ie the real one. This is what the next part will show. This is why this testimony is kept under confidential seal. This is why also Mr Dimon and his watchdogs benefit from what I call a “confidential impunity”. My close colleagues will remain under this umbrella all their life long likely so....

Sketch the 3 audit trails of the case

There were 3 audit trails. One was the \$50 billion liquidity reserves that have been missing at Jp Morgan since the CIO was created. They match the \$42 billion of intangible capital that had popped up in January 2004 when the \$22 billion worth BankOne suddenly amounted to \$57 billion once it had been put on the balance sheet of Jp Morgan-Chase-BankOne. There was a lot going on here in this “merger of equals” that was not gathering “equals” in fact. This creative accounting setup could not last long, however “good” the intentions had been initially. The new rules in 2007 forced progressively regulators and Mr Dimon to recognize that this intangible capital –maybe- required some provisions. The rules were there already for that “balancing act” to take shape. But the rules would not be enforced. In late 2007 instead regulators and Mr Dimon wanted to make this book of CIO simply disappear. It was not possible: no liquidity... They knew they had a problem already then. I can testify on that, despite my very remote position in the process that they controlled. This is a big problem for them: the “screen” could talk one day.... I had just been promoted Executive Director in January 2008....On my part I was upset because this “initiative” was already dead-born as I had been told. The evidence of that exists as well in written form through emails.

There would be the financial crisis of 2008. The CEO of Bear Stearns testified next to Mr Dimon before the US Congressmen. He then would express a strong desire that a “real investigation” was made on the demise of his bank. There would also be the shareholders of Lehman Brothers who would allege that Jp Morgan had artificially triggered the bankruptcy of Lehman Brothers. There would also be the stakeholders of SIGMA who would issue a comparable claim...Same kind of complaint on the side of the Trustee of some Madoff funds against Jp Morgan....A getaway was needed. I was to be the fall guy here for all this already in September 2008 as the evidence of the case “Lehman vs JPMorgan” strongly suggests.

The initial setup that had been put against the “screen” failed on and on thereafter: in 2009, in 2010 and in 2011. That really took too much time to blur the original mismarking of 2007. A decoy mismarking would be generated in early 2012 at last. It would at least cover up for “year end 2011”. That decoy mismarking had to be placated on my name at any cost. It failed again in the first 10

weeks of 2012. Mrs Drew had put Compliance in the loop on March 19th 2012 but freaked really on March 23rd 2012. She finally pointed her finger against Mr Dimon. She was not to knowingly fall alone, no....She was banging the doors and the walls for anyone to hear... The bank reputation was at risk. The one of the regulators was compromised too. This tension is easily perceived in one exhibit of the US Senate Report: it is a call between Mr MAcris, Mr Pinto and Mr Artajo dated March 23rd 2012 commenting on "it's Ina, Ina, Ina..." and her "very, very, very, very serious accusations"...

The "fall guy" invention had to take a new dimension where the media would play a critical role, ie a diverting role. Even that plot failed in April and May 2012. For entertaining as it was, this big casino style "London whale" was scary but it did not look credible. The US Senate and the FBI came into play for what looked more as a state matter than a cause for unearthing the truth. They would thus all target me further more starting in June 2012 with a worse purpose and new "commitments" to have me silenced for good.

Of course very little new extracts will arrive at this stage: I simply could NOT be the "witness" of this trap that was built under my feet on purpose. And so far I just showed that this scandal has never been investigated in fact. Yet....Some clues appeared here and there in the course of my testimony. The "audit trails" do exist among my answers in the form of many little clues. They are tiny for sure. Yet they pave the way like little white stones. I will just remind few of them. These are just "audit trails", ie "trails" that the "millions of documents" (many of them I never saw) would probably corroborate extensively. The FBI knows that since 2013 at the latest....

As the white stones below show, one could fully "audit" the miss on \$50 billion in reserves, the decoy mismarking and the "Iksil" targeting...based on my answers that never changed.

\$50 Billion

In this extract the FCA heard what the purpose of this "core credit book" had always been, ie a "cheap" risk management tool for Mrs Drew and Jp Morgan. It addressed for the bank's massive unpredictable "liquidity issues" that sat already on the "fortress balance sheet". The bank had recognized that need in allocating to CIO \$360 billion of "excess liquidity reserves" for "strategic & wise investment purpose" in fact (about 18% of the balance sheet!- that figure alone is puzzling). These investments conveyed some risks of their own make. Indeed why would Jp Morgan maintain so much money idle rather than "buy" or "make credit" with it? The bank had to make provisions for these investments that were made with the official "strategic liquidity reserve" of the bank. How big were they since they were themselves a "reserve" of some kind? That felt like a circular reference in an excel spreadsheet. In that regard, that felt wrong rightly so....

The needed "reserves on the reserve" were structurally so big that the bank had to create a special unit, namely the CIO of Mrs Drew, to invest wisely day to day these \$360 billion. Were these investments at CIO so liquid? They were not. And they were quite profitable....Why did they need to be so "profitable" why they were just meant to "wisely" invest "day to day excess liquidity"? It was not hard to connect the \$42 billion of intangible capital that were born overnight almost in January 2004 with this \$360 behemoth that CIO had become... The answers to the questions above lie in there (see "JPM gains in 2012. PDF" for more clues on that)... The concern for trading costs was omnipresent...Why should the bank take a reserve on its "strategic liquidity reserve"? That sounded like a circular reference indeed whereby something had gone wrong. But what was it that was so wrong? There was a conference call with Ina Drew on January 20th 2012 that lifted the curtain:

IKSIL: **That raised eyebrows** and I remember a conference call with Ina where she said, "That's okay, given all the money made on American Airlines. That's okay, we have one loss this time but it cannot happen again". And then the instruction of Achilles in February confirmed that's What CIO wanted. So we had to cover just this handful of companies that amounted to say 200 million loss, total for all of them. FCA: Okay. IKSIL: And that drove the whole notional increase. FCA: Okay, on the high yield. IKSIL: And IG FCA And on the IG. IKSIL: because if I covered the high yield I had to buy a lot of protection on high yield but, if I did that, I'd put the book in bearish bias, and they wanted me to be long risk And I had to have zero cost for the protection I put so I had to invest in somewhere else. FCA So that's our third reason, that as we understand it, for adding positions to the book in order to fund the cost of IKSIL: Yes. FCA: ...the purchase on the high yield. **IKSIL: Yes, it had always been the, the, the way this book worked and it was perceived by management you buy some protection on a relative value basis so that you had the protection but almost no cost at the risk of mark to market, and you had to manage it all the time.**

This book was a "relative value" book, ie something that looked like a prop trading book. But it was not in every other aspects like "objectives", "budget", "limits", "valuation process", "risk takers", "controllers", "gate-keepers".... There was indeed not a single obstacle against moral hazard. Answer to the question "what was so wrong?": that was the "basis risk". It was under-reserved at Jp Morgan. This book was hedging a massive "basis risk" by creating even more "basis risk". Rather than sit within one "trading book" or another, it was now being generated by Mr Dimon, by his regulators, between CIO and the IB mostly.... This massive "basis risk" sat at the IB originally. It had no reserve associated to it, did not require "tangible capital" and was valued at the IB in "mark to market" very much like the "tranche book of CIO" was. The IB controlled the "mark to market" of this "tranche book of CIO" via the collateral management.... The IB thus controlled the mark to market of its own basis risk and the mark to market of this CIO hedge. What a coincidence! A reserve was required here with or without the FAS 157... That was just plain common sense inherited from 1992....

