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Executive Director
Legal and Compliance OFAC

Confidential Treatment Requested

July 24, 2012

Adam J. Szubin
Director
Office of Foreign Assets Control
U.S. Department of the Treasury
Treasury Annex
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Re: Request for a Specific License to Cover Commodities Trades on Futures Exchanges in China

JPMorgan Chase is making this submission on behalf of itself and its global subsidiaries, directors and employees of the foregoing, including JPMorgan Chase Bank N.A., J.P. Morgan Broking (Hong Kong) Limited and J.P. Morgan Futures Co., Ltd. ("F&O"), and all affiliated entities, agents and independent contractors who are persons subject to the jurisdiction of the U.S. (collectively "JPMC"). JPMC requests authorization pursuant to the Iranian Transactions Regulations, 31 CFR Part 560 (the "ITR") and the North Korean Sanctions Regulations, 31 CFR Part 510 (the "NTSR") to engage in or facilitate trading on three futures exchanges in China, the Dalian Commodity Exchange (DCE), the Zhengzhou Commodity Exchange (ZCE) and the Shanghai Futures Exchange (SHFE) (the "Exchanges") through F&O in commodity futures contracts which, without JPMC's knowledge or ability to know, can be settled through transactions in warrants representing physical delivery of commodities sourced from sanctioned jurisdictions. To the best of JPMC's knowledge, the commodities that could potentially be sourced from sanctioned jurisdictions are aluminum (Iran) and gold (North Korea) on the SHFE.¹ As of date, JPMC has not identified any involvement in any deliveries involving commodities sourced from OFAC-sanctioned jurisdictions.² Nevertheless, because the three Exchanges

¹ To the best of our knowledge, SHFE (gold, aluminum) is currently the only affected exchange. However, contract specifications on the other exchanges, including specifications as the type and quality of underlying commodity acceptable for delivery purposes, are subject to change.

² JPMC has not traded in, and therefore not settled, any gold contracts. The JV has traded approximately a total of 19,354 lots of aluminum, with a total of 1,070 being physically settled. JPMC does not have any knowledge of where

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pose a risk of transactions involving commodities sourced from sanctioned jurisdictions, JPMC seeks a license to cover trades and any incidental activities involving commodities sourced from sanctioned jurisdictions on these exchanges in the future.

Background

F&O is a Sino-Foreign Joint Venture³ futures commission merchant established in China with registered capital of RMB460,000,000. The shareholders in F&O are Shanghai Mai Lan De Enterprise Development Co Limited, a limited liability company incorporated in China with 50% ownership; JP Morgan Broking (Hong Kong) Limited, a limited liability company incorporated under the laws of Hong Kong with 49% ownership; and Jiangsu Weiwang Venture Capital Co. Ltd., a limited liability company incorporated in China with 1% ownership.⁴

F&O is a member of all four futures exchanges that exist in China.⁵ All the exchanges are regulated by the China Securities Regulatory Commission. DCE offers futures contracts on corn, soybeans, soybean meal, soybean oil, palm olein, polyethylene, polyvinyl chloride and metallurgical coke; ZCE offers futures contracts on wheat, cotton, white sugar, pure terephthalic acid, rapeseed oil, methanol and long-grain rice; and SHFE offers futures contracts on gold, silver, copper, aluminum, lead, steel, wire rod, natural rubber, fuel oil and zinc.

Futures trading on the Exchanges involves the purchase and sale of standardized contracts that create a future obligation upon the seller of the contract to sell, and a future obligation upon the buyer of the contract to buy, at a specified future date a specified quantity of the underlying commodity at a specified price that is agreed upon at the time that the parties enter into the contract. Upon expiration of the contract, settlement between the parties is usually effected by way of cash settlement rather than physical delivery of the underlying commodity. However, to the extent that such physical delivery is requested, it will be effected by a transfer of warrants representing good delivery of the physical commodity. It is possible that certain of the physical commodities for which such warrants are issued may be sourced from a sanctioned jurisdiction. To the best of JPMC's knowledge, the commodities that could potentially be sourced from sanctioned jurisdictions are aluminum (Iran) and gold (North Korea). Under the current contract specifications, aluminum can be sourced from 29 countries and gold can be sourced from 24 countries, except for China.

the physical was sourced and has no information which would cause it to suspect that any physically settled aluminum was sourced from Iran.

