House Financial Services Committee

Written Statement of Jamie Dimon

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Chairwoman Waters, Ranking Member McHenry and distinguished members of the Committee. I appreciate the invitation to appear before you this morning to talk about the state of the banking industry and I look forward to discussing the strength and resiliency of the U.S. financial system. In my prepared remarks, I will outline how JPMorgan Chase contributes to a healthy American economy and promotes inclusive growth and stability in the communities where we do business by serving the needs and interests of our country, employees, clients and customers. I will also discuss the increasingly important role business must play to solve the biggest economic and societal challenges facing our country. While we must never lose sight of the lessons learned from the crisis, we can draw from them while moving forward to focus on how we can work together in partnership to create more opportunity for all Americans.

When bank CEOs appeared before this Committee in February of 2009, the nation was still in the process of reacting to the depths of the crisis, we were still taking stock of the impact and had only begun to contemplate legislative and business changes that needed to be made. Ten years later, this experience continues to shape the perception of the U.S. economy and has had broader implications around American's faith in our institutions and the values that underpin our democratic system. Through regulatory reform efforts, we have fundamentally improved the safety and soundness of our financial system, substantially raised capital and liquidity requirements at our largest institutions and established a credible resolution planning process to ensure that taxpayers will no longer be on the hook in the event of failure. Chase has strategically expanded our business and philanthropic initiatives to make a meaningful impact at the local level, including helping Detroit's turn around. We've also raised wages and expanded benefits for 22,000 full-and part-time hourly U.S. branch and customer service employees twice in the last two years. Throughout this period, we have actively sought to expand the spectrum of clients and customers that we serve, leveraging our size and scale to bring all that our firm has to offer – including financial education and digital offerings – to bring banking services to more Americans.

Despite these and many other meaningful steps, confidence in U.S. financial services and the American economy remains uncertain. JPMorgan currently has assets of $2.6 trillion and operations worldwide. We serve millions of customers, small and medium business across the United States, and many of the world's corporate, institutions and government clients under our J.P. Morgan and Chase brands. Last year, we announced plans to open up to 400 new retail branches and hire as many as 3,000 employees in new U.S. markets over the next five years. This expansion is part of a $20 billion investment in our business and local economic growth. We are committed to serving all communities, including those with low- to moderate- income households, with these new branches. We've opened 12 branches in the Greater Washington region, Philadelphia and the Delaware Valley, and Boston – and will continue to grow in these regions. We plan to add retail branches in nine more U.S. markets this year, opening as many as 90 new branches and hiring 700 employees, offering more customers access to our retail and business banking services and providing jobs to these communities. Approximately 30 percent of these branches will be located in low and moderate income areas. A current list of branches and their locations can be found on the Federal Deposit Insurance Corporation's [Institution Directory](). In our Investment Bank, the firm works with a broad range of issuer clients, including corporations, institutions and governments, and provides comprehensive strategic advice, capital raising and risk management expertise. J.P. Morgan's Capital Markets groups, in partnership with the industry coverage and M&A groups, enable us to serve our clients holistically. We offer a wide range of services, from origination to structuring, executing and syndicating financing for clients globally. Every day, we understand our responsibility to earn the trust and confidence of our clients and customers and the communities we serve– it is essential to how we run a healthy and vibrant company and remain best positioned to reinvest in our communities over the long term.

There is no doubt that the strength, stability and resiliency of the financial system has been fundamentally improved over the course of the last ten years. Post-crisis reforms have made banks much safer and sounder in three important areas: capital, liquidity and resolution and recovery. Large banks have almost doubled their highest-quality capital to protect against losses. Large banks have tripled their liquid assets to protect against unexpected deposit and other outflows. They have significantly reduced their systemic risk by shrinking and reducing their complexity and interconnectedness. Additional legal authority and resolution planning have created a credible framework for unwinding a large bank to minimize disruption to the financial system and protecting the taxpayer while imposing accountability on those at fault. The Federal Reserve's stress test processes add another layer of protection. Under the Fed's most extreme recent stress testing scenario, large banks have enough capital to withstand projected losses from the most severe stress tests 9 times over. JPMorgan Chase alone has enough tangible common equity to cover the projected losses of the 34 largest participating stress test institutions.

