

U.S. appeals court ruling revives whistleblower suit against JPMorgan

 **REUTERS** By Joseph Ax | Reuters – 6 hours ago

By Joseph Ax

NEW YORK (Reuters) - A U.S. appeals court ruling on Thursday revived a lawsuit against JPMorgan Chase & Co filed by a former vice president claiming the bank ignored red flags about a client's potential fraud, even after the massive Ponzi scheme operated by Bernard Madoff, another JPMorgan client, was exposed.

The 2nd U.S. Circuit Court of Appeals reversed a lower court's decision to throw out Jennifer Sharkey's whistleblower suit and ordered the judge to consider whether the case should be allowed to continue under a more lenient standard of whistleblower protection.

The ruling from the three-judge panel was unanimous.

JPMorgan has rejected Sharkey's allegations and a bank spokesman declined to comment on Thursday.

Sharkey claims bank executives ignored concerns she began voicing in January 2009 about whether an Israeli client was engaging in fraud and money laundering, just weeks after Madoff's multibillion-dollar scheme became exposed.

Madoff was a client of JPMorgan for more than 20 years, sending deposits and transfers from his investors totalling about \$150 billion through the bank.

In January, JPMorgan agreed to pay \$2.6 billion (1.61 billion pounds) to the U.S. government and Madoff victims to settle allegations it failed to alert authorities to its suspicions of fraud at Madoff's firm.

According to Sharkey's lawsuit, she told superiors that the client failed to provide documentation for various businesses and did business with Colombia despite the bank's ban on transactions with that country. The client is not named in court papers.

She also said the client had a trading account in the name of a law firm that funnelled money into JPMorgan commercial checking accounts, which the private wealth management unit had no way of tracking.

Sharkey was fired in August 2009, which she has said was in retaliation for speaking out.

U.S. District Judge Robert Sweet threw out the case in December, ruling that she had failed to show her complaints related "definitively and specifically" to one of the categories of misconduct protected under the 2002 Sarbanes-Oxley Act.

This year in an unrelated case, however, the 2nd Circuit rejected that bar as too high and implemented a more lenient standard for Sarbanes-Oxley lawsuits that asks whether the whistleblower "reasonably believed" the conduct violated certain provisions.

The court instructed Sweet to reconsider Sharkey's claims in light of the new standard.

Sharkey's lawyer, Douglas Wigdor, said in an email that he and his client were pleased with the ruling and hopeful that she can take her case to trial before a jury.

In January 2013, U.S. bank regulators ordered JPMorgan to improve its compliance with anti-money laundering requirements.

The case is Sharkey v. JPMorgan Chase & Co et al, 2nd U.S. Circuit Court of Appeals, No. 13-4741.

(Reporting by Joseph Ax; editing by David Ingram and G Crosse)