The SEC deposition would bring further light as to what the \$50 billion missing reserve was related to. In very few words, this was the skew risk accumulated on credit indices and synthetic tranches across the bank, including the IB and the investments of CIO itself (this "tranche book" was not considered as an "investment" at CIO- it was nicknamed as "the problem child of CIO" by Mr Macris). The skew, the missing reserve, both appeared through the execution costs, the concentration risks and the high visibility that CIO had reached in the markets and inside Jp morgan. Many extracts before already showed that. The other extracts below will just further complete the picture:

IKSIL: That was not exactly my view. My view was that there were losses due to real events, like defaults in high yield typically. There had been losses due to the fact that the book started the year slightly bearish. There had been losses, I mean, to my knowledge, **at least 200 million losses, lost due to the instruction of Ina Drew to cover this high yield marginal, just pure execution cost.** So you had different losses and you also had big gains on some other positions. And so you had big numbers, positive, negative, and there was an outstanding number that was overwhelming that was the loss triggered by the drift...Q: And that was the, that loss you regarded as being due to the manipulation?...IKSIL: Ultimately, yes...Q: Okay....

IKSIL: ...changed, to me, you know, worst case, because there's always a part of randomness, noise. **The book should have lost, at worst, 50 million, although it should have done nothing basically, except but a small loss.** I'm contrasting here in this call what Julien and I were accustomed to live day to day through the estimate P&L in the book and what we are going through since the start of the year

with **this drift that is creating, yes, a lot of trouble....**Q: Okay. So you weren't saying that the actual loss during that week was 300 million?...”other Q”: **objection as to the word "actual loss"**; mischaracterizes the testimony...IKSIL: I was saying that the actual divergence induced by the fact that Julien had been instructed to **remove the drift** from the estimate P&L, the actual divergence that this change has triggered was, to me, about **300 million, yes**. That's what I was saying, the actual divergence due to the change in the estimate P&L process.

The high execution costs revealed the ill-liquidity of the basis risks, the CIO and the hedge altogether. I volunteered to take an “FO reserve” to account for the coming execution costs. I called it a “cushion”. That was a reserve by essence, or a provision in accounting terms. It matters to remind here what the CFO, Mrs Drew and the bank did with the “cushion” that I had advised to put since 2009:

Q: Why was it added? *(the "cushion" column)*...IKSIL It was added because we had to mitigate 2 instructions for the estimate P&L that were conflicting. One the one hand, Javier wanted to have prices that reflected where we thought the market was or should be, and we had to report on that in the estimate P&L report for the prices. But on the other hand, I had to unwind the positions in the book as fast as I could and the liquidity was so poor that **the unwind costs on a daily basis could be 30,40 million**. So the book was making a lot of money on the existing positions and had- I'd say- a "new trade P&L" that was absolutely awful. The problem was to figure out what kind of prices we should report since the price should, in theory, be independent of the actual pace of unwinding. It was a forceful, a very quick unwinding. So what we did is we kept doing the price analysis for the estimate P&L aside from the speed of the unwind and we added in the cushion column an expectation of what this unwind cost on a daily basis was, instrument per instrument, so that the report was complete and the net estimate P&L had the right price and thanks to the cushion, the right economic result at the same time. ... Q: Who else as you, to your knowledge, was aware of this column "cushion"-- or this "cushion" column that was added in 2009?...IKSIL: You had Luis Buraya, Jason Hugues *(CIO-VCG ie price control)*, Javier, Finance *(ie CFO)*....Q: Do you remember any of the names of the people in Finance that were aware of that cushion column when it was added in 09?... IKSIL: I don't place Jason Hugues in Finance. Now you can ask Keith Enfield. He knows who at Finance decided on that cushion on your end....IKSIL: I think when it was added in 09...IKSIL: No, no in 09. At the end of 09, there was a big cushion still for year end. I asked Luis to ask that this cushion was rolled in 2010 because the unwind was going on. And **Luis came back to me saying that Finance did not agree and reintegrated this cushion into the P&L estimate. This happened again at the end of 2010 and again in 2011** *(This alone proves that Finance had the final word on the estimate P&L itself)*Q: So when Finance would come back at the end of 09 and 10 and 11, did you understand that they were disagreeing with you, that you should be maintaining this cushion in your Monster Truck?...IKSIL: I just understood they decided on that. That's all....Q: So they never agreed with you that it was appropriate to use this cushion column the way you were using it?...IKSIL: I can't say we disagreed. We never had this discussion. They never came to me....Q: You just know that at the end of the year they would say we don't agree with this and they would roll it in?IKSIL: Again they would not say that they disagree....

What did I know then and how? I was cross-examined on that key element. My answers were showing the genuine mismarking and its genuine actors that shall also be found among the regulators actually:

IKSIL: Because Luis told me that finally they re-integrated the cushion into the P&L estimate....Q: Okay. So what you know is that Luis would come to you at the end of each year end, tell you that

Finance had reintegrated your cushion back into the P&L....**IKSIL: What I know is that Luis in 09 told me that Finance reintegrated the cushion.** In 2010 the same question was raised because I wanted to keep this cushion for the same reason, to be able to unwind and have as reliable reporting as possible about the P&L estimate and the trading cost. In 2010 I don't remember who told me that, but I saw in 2011 that once again the cushion had disappeared. **And in 2011 it's Julien who told me, I think, that we cannot keep the cushion after the events of American Airlines.** It was not always the same person....Q: Okay. When you mentioned using this cushion column to Mr Artajo, what do you remember him saying to you in response, if anything?....IKSIL: I remember we had a discussion in late 09 because at one stage I told him "well, we are--we--we have--we had something like 600 million gain year to date and 300 million, and I told Javier about the fact that the cushion had reached up to 300 million, and we said well, don't go over that...."

One could rightly argue that the clues are few and far between on my testimony about this \$50 billion reserve missing on the accounts. This is quite normal as indeed this was NOT my job to account for that at all. The episode of the "cushion" proves that I would be overridden anyway. Now let's just recall what has been showed in the few extracts above about this massive "London whale" book :

- 1- *Yes, it had always been the way this book worked and it was perceived by management: you buy some protection on a relative value basis so that you had the protection at almost no cost at the risk of mark to market, and you had to manage it all the time*
- 2- *In January 2012 I elevated at least 200 million coming losses, lost due to the instruction of Ina Drew to cover this high yield marginal, just pure execution cost...*
- 3- *the unwind costs on a daily basis could be 30,40 million in 2009 already..... And Luis Buraya came back to me saying that **Finance did not agree and reintegrated this cushion into the P&L estimate.** This happened again at the end of 2010 and again in 2011*

By design the bank wanted a "relative value" book based on "tranches" hedging the firm on market areas involving CDS. That was all about the "basis risks". These are the same basis risk, the same skew risk, the same execution costs risks that had destroyed no less than Bear Stearns, Lehman Brothers, AIG, WAMU, Merrill Lynch, Fortis, among many others who survived by just a hair in 2008. Since 2009, the CFO had overridden a need- elevated by me- for a large reserve just to account for daily execution costs on that book alone. Later in 2010 the price uncertainty could induce a potential daily loss of \$50-100 million for a book that could NOT be wound down notoriously so...In early 2012 the random daily loss could potentially reach \$200 million. The basis risk was overwhelmingly present in the CDS markets. Looking properly into the accounts of Jp Morgan one would have easily found tens of \$billion of missing in reserves as a result (see "JPM gains in 2012.DPF"). One can also find in the 10-Q and annual reports covering 2009-2010-2011 that regulators did investigate at Jp Morgan what the basis was inside the bank to "identify" excess liquidity. It turns out that CIO by the end of 2010 was overinvested by \$50 billion, ie that it had been granted \$350 billion to invest while the bank stated "excess liquidity" was only of \$300 billion or so. There is more to discover in these reports on the matter. But instead of doing that the bank and some regulators will ignore that and instead manufacture a decoy "trader", a decoy mismarking and a decoy "London whale" story.....The next part will show that the decoy mismarking shows for what it was in parts of my testimony as well.

Decoy mismarking

Again, I will just add few extracts trying to complete what was shown before. I described to the FCA what the "decoy" had been for me....