Over the last 10 years, cybersecurity has become one of the most significant risks facing the bank, the financial sector, and the country as a whole. We have invested significant resources to effectively manage cyber risks and mitigate potential impacts to the firm, our clients and customers, and the financial sector. We spend significant time and effort trying to protect our company in different ways as part of the ordinary course of running the business. But the financial system is interconnected, and adversaries are smart and relentless – so we must continue to be vigilant.

We have helped to create – and continue to support – partnership efforts to advance industry best practices, operational collaboration with other firms and the U.S. government, and new technologies to address emerging threats. While the industry (plus many other industries), along with the full power of the federal government, is increasingly being mobilized to combat this threat, we encourage expanded action by Congress and the executive branch to support key efforts to continue to drive down cyber risk to the financial sector and other critical industries.

We have spoken frequently in the past about the importance of safeguarding the privacy of our customers. We already do this extensively, and, in fact, we are inventing new products to make it easier for our customers to understand where we send their data (with their permission), as well as how to change or restrict what we do with that data.

New laws in Europe stipulate that consumers should be able to see what data companies have on file about them and to correct or delete this information if they choose. These are the right principles and we need to partner with the government to ensure that the critical infrastructure of the U.S. is protected. It is imperative that the U.S. government thoughtfully design policies to protect its consumers and that these policies be national versus state-specific. Different state laws around privacy rules would create a virtually impossible legal, compliance and regulatory-monitoring situation. We remain devoted and diligent to protect privacy and stay cyber safe — we will do what it takes.

Critical to the vibrancy and success of our company are our 256,000 employees. As I mentioned in my introduction, we have been raising wages for our 22,000 employees at the lower end of the pay range. For those earning between $12 and $16.50 an hour in the United States, we have been increasing hourly wages to between $15 and $18, depending on the local cost of living. For employees making $40,000 a year or less in the United States, our average pay increases are around $4,800. This is the right thing to do, and we now offer well above the average hourly wage for most markets. These jobs are often the first rung on the ladder, and many of these employees soon move on to higher paying positions. These increases are on top of the firm's comprehensive benefits package, with an average value of $12,000 for employees in the lower wage tier.

Our company's compensation philosophy promotes an equitable and well-governed approach to compensation, including pay practices that attract and retain top talent, are responsive to and aligned with shareholders, and encourage a shared success culture in support of our business principles. An important part of this is pay equity; at JPMorgan women earn 99 percent of the compensation received by men when looking at equal pay for equal work. CEO pay is strongly aligned to the company's short-, medium- and long-term performance. Our executive compensation program is designed to hold executives accountable, when appropriate, for meaningful actions or issues that negatively impact business performance in current or future years. We comply with SEC rules and disclose our CEO Pay Ratio annually in our Proxy Statement. We issued our most recent Proxy Statement on April 5th, 2019.

We are committed to creating an inclusive organization and understand that with diversity comes strength. 48% of our firm's population is ethnically diverse in the United States and women represent 50% of our employees and make up 50% of the Operating Committee members that report to me. 30% of our firm's senior leadership globally are women and run major businesses – several units on their own would be among Fortune 1000 companies. In 2016, we introduced Advancing Black Leaders, an expanded diversity strategy focused on increased hiring, retention and development of talent form within the black community. Since 2016, our company has increased the number of black managing directors by 41% and black executive directors by 53%. A good start – but just the beginning. Last month, JPMorgan unveiled our Advancing Black Pathways initiative and announced the expansion of our Entrepreneurs of Color Fund model to Greater Washington, D.C., to provide capital and business training to the region's underserved entrepreneurs. Advancing Black Pathways will first focus on the U.S., where many black Americans lack access to necessary resources to grow their careers, strengthen their education and job training, and build wealth.

