In the Preface, I describe this book as a story of how an iconic firm battled market forces to preserve its heritage but ultimately lost when it was acquired by a rival institution.

To be clear, Morgan is not a story of a failed institution. Throughout its history, Morgan routinely played the role of rescuer of other financial institutions. It also lent support to the US government and those abroad on several occasions. And it never asked for federal assistance, as many of the leading financial institutions did during the 2008 Global Financial Crisis (GFC). However, Morgan was required to take it so as not to taint other banks.

What happened to Morgan over the past forty years is truly remarkable in the annals of financial history: It went from being a pre-eminent wholesale bank to being acquired by a rival that was primarily retail oriented in 2000; it has since evolved into a financial power-house with capabilities in wholesale, retail and investment banking.

My thesis is the building blocks for Morgan’s revival were laid during the mid-1980s to mid-1990s, when Lew Preston and Dennis Weatherstone transformed Morgan to encompass investment banking and securities. The main obstacle that hindered its success was their reluctance to make targeted acquisitions in areas where Morgan had existing expertise that could have funded the expansion into securities. Jamie Dimon deserves credit for reviving Morgan’s legacy: He pulled off what his predecessors were unable to achieve and built on the foundation that had been laid, while integrating diverse cultures into a cohesive whole.

The fact that Morgan was acquired is not noteworthy by itself—the same can be said of most of its rivals. At the beginning of the 1980s, for example,
there were ten US money-center banks. Twenty years later, only three names were left—JPMorgan Chase, Bank of America and Citicorp—and each of them was the product of mergers. A fourth name was later added to the list—Wells Fargo, which also expanded as a result of mega-mergers.

As regards investment banks, only two organizations of significant size are still independent—Goldman Sachs and Morgan Stanley.¹ They became part of the Fed’s umbrella during the financial crisis, as they were restructured to become bank holding companies.

Today, JPMorgan Chase heads the roster of US financial institutions in terms of asset size and market capitalization (Table 22.1). It is also the most profitable bank, and its share price has exceeded that of other large banks substantially since the onset of the GFC.

Looking ahead, Morgan is on solid footing with talented people, a strong balance sheet and excellent risk management, and will likely remain a premier financial institution. That said, it remains to be seen whether Dimon’s successors will be equally adept in overseeing a large and highly complex organization.

Table 22.1  Assets and market capitalization of ten largest US bank holding companies, December 31, 2019

| Rank | Bank name          | Total assets (billions of $) | Market capitalization (billions of $) | Branches |
|------|--------------------|------------------------------|----------------------------------------|----------|
| 1    | JPM Chase          | 2687                         | 426                                    | 5000     |
| 2    | BoA                | 2434                         | 300                                    | 4300     |
| 3    | Citibank           | 1951                         | 161                                    | 2400     |
| 4    | Wells Fargo        | 1928                         | 197                                    | 5500     |
| 5    | Goldman Sachs      | 993                          | 83                                     | 0        |
| 6    | Morgan Stanley     | 895                          | 85                                     | 0        |
| 7    | U.S. Bancorp       | 495                          | 83                                     | 3000     |
| 8    | PNC                | 410                          | 67                                     | 2300     |
| 9    | TD Bank N.A.       | 394                          | 67                                     | 1200     |
| 10   | Capital One        | 379                          | 58                                     | 750      |

Source: Federal Reserve, ADVs

¹The list of key financial institutions that either have merged or no longer exist includes a remarkable roster of securities firms: E.F. Hutton, Kidder Peabody, Paine Webber, Dean Witter and Merrill Lynch, Salomon Brothers, First Boston, Shearson Lehman, Drexel Burnham, Bache & Co. and Bear Stearns.
Could Morgan Have Stayed Independent?

One issue that has weighed on Morgan alums over the years is whether the bank could have remained independent. Many viewed the merger with Chase as a defeat for a storied firm that had been pre-eminent throughout the twentieth century. They were saddened by the loss of a culture they cherished and faulted the firm’s leadership. Many were disappointed that Sandy Warner was unable to unite the various business units into a common cause. Yet, the course Morgan pursued was formulated by Lew Preston and Dennis Weatherstone when they opted to serve the bank’s existing customer base rather than expand it.