³ A Sino-Foreign Cooperative Joint Venture refers to a joint venture between a Chinese and a foreign company within the territory of China.

⁴ Due to China's Company laws governing foreign direct investment, foreign investors can only operate through Chinese limited liability companies.

⁵ The 4th exchange, China Financial Futures Exchange (CFFE), only offers futures contracts over financial indices. CFFE does not offer futures contracts over commodities.

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As a member of each of the Exchanges, F&O acts solely in the capacity of a futures commission merchant effecting the execution and clearing of transactions in futures contracts over the underlying commodities for its Chinese clients. In this role, F&O and other brokers have no way of knowing, at the time of executing a transaction on behalf of a client, the origin or location of the particular underlying commodity that may be delivered in connection with a particular futures contract. F&O would not be able to determine prior to the receipt or delivery by its client of a warrant whether F&O had brokered rights to commodities sourced from an OFAC-sanctioned jurisdiction. In addition, in the event that a transaction in a commodity sourced from a sanctioned jurisdiction were effected, the rules of the Exchanges do not permit a purchaser or its broker to refuse acceptance of particular warrants.

Given the historically minimal trading in commodities sourced from Iran or North Korea in making or taking delivery pursuant to contracts transacted on the Exchanges, the chances of brokering commodities targeted by the ITR or NKSr is small. To the best of our knowledge, such commodities would not likely be directly sourced from a sanctioned jurisdiction and no sanctioned entity would be a party to a transaction on the Exchanges or benefit directly from such transactions. Only Chinese local residents and entities are permitted to trade on the Exchanges.

Section 560.526(a) of the ITR provides for the issuance of specific licenses for "certain commodities trading by a [U.S.] person in Iranian-origin goods, or transactions incidental to such trading, where: (1) [n]o party to the transaction with the [U.S.] person is a person in Iran or the Government of Iran, and (2) [i]t is impossible for the [U.S.] person to determine at the time of entry into the transaction . . . that the goods would be of Iranian origin or would be owned or controlled by the Government of Iran." We believe that both conditions are fully met by JPMC trades on the Exchanges. First, as noted previously, only Chinese local residents and entities are permitted to trade on the Exchanges. Second, Iranian-origin aluminum and North Korean-origin gold constitute only two among many interchangeable sources of aluminum or gold whose warrants would constitute "good delivery" in fulfilling a contract on the Exchanges, and it is not possible to determine what origin aluminum or gold will be allocated to an open contract. We understand that it has been OFAC's policy to issue specific licenses under the ITR and other sanctions programs to allow disposal of target-country goods or commodities where a commodities or other trading contract entered into by a U.S. person results or will result in the delivery of commodities or other goods of target-country origin, so long as the U.S. person has no ability to foresee or control the origin of the commodities goods and did not enter the contract with a sanctions target.

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Request for Authorization

Because JMPC cannot predict whether its trading activity on any of the Exchanges will involve Iranian or North Korean commodities, JMPC seeks authorization, in the circumstances stated in Section 560.526(a)(1) and (2) of the ITR, to engage in transactions involving, including receipt and disposal of, warrants representing right to Iranian or North Korean commodities traded on the Exchanges.

This letter contains confidential proprietary commercial information of JPMC covered by applicable exemptions from public release under the Freedom of Information Act, 5 U.S.C. § 552 ("FOIA"), or otherwise, none of which information has been publicly released. We request that you provide notice to the undersigned, and an opportunity to contest disclosure, in accordance with 31 C.F.R. § 1.6(b)-(d), if any portion of this submission is or becomes the subject of a request for disclosure under FOIA or any other law or claim of right.

We would be glad to provide additional information upon request in support of this submission.

Respectfully submitted,

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