To encourage diversity and inclusion in the workplace, we have 10 Business Resource Groups (BRG) across the company to connect approximately 100,000 participating employees around common interests, as well as foster networking and camaraderie. Groups are defined by shared affinities, including race and cultural heritage, generation, gender, sexual orientation, disability and military status.

For example, some of our largest BRGs are Adelante for Hispanic and Latino employees, Access Ability for employees who have a disability, AsPIRE for Asian and Pacific Islander employees, NextGen for early career professionals, PRIDE for our LGBT+ employees, BOLD for black employees and Women on the Move, our largest group, which has more than 30,000 members globally.

We will never be satisfied or rest on our success in promoting gender and ethnic diversity and are continually examining innovative ways that we can attract talent with a range of backgrounds, experience and perspectives. We know that different perspectives bring creativity to our work and lead to the best solutions. Diversity is an area where the business community can and should do more to promote representation at the executive and board level. We welcome this Committee's interest in the issue and stand ready to work with you.

Before closing with a discussion of our company's work in promoting inclusive growth and opportunity, I'd like to address two points from the Committee's April 1st letter. JPMorgan Chase utilizes contractual arbitration clauses in certain consumer banking and deposit account agreements and auto finance contracts. Among other provisions, Chase's consumer-oriented DAA allows customers to opt out of the arbitration clause; provides that customers have the right to go to small claims courts instead of arbitration; establishes a customer's right to appeal an arbitration award; and commits JPMorgan Chase to reimburse up to $500 for any initial filings fees paid by a customer and to pay the expenses for at least a two-day hearing near the customer's address of record. We were also asked by the Committee to provide information around enforcement actions. I have attached an addendum to this testimony on enforcement proceedings from our SEC filings.

I will end my remarks by talking about Chase's focus on our communities and how we are working to ensure that Americans from every background and circumstance has a true opportunity to succeed. At the local level, in places like Detroit, Chicago, Washington, D.C., South Bronx and Los Angeles, we have sat down in the same room with labor unions, the private sector and government to identify ways to meaningfully address issues such as skills, investment and how we can harness our collective resources to help the people in these communities. For example, JPMorgan Chase's current five-year $150 million investment in Detroit was generated by a meeting between myself and Lee Saunders, a leader of the labor movement in the United States. Mayor Duggan of Detroit has been a fantastic and collaborative leader – and it has truly been a nonpartisan effort. Through seeking common ground on differences and collaborating on solutions, we have developed an investment model to help more people move up the economic ladder and share in the rewards of a growing economy. Over 1,800 small businesses are now receiving technical assistance, creating or maintaining over 700 small business jobs. We have also invested $9.5 million in accelerating growth among entrepreneurs of color, including deploying capital directly to local small businesses. This is one slice of our impact in Detroit and we are pushing to expand this model to other cities. Now known as AdvancingCities, we have already expanded this public/private partnership to Chicago's South and West sides and the Greater Washington, D.C. area, notably near the Anacostia Rover, with more to come later this month.

Local and regional initiatives like this can provide a model that might be scaled up nationally. There are urgent priorities that if addressed fairly, thoughtfully and collaboratively, would promote productivity and inclusive economic growth that would benefit all Americans. Neither the diagnoses nor the proposed cures are purely my own. These issues have been studied intensively by many people with deep knowledge. Solutions will require efforts by all of us, including in these areas:

**Education:** Many of our high schools, vocational schools and community colleges do not properly prepare today's younger generation for available professional-level jobs, many of which pay a multiple of the minimum wage. We used to be among the best in the world at training our workforce for good jobs, but now we are falling short. This is a huge reason for both inequality and lack of opportunity. Our inner-city high schools are failing their communities and are leaving too many behind. In some inner-city schools, fewer than 60% of students graduate, and of those who do, a significant number are not prepared for employment and are often relegated to a life of poverty. Proper training and retraining would also help in our rapidly changing technological world. Finally, skills training has become increasingly important over time, and the negligence of our education systems to be responsive to employers' current needs has reduced GDP growth.