By comparison, the perspective of Wall Street analysts was Morgan was similar to a host of banks that struggled to stay independent in an era of mega-bank mergers. They viewed its strategy of building investment banking and securities businesses from scratch as a tough slog which was both time consuming and expensive. Viewed from their vantage point, Morgan’s customer base of top-tier US corporations and ultra-wealthy individuals was insufficient to generate the revenues needed to finance the build-out.

What is missing from these perspectives is an understanding of the strategic game plan that was discussed in Part II of this book. The plan was very sophisticated and extremely thorough. It called for Morgan to make targeted acquisitions in areas where Morgan had existing capabilities such as global custody, investment management and private banking. These areas had more predictable earnings streams that could have been used to finance the expansion into investment banking and securities.

Instead, Preston and Weatherstone wound up passing on every opportunity. They made the correct decision in not taking a stake in Citibank in the early 1990s, because Morgan and Citi were inherently polar institutions and it would have been a huge distraction. But they missed a golden opportunity to acquire States Street for $2 billion when its share price was less than $3 in the late 1980s. It would subsequently rise nearly twenty-fold to $55 by 2000, when Morgan was acquired by Chase (Fig. 22.1).

Beyond the pure investment gain, the acquisition of State Street could have transformed Morgan. According to a former senior executive, it would have provided the means for Morgan to build or acquire a mutual fund complex that would have broadened its asset management capabilities into the defined contributions space. At the same time, it would have compensated for the eventual loss of Euroclear’s contribution, while providing one of the most competitive and comprehensive international securities clearing and
settlements infrastructures for global investors. By making the acquisition, Morgan would have led the pack in most securities-related activities from investment management to investment banking and prime brokerage.

The bottom line is that by passing on State Street and other targeted acquisitions, Morgan failed to capitalize on the tremendous expansion of wealth that occurred in the 1990s and beyond. Instead, management chose to build out Morgan’s trading capabilities in currencies, gold, securities and financial derivatives. While Morgan had core competencies in these areas, the market values assigned to them are considerably lower because trading revenues are more volatile than fee-generating businesses. By the time Morgan’s management realized the tremendous opportunity in wealth management in the late 1990s, it was “too little, too late.”

Impact of Bank Consolidation

To understand what happened to Morgan one also needs to consider the broader context of the wave of US bank consolidation that occurred from the 1980s onward. During the first three decades following World War II, the US banking system was highly fragmented and tightly regulated. Even the largest

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2 Note: Had Morgan acquired Northern Trust around the same time, its share price also increased twenty-fold, and it would have added to Morgan’s Private Banking.
institutions individually possessed no more than about 3% of US bank assets in the 1960s.\textsuperscript{3}

Beginning in the 1980s, the banking system was transformed as barriers to interstate and intrastate banking came down and technology impacted banking. Thereafter, a wave of mega-mergers resulted in a marked increase in the share of banking assets by the largest institutions.

According to a Federal Reserve study, the ten-year stretch from 1988 through 1997 involved more than 140 mega-mergers between institutions with assets of more than $1 billion each.\textsuperscript{4} Subsequently, nine of the ten largest M&A transactions in US history occurred in 1998, and four of them—Citicorp-Travelers, Bank America-NationsBank, Bank One-First Chicago and Norwest-Wells Fargo—were in banking.\textsuperscript{5}

One of the main findings of a study by the FDIC was that forces driving the wave of mergers had changed over time.\textsuperscript{6} The first wave of industry consolidation occurred in the mid-1980s and early 1990s when banks’ profits were hit by problem loans to developing countries, LBOs and commercial real estate. As restrictions on interstate banking were relaxed, banks expanded their geographical footprint to capture more customers. This was tantamount to horizontal integration and was designed to achieve economies of scale.

By comparison, the second wave of M&A occurred in the mid-to-late 1990s when bank profitability was restored. It entailed vertical integration, as financial institutions sought to expand the scope of their businesses and commercial and investment banking converged. As Glass-Steagall prohibitions were relaxed, banks sought to acquire investment banking capabilities, and much of the bank M&A that occurred was financed by the leading banks using their rising share prices to pay for the acquisitions.