FCA: "And Mr Grout says, "No, no, no, no, no, no". You say, "One point on the high yield and we're back to flat. That's the problem that we have. It's not the big range that you see we need for —" Mr Grout says, "Flat, you mean?" You say, "Yes, because they don't care. In fact, what they don't want is: for us to be down." And Mr Grout says, "But, Bruno, this in fact puts us up what you just said". Did Javier instruct you to ignore the drift to the extent that you would be showing a profit?" IKSIL: "No, it's -- it's all about again the discussions with New York and all the crazy considerations. I keep trying to explain that this loss, no matter how big it is, it's very small versus the liquidity issue, right? What I tell Javier here, I'm referring to, is I tell -- I tell Javier, "Look, Javier, it's a big loss, right, and you guys, you eventually consider by the end of March to add to the IG9 or the S9, the forward spread investment, but think of it, you have so far this year-to-date loss that you think is big that could be an opportunity, right? It's only three basis points. I -- basically, it's a bid offer spread on the current quote". So what I'm trying to say here is that even if it's a big loss, it's not a big market opportunity. It's just that it's a big cost of trading and big liquidity issue, right? That's what I'm saying here, 7, 8." FCA: "Where you refer to basis points on different instruments?" IKSIL: "Yes, because they think in millions and hundreds of millions and I'm thinking in market price moves, "what does it mean?" If you lose 500 million because the market has moved a lot, because you had a small position that lost a lot. Okay. if you like this position, that's an opportunity to add. But if in fact you already have a huge position and the market has moved a little, and you're considering adding and saying, "Look, the market has not moved that much" Okay. "lawyer: "I think -- just to make it clear, I think, Bruno, you said that it was a conversation with Javier, but this is a conversation with Julien." IKSIL: "Yes." FCA: "Understood, understood. 1..." IKSIL: "So I explained Julien what the -- the — some of the contents of the back and forth I had with Javier on this discussion." FCA: "And the discussion you're referring to with Javier is the conversation on 6th March that we've already discussed?" IKSIL: "Yes." FCA: "And at that time, did you say that Javier was in New York, or he had been discussing with New York?" IKSIL: "He had been talking with New York, yes." FCA: "And what did he tell you about New York's views? And when — sorry, when you talk about New York in that context, do you mean CIO management in New York?" IKSIL: "I understand he mentions CIO New York, yes." FCA: "And what did Javier tell you about his conversations with CIO Management in New York?" IKSIL: "Not much, except what is referred here." FCA: "Okay."

FCA But you were not explicitly told that that was the basis for the decision. IKSIL: I don't know what the basis for the decision was. What I know is the conclusion that CIO wanted me to cover the marginal loss on the defaults, in high yield and remove the bearish bias on the book. FCA And so therefore, our understanding of why positions were added to the book was firstly, that there was -- firstly, in order to reduce the RWA figure by adding better balancing positions. IKSIL: That was in the first half of January. For the rest of the quarter that was really, really removing the marginal loss on high yield positions. FCA Okay, so IKSIL: **The target to reduce the RWA was switched from the 20th to "model change."** FCA: **The 20th of?** IKSIL: **January.** FCA: **January.** IKSIL: **2012.** ... FCA: The second reason, as we would explain it, would be to add positions to ensure the portfolio was protected from defaults in the credit market. IKSIL: High yield. FCA High yield. IKSIL: And just for the nine names. FCA: Sorry, can you explain that? IKSIL: Okay, I explain it again. The book since 07 was providing protection against the default in the US high yield market, and in 2012, thanks to the different high yield series that were in the book, the universe of high yield names amounted to say, 150 companies. Part of the protection expired on December 20 and I didn't roll it because of the RWA constraint, you know. Why maintaining something while you have to reduce it? And I was proposing to unwind the books. So why renew something I propose to unwind? That was nonsense, so I did not renew it and one of the companies -- so, this protection disappeared and it turned out that among the 150 companies, there were ten on which the portfolio might suffer a loss, much smaller than the gain it

would be expected on other companies but there were nine companies, or ten, and Kodak was one of them and it defaulted in January.FCA Yes

FCA: "Before the 10th of April, had you had any conversations with Achilles Macris in relation to the \$300 million distance?" IKSIL: "No." FCA: "Okay. Let's move to the 10th of April now." IKSIL: "Just one clarification you know. I had with Achilles Macris, conversations at best twice a year." FCA: "Okay. So this is in an average year." IKSIL: "Yes it's like... And I had many more discussions with Achilles Macris in 2012. It's not customary for me to reach out and my contact point is Javier." FCA: "Okay, understood. So how about prior to April the 10th, did you have any conversations at all with Achilles Macris in relation to the losses on the book?" IKSIL: "Yes, I did. I did have one in the ISMG meeting on the 31st of January where it was month-end and I warned Achilles Macris and all the attendees on the meeting - and it was finance, it was risk, everyone, that this book could lose easily \$50 million, \$100 million that day, month-end because prices were drifting and out of control. The second time, I mentioned the loss to Achilles Macris was -- so, during the conference call with Ina Drew on the 3rd of February, where at one stage Ina Drew asked, you know, how much this book could lose. Javier said \$50 million. I said, "No, no, no, no, it's \$50 to \$100 and it can be one day" FCA: "Sorry, just to clarify. You said \$50 to \$100 million in one day." IKSIL: "Yeah, possibly, yeah." FCA: "And you had that conversation with?" IKSIL: "It was a conference call because after I went to the ISMG meeting, Achilles Macris, I saw it later, sent an email to Ina saying it's worrisome, so there was a meeting with Ina Drew. I had prepared some slides. Javier made the presentation. We saw some of the slides that mentioned the loss. That was in the first presentation of January that I brought to the ISMG meeting. Basically, I said, "You know, the year-to-date is \$100 and the book can lose \$300 million just because of the drift and the lack of liquidity". These slides were removed but I explained all this drift in charts where you..." FCA: "By whom?" IKSIL: "By Javier. He reviewed the slides in preparation for the meeting and he removed, you know, he tore apart all the slides mentioning the loss but Achilles Macris saw the first slides and actually he cut me off the 31st January, so I could not present the slides." FCA: "How did you know Achilles had seen the first slides?" IKSIL: "Because I brought the presentation to the room and, of course, you know, I was sitting next to him and I let his -- I saw him — I started saying, "You know, it can lose —", I wanted to say, you know, "Today's month—end, the book can lose 50-100. I'm sorry there's nothing I can do" and I saw Achilles flipping the slides. So I don't know for sure if he read the number but he stopped short and he moved on to another subject but he called this meeting with Ina. Javier made the presentation using some of the slides only and there were charts, you know, showing the drift, you know, the on-going underperformance day after day... since the start of the year and Ina started the meeting saying, "Okay, Bruno" because I sent the slides before, so that Ina would have time, you know, to get familiar with it and she started the meeting saying, "Okay, Bruno, I'm not a specialist" but I get it. I get it" and so, it's only at the end of the meeting that Ina asked how much this book can lose that I made this remark about it."

I do not describe here what the bank executives did effectively to generate this mismarking. As I said, I was not in the decision loop at all. Instead I have always been sidelined and next "instructed".

