

The Virgin Islands Consortium

Battle of Evidence: GVI Gave Hundreds of Millions in Tax Breaks; New Light Shed on Bank's Relationship With Sex Offender

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Little St. James was once part of the Epstein estate on the east coast of St. Thomas

The war of words in the lawsuit between JPMorgan Chase and the Government of the Virgin Islands (GVI) has translated into the war of the exhibits, with filings from both sides appearing on the court docket this week containing evidence that each party believes will support their case.

The USVI argues that JPMorgan knowingly looked the other way and refused to red-flag transactions by Epstein using his multiple bank accounts that should have raised

suspicion as to the nature of his activities. JPMorgan, on the other hand, alleges that politicians, institutions and public sector officials in the territory were influenced by Epstein's money to shield him from overly-intense scrutiny as he operated from his Little St. James compound.

Last week, the GVI legal team unsuccessfully sought to re-open depositions in the matter, petitioning for the chance to question JP Morgan CEO Jamie Dimon again about his knowledge of Jeffrey Epstein's legal woes. "I don't recall knowing anything about Jeffrey Epstein until the stories broke sometime in 2019," Mr. Dimon said when he was deposed in May.

On Tuesday, the government's legal team submitted a letter to Judge Jed Rakoff, originally written on June 7, requesting permission to recall Mr. Dimon for an additional hour of questioning under oath. They also sought permission to depose Howard Maleton, the JPMorgan vice president and compliance manager who played a significant role in an internal investigation related to Epstein's association with banking executives. However, Judge Rakoff denied this request last Friday. The government's letter further requested the court's assistance in compelling JPMorgan to produce specific categories of documents pertaining to the knowledge of Bear Stearns employees about Epstein's activities and his relationship with Bear Stearns, both before and after its acquisition by JPMorgan in 2008. Bear Stearns was an American investment bank, securities trading and investment firm that failed in 2008.

The letter to Judge Rakoff detailed the late production of reams of pages just days before the discovery period in the case came to an end. Some of the documents included emails pertaining to "Project Jeep", the 2019 investigation ordered by the bank itself. The email chains, GVI argued, showed that the bank at its most senior levels was aware of the questions and suspicions swirling around Epstein at least since his conviction over a decade prior.

Accompanying the request was 10 exhibits of evidence, one of which appears to be a timeline of email exchanges between former senior banking executive Jes Staley and Epstein. The document lists communications from as early as July 10, 2008 – ten days after Epstein was sentenced to 18 months in jail after pleading guilty to prostituting a minor – where Mr. Staley says, "I miss you. The world is in a tough place." Epstein reportedly replied a day later, "so am I."

A few days later, Staley reportedly reached out again seeking advice on salary negotiations with Mr. Dimon. The emails purportedly flow back and forth every few days, with topics spanning requests that Staley be allowed to visit Epstein, Staley writing repeatedly that he misses the jailed sex offender, and Staley discussing various business transactions he was spearheading for the bank. Epstein, meanwhile, was informing Staley about approved meetings with various high-ranking diplomats representing countries including Bahrain, Egypt, Luxembourg, Nigeria, Spain and Switzerland. He also was advising his "family member" not to fret about various disclosures in the press, including news in 2011 that the FBI was reopening the investigation into his alleged sex trafficking. "The English papers want andrews [sic] head," Epstein wrote.

The correspondence list also includes communication between Epstein and Mary Erdoes, and at least one email from Paul Barrett following Staley's departure from

JPMorgan. "I would like you to meet John Duffy who is the Private Bank CEO especially now that Jes has left," Mr. Barrett wrote to Epstein, asking him when he would next be in New York.

Other exhibits include correspondence chains between senior JPMorgan and Bear Stearns officials about what to do regarding Epstein following his conviction. Gary Munowitz, senior managing director of Bear Stearns at the time, was asked in October 2008 for a decision on whether to take steps "from a reputational harm perspective", such as firing Epstein as a customer. "The broker would like to continue to handle the accounts," Mr. Munowitz reportedly replied, to which he was informed that a "top of the house ok" was required by JPMorgan to keep clients who are convicted felons. The OK chain, wrote Ira Goldberg, who headed compliance monitoring and risk assessment at Bear Stearns and then JPMorgan from 2006-2014, went through two legal departments before moving to Stephen Cutler, the bank's then-general counsel, and finally Jamie Dimon. "As per our conversation, this account is a known situation and approved by senior management," Mr. Goldberg subsequently wrote.