**Healthcare costs:** These now represent almost 20% of GDP — more than twice the cost per person compared with most developed nations. While we have some of the best healthcare in the world, our outcomes are not twice as good as those of the rest of the world. Some studies say that gains in life expectancy in the last 50 years were a significant contributor to U.S. national wealth (and health), possibly equal to half of GDP growth, as people were healthier and lived longer, which generally improved the quality of the labor force and productivity. This may no longer be true. Obesity costs our country $1.4 trillion a year because it drives so many illnesses (i.e., heart disease, diabetes, cancer, stroke and depression). Even worse, 70% of today's youth (ages 17–24) are not eligible for military service, essentially due to poor academic skills (basic reading and writing) or health issues (often obesity or diabetes). And out-of-pocket healthcare expenses for the average American have skyrocketed over the last 20 years, causing huge anxiety, particularly for low-income families who have been hit with the highest increases in healthcare costs.

**Infrastructure:** It took eight years to get a man to the moon (from idea to completion), but it now can take a decade to simply get the permits to build a bridge or a new solar field. The country that used to have the best infrastructure on the planet by most measures is now not even ranked among the top 20 developed nations, according to the World Economic Forum's Basic Requirement Index, which reflects infrastructure along with other criteria. We are falling behind on airports, bridges, water, highways, aviation and more. One study examined the effect of poor infrastructure on efficiency (for example, poorly constructed highways, congested airports with antiquated air traffic control systems, aging electrical grids and old water pipes) and concluded this could all be costing us more than $200 billion a year. Philip K. Howard, who does some of the best academic work on America's infrastructure, estimates it would cost $4 trillion to fix our aging infrastructure — and this is ***less*** than it would cost ***not*** to fix it. In fact, a recent study by Business Roundtable found that every dollar spent restoring our infrastructure system to good repair and expanding its capacity would produce nearly $4 in economic benefits.

**Excessive regulation and bureaucracy:** Excessive regulation for both large and small companies has reduced growth and business formation without making the economic system safer or better. The ease of starting a business in the United States has worsened, and both small business formation and employment growth have dropped to the lowest rates in 30 years. By some estimates, approximately $2 trillion is spent on federal regulations annually, which is about $15,000 per household. We need strong regulations, and we have to get better at effectively implementing them – accomplishing the desired good outcomes – while minimizing unnecessary costs and bad unintended consequences.

**Immigration:** Forty percent of foreign students who receive advanced degrees in science, technology and math (300,000 students annually) have no legal way of staying here, although many would choose to do so. Most students from countries outside the United States pay full freight to attend our universities, but many are forced to take the skills they learned here back home. From my vantage point, that means one of our largest exports is brainpower. We need more thoughtful, merit-based immigration policies. In addition, most Americans would like a permanent solution to DACA (Deferred Action for Childhood Arrivals) and a path to legal status for law-abiding, tax-paying undocumented immigrants — this is tearing the body politic apart. The Congressional Budget Office estimates the failure to pass immigration reform earlier this decade is costing us 0.3% of GDP a year.

There are many other pressing priorities; individual income tax and expanding the EITC, trade policies, national debt, mortgage reform – particularly to low income and first time homebuyers. And I recognize that these are not all within the immediate jurisdiction of this committee. However, finding the right solutions to these issues would do a great deal to restore American confidence in all American institutions. The choices that we make now on these issues will determine the future of our country for generations and if successful, will ensure that we are a country of unlimited opportunity for all Americans.

Thank you for your time. The oversight work of this Committee is a critical responsibility and I welcome any questions that you may have.