I could start reconstructing this mismarking from the termination letter that the bank sent me in July 12th 2012 in a split second: the estimate P&L all of a sudden was an inescapable stage of the "mark to market" process. That was in plain contradiction with my living experience at CIO! The price freeze of December 2011, the changes of late 2006 of march 07 and of July 07, all proved the contrary. The reports of Jason Hugues at CIO-VCG and the reports of Allistair Webster showed exactly was this estimate P&L process was, ie a sideshow. The fraud of the bank was there, written black on white in

the letter that terminated my employment with the bank. The bank was lying all along and inventing a role that had never be mine. In this termination letter the fraud was easy to document. Indeed the bank denied my alerts, their consequences, the real valuation process that we had to comply with, and the subsequent elevations of Mrs Drew herself! The bank printed a restatement alleging "price differences" that were quite well elevated all the way up in due time. I inferred from all these lies of the bank and these misrepresentations of the bank that Jp Morgan indeed had done some mismarking but away from me. I wondered what the regulators knew at the time while they let the bank publish its restatement and its 10-Q reports. I could build a pretty safe scenario by April 2013 thanks to the exhibits of the US Senate report of March 2013. I got the proof that Mr Dimon was directly involved in November 2013 through the second batch of exhibits disclosed by the US Senate Report. He then wrote to Mrs Drew about THEIR "exotic credit wind down" on April 5th 2012. That was their plan. That was one day BEFORE the first "London whale articles were to be printed. The ENRON scandal had secured since 2003 that such an operation required an independent "third party" valuation. They were thus ALREADY reconciling price differences between the IB and CIO. They were thus already finalizing what they would only finalize in June 2012. The "London whale" had just been a tool for Mr Dimon. Thus that hint to "our exotic credit wind down" plan by Mr Dimon proved that the bank had always been the original sponsor of the "london whale" myth.

I learnt of the very close involvement of the Federal Reserve with the OIG report of October 2014. I understood the responsibility of the FCA in March 2015 through the PIR releases. They were all closely involved in early 2011 already.... I saw the proof of the real mismarking only in September 2016 through the SEC deposition. I was puzzled then that regulators had been "ignorant" of that at the time since the issue lasted at least from September 2011, ie 6 months BEFORE the first seminal "London whale" articles.

I hinted already then, in the course of my SEC deposition in New York in September 2016, that the genuine mismarking had popped up in their files in September 2011. That was to no avail it seems other maybe than inducing subsequently a complete dismissal of the charges against Mr Grout and Mr Artajo. The bank was mismarked in September 2011 by an amount that it would wrongly attribute to CIO in July 2012. The controllers and the top executives of Jp Morgan were aware of this mismarking in September 2011, no doubt. They had a plan to sort it out as we all know today. Some parts of this plan transpired at the time. Then they let market players open a common Bloomberg chat spying on every single of our moves at CIO. They closed "credit hybrids" on tranches in November 2011. Did they "invite" American Airlines to file for bankruptcy in exchange for immediate funding? It matters to say that AMR cancelled no flight at all in the period. The gains were certainly "welcome" at CIO but they mostly fueled the future legend of the "big trader of CIO". The top executives of Jp Morgan certainly organized in early December 2011 an issue around the collateral management that the IB was operating everyday on behalf of CIO then. CIO had no voice on these collateral operations. Yet they determined in full the mark to market of this "tranche book" post the "estimate P&L" stage in the valuation process at the firm. They no doubt also sent conflicting instructions as early as December 1st 2011 while CFO once again overrode my request for a \$300 million "cushion". They ran 2 "year end close" for this book while the Federal reserve was watching this quite closely and specifically. Here all was tied together: CCAR, share buyback, RWA, risk modeling, stress tests, "Core Credit book", "unwind cost for this book in particular", "dismantlement", many \$billion to provision already.... The internal auditors were auditing the valuation process for this book and had quite specific requests for "improvements" around "price uncertainty", "concentration risks" on indices.

That was just another coincidence. The IB traders, although "at risk" internally, could openly refuse to wind down positions with me saying that they were NOT marked where the market was....And the CIO-VCG will be allowed to use "tolerance bands" reflecting inherent price uncertainties WITHOUT setting the commensurate reserve that goes with these "bands". The decoy mismarking was here already in December 2011 well manufactured knowingly so...The events of 2012 were just make-up layers put on it...A last attempt to have me fall for this too.....

*One anecdote that neither the bank nor any single regulator would raise to the public stage was that I testified that I advised Mr Hugues to report a larger loss than what Mr Grout had sent for March 30th 2012 due to price uncertainty....That was on April 3rd 2012, **3 days before** the seminal articles :*

Q: When you were talking to Mr Hugues about a cushion, did you have the same number in mind or a different number for the cushion as compared to the reserve?....IKSIL: The cushion I discussed with Jason was a different thing than the divergence that I suggested to Javier at the end of the day that maybe should be a liquidity reserve. These are different things....Q: Okay. And what was the difference between the cushion that you were recommending to Jason and the reserve that you say you were recommending to Mr Artajo (*the questioner here mixes the meaning of "cushion" between the one of the end of 2009 and the one of March 2012 deliberately*)?...IKSIL: The cushion was an additional loss that Jason would bring as an adjustment to the P&L estimate that Julien had sent based on Jason's analysis. **I was just fearful that Jason may have made a mistake in his own control.** Now this divergence number was the result of a change in the estimate P&L process itself...

Here Mr Hugues reported internally an initial difference for him of \$238 million to his management. That information I would learn it only in mid 2015 through the disclosures of the FCA investigations. Mr Hugues, despite what he had independently observed and elevated to his management line, and despite my own guidance to him although he had not asked for it, would NOT make any significant adjustment. Mr Hugues then was therefore told NOT TO place this cushion that I had advised him to take on top of the other \$238 million that HE had elevated internally at Jp Morgan to CFO and controllers....Here, by April 3rd 2012 (or 3 days before the very first "London whale" articles) the bank and CIO were just finalizing the manufacture of the decoy mismarking that they had engineered in December 2011 already.

I will also explain what the "pain" was for me in 2012. That was not the loss as a whole but the loss induced by the fact that markets were dead because dealers were simply unwilling to trade with CIO on THEIR quoted prices. Pushing me to trade was just making the loss worse by growing the trading costs. Better was to take the "pain" without trading. That was my view. That matter had been elevated by me to Mrs Drew and others face to face since 2009.....In the extract below I provide a description that betrays the decoy mismarking of the bank and the regulators involved in that since the price uncertainty was notorious around the globe since 2009:

Q: sir, do you see where you wrote "I will show up for small in the hope we can limit the pain"?...IKSIL: Yes...Q: What were you telling Mr Martin-Artajo when you said "I will show up for small in the hope we can limit the pain"?...IKSIL: I was telling him I would show--interact with the dealers. I had warned him I would avoid trading as much as possible but just trying to interact and get the very best prices I could have, hoping that they would actually be willing to trade. And so that we could have a traded level that would be as reliable as possible, and that that would certainly prevent them from framing the prices....Q: Okay. And what did you mean by the phrase "limit the pain"?...IKSIL: I meant this painful experience

One may say that the decoy mismarking is not showing up clearly. This had to be the case but let's remind what the "official story" was here. The bank would allege, with the blessing of all the investigation teams subsequently, that a price difference had remained un-reconciled properly for March 2012 month end.... Hence the restatement and the suspicion around the "London CIO traders".... A "detail" in the story that all the regulators would emphasize was that one to 2 weeks before March month end 2012 these difference MAY HAVE BEEN caused by "traders' misconduct". But this backbone of the accusation shall actually NEVER be proved. And my testimony above showed that it had just not a single chance to be supported by "documents" as quite the opposite had occurred on my end. My colleagues may have done questionable things. But I was elevating everything quite efficiently anyways. This is actually what the "millions of documents proved. How could I prove it in practical terms? Simple, I testified that I had secured myself that nothing was unknown. And as the FBI put it in general terms in August 2013: "it was corroborated". What did these "millions of documents" showed to corroborate my testimony? By the end of December 2011 Mrs Drew and the Federal Reserve were aware of this price difference. And they were so concerned that they ran 2 year end valuations in late December 2011! By January 20th 2012, yes "January" as the FCA asked, Mrs Drew however ordered 100% of the coming notional increase that made this issue just bigger and bigger. Due the orders of Mrs Drew that she repeated on and on, that price uncertainty became more and more visible in the markets themselves. They were amplified through the collateral management of the IB of Jp Morgan itself on behalf of the CIO of JpMorgan. That echo reached the regulators through ICE. The IB and the CIO every day in 2012 had a different price for some instruments like the IG9 10yr index. Market participants saw it through ICE and wondered why that happened. ICE wondered why and reported the matter to regulators as it was mandated to. One may understand then why Mr Dimon asked to simply stop sending the daily P&L report of the IB to the OCC in Late January 2012 (US Senate report). One may also understand why John Bellando (CIO New York) stopped sending the monthly CIO P&L report to the OCC after January 2012 month end. Who told Mr Bellando, who had no decision power at all, to withhold these crucial reports? Who was emblematic enough for John Bellando to feel "safe" by not doing HIS job here towards the US authorities? Why would he care after all? They could jail him for that! But John Bellando was "ok" right?.... One may then understand why none of 100 staff of the OCC and the Federal Reserve "checking in" every day into the very head quarters of Jp Morgan in the USA would "notice" the miss of Mr Bellando. Still they would notice almost instantly the "miss" of Mr Dimon then about the IB...They were thus quite selectively "reckless-complacent-whatever...". Who told these 100 regulators to be so "selective" in their monitoring of their routine job and mailbox? Answering this "matter of state" question, one would understand maybe other strange facts surrounding Mr Bellando later on.

