

# **Bond Case Briefs**

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## **SECURITIES - NEW YORK**

### **Louisiana Mun. Police Employees' Retirement System v. JPMorgan Chase & Co.**

**United States District Court, S.D. New York - July 3, 2013 - Slip Copy - 2013 WL 3357173**

Louisiana Municipal Police Employees' Retirement System ("LAMPERS") brought suit against JPMorgan Chase (the "Bank") for charging undisclosed mark-ups on foreign exchange transactions that JPMorgan executed for custodial clients.

Custodial clients of the Bank, including LAMPERS, often invest in multiple securities of foreign issuers and occasionally engage in direct currency trading as well. As a result of these activities, custodial clients regularly need to convert U.S. Dollars into foreign currencies, or foreign currencies into U.S. Dollars. This conversion is accomplished through a Foreign Exchange or "FX" transaction. In an FX transaction one currency is bought or sold in exchange for another currency at a particular rate that is available in the currency market. The Bank offers FX services to its custodial clients and regularly executes FX transactions at its customers' direction. At its core, this case was based on the allegation that the Bank executed certain FX transactions at one rate, but charged the custodial clients a different rate, resulting in profit for the Bank, and that the Bank failed to disclose this practice to its custodial clients.

The crux of the case is whether the execution of FX transactions for the client was a service under the Custody Agreement and whether the rate that the Bank listed on its monthly statements for each of these FX transactions was a "fee" when that rate includes the spread on the Indirect FX transactions.

The court concluded that rates for FX transactions are not fees, and therefore the rates disclosed by the Bank to LAMPERS did not constitute "fees," as that term is used in the Custody Agreement.

Furthermore, because the spreads were evident from the AutoFX Confirmations and publicly available databases, there was nothing secret about the mark-ups.

Finding no violations of the law, the court dismissed the case.