More correspondence, this time in January 2011, reveals that the bank's anti-money laundering operations arm attended a personal banking risk meeting requesting the bank sever its relationship with Epstein, who reportedly had over \$212 million in JPMorgan at the time. "No one on today's call was in favor of having retained him as a client. Seems it all is due to Jes's personal relationship," a staffer wrote to several colleagues as part of a summary of that meeting.

JPMorgan's Latest Filing

On Wednesday, a filing from JPMorgan appeared on the court docket, containing an updated memorandum explaining why it should be allowed to employ the affirmative defenses that show how much Virgin Islands institutions benefited from allowing Epstein to operate within the territory's jurisdiction. Attached were exhibits which included documents detailing the huge sums in tax benefits Epstein's companies received. Consortium journalists calculated, based on Economic Development Corporation's annual reports, that the Financial Trust Company alone received over \$215 million in tax incentives between 1999 and 2010, while paying just over 10 percent of that amount in taxes and charitable contributions.

Also among the information JPMorgan attorneys included were notifications to various officials in the territorial sex offender registry program, that sex offenders including Epstein were overdue for verification appearances. Such notifications were issued in May 2017, March 2018, and March 2019, used by the bank to support claims that monitoring of Epstein, despite him being classed as a Tier 1 sex offender in jurisdictions such as New York, was in the Virgin Islands lax and ineffective. On several occasions, documentary evidence shows that GVI compliance officers paid visits to Epstein's Little St. James only to find him off island. "Verification not completed as Epstein off-island. Left earlier for last minute travel," reads a handwritten note on a 2016 VIDOJ sex offender compliance report. On that occasion, as well as at least one other, his staff refused the officers access to the island, one time allowing only limited access to inspect Little St. James after contacting Epstein to discuss the matter.

Having argued that Epstein [successfully cultivated](#) a network of local politicians and politically-connected people, going so far as to attempt to influence the language of sex-offender legislation to lessen scrutiny over his life in the USVI and his frequent travels, JPMorgan uses this week's filings to buttress their claims that even the scant enforcement and oversight provided to Epstein in the territory was incompetently performed.

Attached to the bank's over 500 pages of exhibits is email correspondence from February 2019 between Shani Pinney, then-manager of the territorial sex offender registry program, and Epstein as well as his attorney Darryl Indyke, regarding missed appointments for registration, as well as travel plans that were delivered to Pinney via email but reportedly never received.

Because Ms. Pinney reportedly did not receive the notification from Epstein or his attorney, there was no onward transmission of the sex offender's travel schedule to the Dominican Republic, causing him to be detained and ultimately refused entry.

Following that debacle, a decision was made at VIDOJ in March of that year to rescind the considerations that had previously been extended to Epstein. No longer would he be able to email the department his travel plans 24 hours in advance. Now, wrote then-acting Attorney General Carol Thomas-Jacobs, Epstein would have to report in person 21 days in advance of any intended travel. "Please understand that the previous provisions from your travel notifications are no longer accepted," wrote Ms. Thomas Jacobs. The VIDOJ also wanted more specific information about Epstein's location outside of the territory, including the addresses of anyone who was temporarily offering him accommodation.

Attorneys for Epstein pushed back on behalf of their client, saying that he was being punished for VIDOJ's failure to notify the Dominican Republic about his travel plans. Requesting a reversion to the previous, more flexible arrangement, they argued that Epstein's high net-worth friends might cease to offer him hospitality if he would be required to disclose their primary physical addresses to a database which risks being subject to freedom of information laws.

It is unclear what the VIDOJ response to Epstein's request to once again relax the requirements was. By July 2019, he was back in jail, arrested on allegations that he had been running a sex-trafficking operation out of his Little St. James compound. By the next month, he was dead.

The legal wrangling over who helped him maintain and conceal the trafficking ring by deliberately looking the other way, however, is only heating up.