This decoy mismarking had caused a lot of unusual acts, thousands miles away from CIO London, among many participants working in New York. That happened in January and February 2012 while they were tasked to be watching quite closely Jp Morgan performance and this "tranche book" altogether....And all these acts converged towards one name already...

"Iksil" targeting

Yet they all refrained at talking to me in 2012. "Not yet" as they knew already since late 2007.... They would suddenly want to talk to me in July 2012, ie 3 months AFTER the first seminal articles on my name. Then the FCA quite consistently displayed its knowing bias against me....whatever the "millions of documents" showed...or maybe "BECAUSE of what the millions of documents showed"....

Here are just few extracts where the UK regulators, noticing the many clues leading straight to Ina Drew, the Operating Committee and Mr Dimon, systematically ignored them to focus on what I “felt”, what I “thought”, what my bosses “knew” in my “opinion”, “who else” knew, what my alerts may have meant to “others” in my opinion, and so on...my opinion was central indeed for the FCA. But that was not “central” because myself I was a key decision maker. The FCA focused on my “opinion” precisely because I was not central at all in the facts. Thus I was invited to speculate knowing that I had to be “deemed truthful”. I could not afford not to answer. And if I disagreed, only my lawyers could speak on the record.... Not me... Was it fair? And if my otherwise clear answers did not “fit” with the official storyline, the UK regulators would try forcefully to alter my answers sneakily at times...Was it just a “bias”?... Let’s start with an anecdote...

FCA: “Okay, and we will come back to that document shortly. So if we just turn to the document at tab 3 of the bundle. So I will just have to read out the details of the document for the purposes of the transcript - you can ignore that - and then I’ll ask you a question. Okay, so this is a transcript of a call between Julien Grout and Bruno Iksil dated 6th March 2012, timed at 13.02 EST. The Bates number is zzz. I just have three short points on this document, but tell me if you need some time to refresh your recollection.” IKSIL: **“No, I just have to specify that I came across many issues with the transcript, the translations.”** FCA: **“Yes, I understand** that other translations have been provided. If, when I ask you a question, there’s something in the translation you disagree with, then I think, **Mike, you can point that out on the record.”** lawyer: “Yes.”

Of course a “translation” of my own words that I would disagree with would NOT be put on the record. The FCA staff had been quite “professional” on that matter. It would ONLY be the words of my legal representative that would be allowed to go on the record. Was it fair? Thus if MY words were distorted by the FCA, I was not authorized to put it on the record myself. Only my lawyers could on what would still be the record of MY compelled interview. As the subsequent events will show, the FCA used this subtle difference in quite a peculiar way. Thus if and when the FCA fully distorted my words or the context and what happened ON the record, not only the UK regulator ignored what I would say, but also it would keep publishing misrepresentations without ever submitting them to me in advance, AND it would maintain its misrepresentations knowingly so next.

Now here is how the UK regulator would hear of my role and yet would never make it clear on the public stage:

FCA: “Okay, and the period that we are particularly interested in is obviously early to mid-2012. Could you talk to me about how the process was working in, say, December 2011? And the process that **I’m interested in is the interactions between yourself and Julien in relation to the pricing of the book**, so if you could just talk through on a typical day the interactions you would have at that time, that would be helpful.” IKSIL: “When exactly, December or ...?” FCA: “So December 2011.” IKSIL: “It was typical interaction. Julien would select the price, process the estimate, make the first analysis and then I would ... he would ask me what I think. It’s a daily daily interaction, so he’s done the whole process, he comes up with a number and, you know, I – I just give my opinion on what he ‘gets.’” FCA: **“And is that on a position by position basis?”** IKSIL: **“No. In general, no-.”** FCA: “Is it by strategy?” IKSIL: “It could be by strategy. If I happened to trade on that very strategy, then I can provide a very fine guidance as to where I think the market is, the prices he should use, yes.” FCA: **“And then would Julien take into account your comments? Would he update his estimate?”** IKSIL: **“Not necessarily**, but in general I provide him with valuable information, because up until December ’11, I was doing most of the trades, so he was selecting the prices, not in a blind manner, but

he was really picking the -- the runs and then harvesting them into one spreadsheet, where he selected the best bid, best ask to have a very refined view and I would use these prices eventually to trade on things we had to do to manage the book on a daily basis.” FCA: **“Okay. And...”** IKSIL: **“And that would be it.”**

And that would be it indeed. The FCA could never even try to say that I was not truthful. But the UK regulator will try forcefully to print a very different role for me all along and until today in 2018. In every story that the FCA published on the London whale to “inform” the public it kept its stance that I was the “trader in charge of the trades and the valuation”. In that fictitious role that the FCA placated in the media for everyone to see, I had mechanically been involved in the minimization of the losses. Even in July 2015 the FCA would NOT correct its flawed statements on me, alleging instead that it had not had “enough evidence” of what they claimed publicly...The fact is that the FCA knowingly lied and had way enough evidence that proved what I stated. Here are few samples of the FCA methods.

First at the FCA they opted to ignore that the US calendar differed from the UK calendar for working days. That mattered because I had sent an email that the FCA had and wanted to ignore “for the record”. At one point in time of this interview it was like “when London is closed, the rest of the world is” for the FCA in front of me...The bad news for the FCA was that on this “London closed” day of April 9th 2012 I was announcing a loss on the book for the day after that would be minimized later but certainly not by me. This email announced a huge loss for the day after already, ie for the 10th April 2012 the first London working day right after the first seminal articles... what a strange way of mine to “try and conceal part of the losses”!....That had to be ignored as per the plans of the FCA for its preconceived story to just hold water...

FCA: “Okay, thanks. So if we come on to the 10th of April just now which is the first trading day after the Wall Street Journal article comes out. Could you just tell us the order of events, you know, what happened on the day in terms of losses and conversations about what losses to report?” IKSIL: **“So first I have to specify that the 9th of April was...”** FCA: **“The Bank Holiday Monday.”** *‘the FCA cuts me. that must be cross-examination technique, right?’* IKSIL: **“Hey! It was open in the US”** FCA: **“Yes, we know that, yes.”** IKSIL: “Yes. It’s a slight detail because the world is looking at IG9, right?” *(The FCA cuts me again)* FCA: “Sorry; I did mean the first trading day in London.” IKSIL: “Yes because you know what I did, what I did the 9th right, I looked at my Bloomberg and I made the first estimate of what the loss was.” FCA: **“Well, first of all, which country were you in at this time over the Bank Holiday weekend”** *(the FCA diverts the answer. Cross examination again to judge on my truthfulness?)*

The FCA will not discuss AT ALL what I had put in this email of the 9th April 2012...

