

FINRA Hits Chase Investment Services With \$3.6M in Penalties

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Chase Investment Services Corp., a division of JPMorgan Chase, will have to reimburse brokerage customers \$1.9 million over the sale of unit investment trusts and floating rate loan funds not deemed suitable for them, FINRA announced on Tuesday.

The Chase unit recommended the investments to unsophisticated investors with little or no risk tolerance, FINRA said. UITs are diverse baskets of securities that can include risky and speculative investments like high-yield or junk bonds. As for floating-rate loans, they are mutual funds that invest in portfolios of secured loans made to borrowers with below investment-grade credit quality. FINRA will also require Chase to pay a \$1.7 million fine.

Chase Investment Trust Services declined to comment.

According to FINRA, Chase failed on several points. The regulator said it did not provide its brokers with sufficient training and guidance on the risks and suitability of the two investments. Two of the UITs on Chase's list of approved products had large amounts of assets in closed-end funds that contained a significant percentage of high-yield or junk bonds, FINRA said. Also, the floating-rate loan funds were subject to major credit risks and illiquidity. Despite this, FINRA said, Chase brokers recommended that investors with conservative risk tolerances, as well as those looking to preserve their principal, invest in the products.

"With the growing number of complex products in the market today, it is incumbent upon firms to properly train and provide guidance to their brokers about the products that they sell, and supervise the sales practices of their brokers," Brad Bennett, FINRA's executive vice president and chief of enforcement said in a statement.