In this other example, the FCA shows its bias which consists in just NEVER looking above the head of Mr Artajo:

FCA: “Can I just ask you about that phone conversation in which Ina and Javier were on the phone and there was the discussion about stopping trading? If I followed correctly your account previously, your understanding from Javier was that he had, by then, discussed the concept of a liquidity reserve with Ina. Is that right?” IKSIL: “That was my understanding, yes.” FCA: “And that Javier, by the 23rd of March, is seeking to know the size of that potential liquidity reserve was your understanding?” IKSIL: “Yes, I mean, he has no choice. I tell him every day what this is.” FCA: **“Did you consider raising on the call with Ina, on the 23rd of March, the issue of the liquidity**

reserve?” IKSIL: “Sorry, what is your question, please?” FCA: “When you were on the phone with Ina and Javier in respect of trading on the book, did you raise with Ina the issue of the liquidity reserve that Javier had already told you he'd discussed with her?” IKSIL: “**I didn't**” FCA: “**Can I ask why?**” IKSIL: “Because I was not running the show, you know. Ina was running the meeting, getting to the points she wanted to get at and that was the RWA increase. That's all that mattered. We did not even speak of the losses on the book.” FCA: “Okay. Thanks.”

Ina, Ina, Ina... “ok” but what was my opinion on the color of the curtains?... The FCA of course refused to see the obvious, ie all the quite tangible signs that Ina Drew had manufactured a genuine commotion all the way up at Jp Morgan by March 23rd 2012, ie 2 weeks before the first seminal “London whale” articles.... What a weird angle below where the FCA is drifting as much as it can away from the facts.

-FCA “I understand that. I suppose really where I'm coming from is that from the middle of March, and we're now on the 8th of April, you've been under the impression, from what Javier has told you, that a large amount of loss is going to be recognized in one form or another and the way that he says he's intending to recognize it to you is through a liquidity reserve. I suppose what I find difficult to understand is why you wouldn't want your manager's manager to be aware that there was this large outstanding amount that hadn't been accounted for anywhere yet.” IKSIL: “Well first, I suggested Javier a liquidity reserve, I understood it would come in the form of a liquidity reserve. I didn't know how it would come out, first. Second, I always assumed Achilles was already aware of all these issues. If you look at, if you read the call that I have with Javier on the 20th, he told me that Achilles told him, so -- and **Ina is aware, so I have absolutely no reason to doubt this.**” FCA: “**I suppose what I'm saying is the thing that might have given you cause for doubt** is how long you've been being told that it was going to happen but you'd yet had no evidence that it had happened.” IKSIL: “Well, again, Javier told me that weekend that they would take a liquidity reserve starting with IG9 indices. That was my understanding.” FCA: “**I understand that but am I right in thinking** that Javier had been giving you that explanation since the middle of March?” IKSIL: “**What is your question?**” FCA: “**My question is for how long -- no, let me phrase it differently. My question is, bearing in mind** you'd raised this issue in March, the middle of March, and you'd had repeated assurances from Javier that the matter was going to be dealt with, we're now on the 10th of April. **You've seen no tangible evidence that it's been dealt with.** You've only had Javier's explanation. I'm just wondering at what stage, you know, you come to the conclusion that perhaps it's not being dealt with.” IKSIL: **Well, I've many reasons to think that there were tangible signs.** First, there was Javier talking to Ina, Javier synchronizing the number of the loss that was communicated the 30th of March, talking to New York. Then he tells me that there is this \$100 million, there's whatever reserve on IG9 indices, so there is a process that is underway **and the other tangible thing is that it's risen even above Ina Drew.**” FCA: “Okay and how did you know that it had risen above Ina Drew?” IKSIL: “**Ah. Because at the start of April, I worked all weekend between the end of March and the start of April to prepare for a meeting that was to happen I think, I'm not sure, with Doug Braunstein, and the high level management, even before the articles were published so..**” And at the time, frankly, and I am the target of all these articles and, you know, I'm not like -- only focused with what's going to happen to the liquidity reserve but, against your point, I have a lot of tangible signs that things are being dealt with on this book.” FCA: “And the work that you had been doing for Doug Braunstein that weekend that you've just described, was that work around the potential liquidity reserve or what was that work around?” ... IKSIL: “Okay.” You need to see where I stand in the hierarchy here. First, you know, yes, I was promoted MD in 2011 and Javier told me, “Okay, at the end of 2011, Eric, Luis and Julien will report to you but don't get over it. It's a chocolate medal, it doesn't change anything”. No, no...

"FCA: "No I was going to say..." IKSIL: "No, you need to know —" FCA: "can I help you out a little bit because my question is focused on whether you'd had any information from anybody other than Javier. That's what I'm really getting at." IKSIL: "Yes. I had no information other than Javier, so I had to be on his word." FCA: "And you're welcome to give me other... any explanation you would like to but that was the purpose of me asking those questions, to ascertain that the source of all your tangible signs was Javier." IKSIL: "Yes, Javier was the only point of information for me, the only point of instruction for me." FCA: "Okay, that's helpful. Thank you."

The FCA really tried to paint the tape as the extract above shows. It was NOT at all that the FCA had "not enough evidence" to support its story. It was clear that the FCA had too many evidence destroying its own tale. More the FCA saw the evidence backing my testimony here. The FCA's story was a complete and known misrepresentation of the facts. Had it been cross examination, the FCA would have checked the facts and the dates. It would never do that "check" and in particular never start questioning my truthfulness thereafter. More, had it been a genuine investigation, the FCA would have summoned Mrs Drew and Mr Dimon to a compelled interview.... had it really wanted to corroborate its story on me... Did they ever consider it "wise" in their case? Let's see one day if the FCA simply tried to interview Mrs Drew or Mr Dimon to confront my answer above....

Of course the FCA tried to distort my clear answers about the "bad thing" and the "worse thing". That was NOT cross examination. That was just manipulation of words. The FCA tries to put words in my mouth indeed. As the extract below shows these words are NOT mine but the FCA ones clearly:

FCA: "But you were ignoring something. I mean, you have told us you were ignoring some things so what was that?" IKSIL: " Well... well ignoring in the estimate -- but I was reporting the consequence of this change to my management, so to me there was this impact that was reported through the spreadsheet and I expected Julien to do it daily and Javier told me that he was talking to Ina Drew about this and that was to be a liquidity reserve. **So nothing was ignored.** It's just that, yes "**FCA: "But the bad thing in that paragraph is ignoring to some extent** -- you're ignoring something in the price estimate that you're providing and that's the bad thing." (*this is the story of the FCA, but this is clearly NOT what the "millions of documents" consistently show and prove*) IKSIL: "No, the bad thing is I don't follow the instruction of Javier." FCA: "Okay. Let me ask you again. What is the bad thing in this sentence? " **IKSIL: " I remember how I was thinking, right.** The bad thing was that if we kept — I mean. No, the bad thing is that we were asked not to report this drift because they were tired of this and Javier didn't want to see it. So you were ignoring the drift. Yes?" FCA: "That was the bad thing?" IKSIL: "No." FCA: "You said the bad thing was ignoring the instruction of Javier." IKSIL: "Yes [6 seconds of French spoken]. Yes, I mean, I knew that I was not following the instruction he gave me back in March 6th because this loss was the lag. That was the bad thing. '...FCA: "**But I'm right in thinking, correct me if I'm wrong** that by 15th March you had come to the conclusion that that drift was a real loss?" IKSIL: "Yes." FCA: "Is it not also a bad thing to ignore that in a P&L estimate?" IKSIL: "That's " lawyer: "Well, I mean, I think we should be clear here. Are you asking what he meant by "A bad thing" in the conversation? I think he's given you that answer. _" IKSIL: "**Yes. It's a different question.**" lawyer: "**And now, you're asking him a different question which is that a bad thing to ignore...**" FCA: "But the reason I ask that is because he's given two explanations for what was a bad thing. One being ignoring the drift and one being ignoring the instruction of management and I'm asking whether what he's saying here is a combination of both those things or whether, in fact, it's just " IKSIL: "**No, it's just. Okay. There is one thing here. Bad and worse. I repeat. Bad is not following the initial instruction. Right. And that's how I think at the time. And the worse thing is to remain out of the -bid offer spread, right, for**

different reasons. Now if you ask me for my judgment today, about whether that was a bad thing to do this it's a different question.” FCA: “When you say “this”, what do you mean by this?” IKSIL: “Sorry?” FCA “When you say, “It was a bad thing to do this”.” IKSIL: “To ignore the drift. If you ask me as of today, what I think of it, that's a different question.” FCA: “Okay. And you just said that going outside the bid offer spread was worse for a number of reasons. What were those reasons? Why was it bad to go outside the bid offer spread?” IKSIL: “Well, I explained you, because we are price—based first. So the prices -- the bid offer spreads were our basic material. So if you build an estimate you apply judgment and you ignore the thing you start with, you can produce any number, you know. It doesn't matter. It's nonsense and you could ignore the total market, have a distance going to \$10 billion and say, “Oh yeah”. No, it's nonsense, just nonsense. You see, it's fundamentally illogical.”

The bias of the FCA will show even more openly below when the UK regulator will want to question me about the trades. Ironically enough the FCA will try directly to override my account with its own pre-defined theory that I will dismantle at once... And the FCA will listen... And the FCA will move on....Still, 2 months after this interview, the FCA will publish its knowingly flawed account of the trading strategy there ignoring what it recognized in the extract below. What was the official FCA tale? Well the “executives” had “discovered too late” the trades done by their “traders”... sometimes in late March 2012...The “CIO London traders” had not been transparent enough on their undertakings and that was why the CIO chiefs failed. That was why the bank failed towards its regulators, ignoring in that its own internal controls (just all of them!). That is why regulators could not fulfill their own mission as “gate-keepers”. My testimony dismantled this lie. What did the FCA acknowledge here with my answers in July 2013 already? No less than that the trades had been ordered in full by Mrs Drew. This goes knowingly against what the FCA will always placate on the public stage. The UK regulator knew much better and kept it under the confidential seal :

FCA: Thank you. So, **we want to talk to you about trading in general**, first of all, and the trading strategy for the book. But given the time constraints on us, because I think we could probably spend a whole day just talking about that, **we've obviously reviewed a lot of information** on this topic already and have sort of a high level understanding of the reasons behind adding positions to the book in January to March 2012. So, **I was proposing just to explain to you our understanding**, and to the extent that you disagree or you don't feel comfortable agreeing, just let me know IKSIL: Okay. FCA: But our understanding is that, initially there was a proposal to address the need to reduce RWA by reducing the notional size of the SCP by unwinding positions, originally. **IKSIL: I stop you.** I stop you there. The first two instructions came out of December and they were “remove the bearish bias on the book,” “reduce the RWA.” **My proposition was to unwind the book proportionally.** That was my proposition. **Javier did not want that and it felt to me that Ina didn't want to pay the cost for it.** **FCA Yes, so that was my next point,** is that we understand that once CIO management realized the resulting cost of a reduction, sorry, of unwinding positions and the reduction in revenue that would also result -- that an alternative strategy was then devised. Would you say that's fair?” **IKSIL: I would make some clarification here.** **FCA: Sure.** IKSIL First, I asked Julien to provide the CIO management, not one headline big scary number. So not totally agreeing with what you said where Julien -- I asked Julien to provide the cost, bucket by bucket, 5% by 5%, so that did not involve 700 million, you know, in a quarter. That could involve a reduction of only 50 million, say, for Europe. I wanted to offer them the full menu precisely so that they can then unwind whatever they wanted, whatever their budget. So, now, what I don't know, but I have my suspicion, is that, yes, they had a revenue issue that I was never explicit. FCA: That you were never what, sorry? IKSIL: Sorry, it's my French. My French thinking in English, so, my bad. When we provided this menu, this table that

you can see in one of the presentation, you know, you will see what I say is true that we didn't want to scare people — ah — like, “Oh it's going to be \$500 bucks and you have no choice”. **No, no, no, no, no, they had the full choice, bucket by bucket. Now, they didn't** -- when they had this discussion, these menus, right, in early January that these different options that Javier designed. And Ina Drew had to consider the set. They wanted to put a positive budget on this protection book, which was crazy on its own, and at the end of the day, there was a discussion and a decision that I didn't participate in, with regards to the target P&L for the end of the year. What I'm saying is I was never told clearly by Javier or anyone else what drove the decision between P&L expectation and RWA. **FCA: Okay, thank you. So that's a hindsight observation that there was a connection.** **IKSIL: “No, there was an obvious connection. Not hindsight, it was in the presentation,** you have a slide with the different options, with the different paths for the RWA reduction. . -FCA But you were not explicitly told that that was the basis for the decision. **IKSIL: I don't know what the basis for the decision was.** What I know is the conclusion that CIO wanted me to cover the marginal loss on the defaults, in high yield and remove the bearish bias on the book. FCA And so therefore, our understanding of why positions were added to the book was firstly, that there was -- firstly, in order to reduce the RWA figure by adding better balancing positions.... **IKSIL: That was in the first half of January. For the rest of the quarter that was really, really removing the marginal loss on high yield positions** **.FCA Okay, so IKSIL: The target to reduce the RWA was switched from the 20th to “model change.”** 'FCA: The 20th of? IKSIL: January.FCA: January. IKSIL: 2012. FCA: The second reason, as we would explain it, would be to add positions to ensure the portfolio was protected from defaults in the credit market. IKSIL: High yield. FCA High yield. IKSIL: And just for the nine names. FCA: Sorry, can you explain that? IKSIL: Okay, I explain it again. The book since 07 was providing protection against the default in the US high yield market, and in 2012, thanks to the different high yield series that were in the book, the universe of high yield names amounted to say, 150 companies. Part of the protection expired on December 20 and I didn't roll it because of the RWA constraint, you know. Why maintaining-something while you have to reduce it? And I was proposing to unwind the books. So why renew something I propose to unwind? That was nonsense, so I did not renew it and one of the companies -- so, this protection disappeared and it turned out that among the 150 companies, there were ten on which the portfolio might suffer a loss, much smaller than the gain it would be expected on other companies but there were nine companies, or ten, and Kodak was one of them and it defaulted in January. **FCA Yes...** **-IKSIL: That raised eyebrows** and I remember a conference call with Ina where she said, “That's okay, given all the money made on American Airlines. That's okay, we have one loss this time but it cannot happen again”. And then the instruction of Achilles in February confirmed that's What CIO wanted. So we had to cover just this handful of companies that amounted to say 200 million loss, total for all of them. **FCA: Okay. IKSIL: And that drove the whole notional increase. FCA: Okay, on the high yield. IKSIL: And IG FCA And on the IG.** IKSIL: because if I covered the high yield I had to buy a lot of protection on high yield but, if I did that, I'd put the book in bearish bias, and they wanted me to be long risk And I had to have zero cost for the protection I put so I had to invest in somewhere else. **FCA So that's our third reason,** that as we understand it, for adding positions to the book in order to fund the cost of IKSIL: Yes. FCA: ...the purchase on the high yield. IKSIL: Yes, it had always been the, the, the way this book worked and it was perceived by management you buy some protection on a relative value basis so that you had the protection but almost no cost at the risk of mark to market, and you had to manage it all the time.

The FCA knew everything. It concurred with me while trying its flawed “reasons”. There had been only ONE driver at CIO: INA DREW, full stop...In that she was reporting fully to Mr Dimon. That was so simple. The FCA will use other tricks like mixing dates, playing with words, pretending using “you” to

hint at many people but asking ME the questions, and so on....I was the target of the FCA irrespective of what the FCA knew perfectly well since 2010 anyways...

Once again the coming extracts are just here, not to remind the real story (ie mine), but rather the "focus" that was on my role and that was entertained so artificially. Here the questioner does not know how to ask me the questions since my role was NOT what the bank would always allege misleadingly so:

Q: Are you saying that at worst the actual losses for the week should not have exceeded 50 million based on your estimate?...**IKSIL : On my guess, yes...**Q: Okay. So you're saying that during that week, the loss that should have been recognized during that week was not a hundred million?...**IKSIL: That's not what I'm saying...**"other Q": Objection to the term "recognized"...Q: You're not saying that the actual loss was a hundred million?...**IKSIL: I'm not talking about "actual loss" or "recognized loss". I'm only talking about my gut feel, my intuition** at the end of the week saying "in a perfect world, again without the drift, without the suspected manipulation, if the position had just behaved as I was used to see, in that week, especially because the market as I specify had barely....

In the next extract, the questioner plays with words that were not his but the ones of the DOJ and the SEC of Mrs Avakian and the FBI in August 2013. This "connotation" is embarrassing to say the least for the DOJ-SEC-FBI staff:

Q: Yeah. Well look, there's a suggestion in the complaint in this case that you were sent home early on Friday, March 30th, by Mr Artajo. **Were you sent home early on Friday, March 30 by Mr Artajo?**...**IKSIL: Well, it seems to me there is a connotation here.** I can only tell you my description of the events...Q: **Yeah. That's what I want then. What is your--**...**IKSIL: Okay...**Q: Was there anything unusual about your leaving the office on this Friday to catch the train?...**IKSIL: There was something unusual in the way, indeed, Javier told me to go back home.** What was unusual was that, usually in days like this Javier wanted us to stay until the very last hour. And I heard from Luis, for example, that very often he [*Javier*] was very angry at me because at times he needed me and I was not there. And so that's why for that March 30th that I knew was very important, I had booked a ticket for the very last train I could take. And I had told Javier "Javier I can stay as long as you wish up until I don't know, 7h30 or 8". And actually I was readying myself to stay. And he said suddenly "okay. That's good. Thank you very much. Go, go. Go take your train. I'm sure you want to see your family. Go back to France." That's what he said...Q: Did you catch an earlier train, or did you the last train available?...**IKSIL: Well actually, I couldn't. It was not an exchangeable ticket...**Q: So you took the last train home to Paris that night..Anyway yes...Q: And that was the one you had scheduled to take?...**IKSIL: Yes...**Q: And Mr Artajo didn't try and change your plans and say "you can leave at 3 or you can leave at 2"? **He didn't send you home earlier?**..."other Q": Objection. mischaracterizes the witness's testimony...**IKSIL: Maybe I was not clear.** I was-- I was to, say, leave the office at, I don't know, 7h30 for example. And my recollection is that, and Javier knew it, that I could stay and rather than keeping me next to him...

Mr Artajo told me that I could leave....He did not need me any longer. I could go. "Thank you man! Go!"...That was it. And that anecdote showed once again that I was thus NOT a key man for the estimate P&L reports. I was not needed at CIO at March 2012 month end when the mismarking occurred, be it the decoy or the genuine one. The evidence shows it quite regularly among the "millions of documents". In the extract above one can see the defense lawyer trying to make me "endorse on the negative" this "was sent home", ie the wording of August 2013... and I do not do

that.... Every little play of words matters when it is only about distorting a known story.... More this expression "sending home" indeed mischaracterizes what I just described. And this is the SEC saying that while the very same SEC supported this very same misleading description in August 2013. Why does it matter in this scandal for them the "investigating bodies" that also had been the "watchdogs" before, to say or not say that I had been "sent home"? It mattered because if Mr Artajo had genuinely "sent me back home" it meant that I was needed in principle and Mr Artajo had done something he should NOT have done. And of course I had let my boss do something that he should not have done.... At least, had I genuinely been "sent home", I COULD have suspected Mr Artajo of some wrongdoing, right? Therefore I COULD have been blamed somehow for letting Mr Artajo do just that "send me home"... That suited the bank so well. That suited all the authorities quite well too since, at the end of day, I was the target. Yet that was NOT the truth as they all knew quite well since they all had heard me say quite otherwise in terms of my importance in the valuation process. And of course, telling me to go home way before the estimate P&L was done for any day, this was something that Mr Artajo could VERY WELL do, ie tell me to leave... Since I was NOT his chosen "valuation man" for the estimate P&L anyway.... My testimony here truthfully expressed the fact that the US authorities had not faithfully used my testimony already in August 2013. It shows as well the "setup" that Mr Artajo was actively part of whereby the bank had manufactured a decoy mismarking that it planned knowingly to put on my shoulders ANYWAY in my back.... Better was to have me go first and finish the decoy mismarking only next, away from my eyes and ears....Knowing even better that I was NOT part of the "valuation man" anyway....

The next extract below shows in a bit more detail how Mr Grout and Mr Artajo were told to organize themselves in mid March 2012 already. Remember the March 6th 2012 call of Mr Artajo being in CIO London to me (being 1000km away on holiday) so that I simply repeat what Mr Grout (being 10 meters away from Mr Artajo actually) had already fully understood the day before in a face to face conversation with Mr Artajo. The reason Mr Artajo allegedly had called me for was the email of Mr Grout based on IG9 10yr projecting more losses from an analysis based on the IG9 10yr skew:

IKSIL: Well, if you look therefore, yes, he did, but he does ---he gives me the metric after giving me his final estimate for the P&L at the time...Q: Right, about...IKSIL: Which is a total inversion of what he was supposed to do...Q: It's about a minute apart right, less than a minute apart?....IKSIL: 2 minutes, 1 or 2 minutes....Q: Yeah , okay, and so, he's telling you that **the metric is at 298** and indicating that he's marking the book core at only 90 000 down, correct?....IKSIL He's indicating me that his metric was at the time where he didn't disclose it to me before he computed Core that is currently at 90 down, yes....Q: **But you didn't tell him "stop, don't submit only 90 000.** You just showed me the metric of 290" did you?...IKSIL: I didn't...

I had no role in the job of Mr Grout other than providing my guidance IF Mr Grout wanted it. That stopped right here. This is an issue for Jp Morgan, and for all the regulators. I did not tell him what to do. Where the hell was I "central"? They wished they would say, "hey Mr Iksil, that was your duty to make him do the things right!" To some extent that was true, provided I was not constantly overridden by Mr Dimon, or by CFO, or by VCG, or by Mrs Drew, or by Mr Macris, or by Mr Venkat, or by Mr Webster, or by Mr Artajo (here every day and systematically).... I could prove with hard evidence that I went even beyond that duty of mine. In the process I could ALSO prove that not only Mr Grout told me one thing and did another thing in my back knowingly so. I could also prove that Mr Grout was following actually Mr Artajo orders. That came from "New York- CIO New York". The FCA

had needed to clarify that this is what I would say...."CIO New York"...That maybe was not so clear for the UK regulator, was it? I testified that this was the actual organization that we had had at CIO since 2007 "for Jamie". I testified that there were many hard evidences supporting that.... Since the evidences do exist in many instances involving Mrs Drew , risk, VCG, audit and CFO. And regulators know as I show on this blog that even further hard evidence does exist in the "IB folder" of the OCC, the "CIO folder" of JPM Compliance, and in the "CIO folder" of the FCA since 2010....among others like the Federal Reserve of New York through its CCAR/Dimon/share-buybacks folder.

Conclusion:

The "London whale" scandal shows its true face through my testimony. The extracts that have been given constitute just a small part of all the testimonies that have been recorded. Surely it was a central piece of evidence. Once one understands that I truthfully testified that the media tale was a complete mischaracterization, that the bank fueled it, that the regulators were never fooled by that, one understands what I describe next, ie that the subsequent "investigations" were all aimed at blurring what mattered: the 5 facts, the 5 realities and the 3 dates. This well thought-of distortion was needed to leave in the shadow of the big fish the 3 cornerstones and the 3 audit trails. My testimony was put under confidential seal for good reason, right?