By the early 2000s, the top four banks accounted for about one-third of total banking sector assets. Moreover, that tally would rise above 50% during and immediately after the 2008 Financial Crisis, when JPMorgan Chase and Bank of America were encouraged by regulators to acquire institutions that were financially troubled.\textsuperscript{7}

Prior to the crisis, there was an extensive debate among economists and policymakers about whether the growing concentration of assets by the largest

\textsuperscript{3}Richard Sylla, “United States Banks and Europe: Strategy and Attitudes”, p. 54.
\textsuperscript{4}Allen N. Berger et al., “The Consolidation of the Financial Services Industry: Causes, Consequences, and Implications for the Future,” Journal of Banking Finance 23, 1999, pp. 135–194.
\textsuperscript{5}Ibid.
\textsuperscript{6}Kenneth D. Jones and Tim Critchfield, “Consolidation in the U.S. Banking Industry: Is the ‘Long, Strange trip’ about to End?” FDIC, February 2005.
\textsuperscript{7}See Baily et al., “The Big Four Banks: The Evolution of the Financial Sector,” Brookings, May 2015.
institutions was desirable. The prevailing view was that the US banking system was too fragmented and inefficient, and consolidation would produce a more efficient system. But the debate was far from settled.

In the wake of the financial crisis, the main issue that has arisen in the public arena is whether bank consolidation has affected the safety and soundness of the US financial system, and what can be done to protect it.

One of the goals of the Dodd-Frank Act enacted in 2010 was to lessen the risk of another financial crisis and to alleviate the need for taxpayer funding of bank bailouts. While capital and liquidity requirements for major institutions were increased, some experts believe the financial system is still at risk, because the banking industry became even more concentrated after the GFC. Moreover, some including Professor Charles Calomiris of Columbia University contend the provision to provide for orderly liquidation of failed institutions is unworkable, and the path of least resistance remains bailouts.8

These concerns have spawned a number of proposals to force major changes in the structure of the financial industry. They include (1) forcing a break-up or downsizing of the largest banks and (2) limiting the functions of banks via the Volcker Rule or re-instatement of Glass-Steagall. This has led to calls from politicians such as Elizabeth Warren and Bernie Sanders that the biggest banks need to be broken up.

Before one can meaningfully talk about reforming the US financial system, however, one must first understand the forces that gave rise to the so-called shadow banking system. This term refers to credit intermediation that occurs outside the formal banking system.9 It is comprised of mutual funds, finance companies, Real Estate Investment Trusts (REITS), holding companies, hedge funds, private equity funds and similar entities.

The importance of banks and thrifts as providers of credit has shrunk steadily relative to non-banks over the past five decades (Table 22.2). During the 1960s, for example, banks and thrifts provided just over 50% of all credit that was extended in the United States compared with only 6% by

| Table 22.2 Share of credit to US borrowers, banks versus non-banks |
|-----------------------------|-------------------|-------------------|-------------------|
|                             | 1960–69 | 2000–07 | 2008–12 |
| Traditional channels (banks and thrifts) | 51%     | 20%     | 8%      |
| “Shadow banks”               | 6%      | 28%     | 80%     |

Source: FESDUD, Studies in Financial Systems No.10 (US), Federal Reserve Flow of Funds

8Charles W. Calomiris, “Four Principles for Replacing Dodd-Frank,” The Wall Street Journal, June 16, 2017.

9The creation of the term is attributed to Paul McCauley of PIMCO.
non-banks.\textsuperscript{10} By comparison, during the period from 2008 to 2012, the share of overall credit provided by traditional banks was down to only 8%, while the share provided by so-called shadow banks had spiked to nearly 80% of all loans extended.\textsuperscript{11}

Viewed from this perspective, attempts to rein in the largest banks could backfire if they promote faster growth in non-bank credit intermediation (NBCI). Indeed, as one study by the IMF observed: “the global financial crisis and ensuing aftershocks have also brought into sharp focus the risks to financial stability associated with NBCI.”\textsuperscript{12} Accordingly, if reform of the financial system is to be successful, it must deal with issues relating to banks and to non-banks alike.

**Pros and Cons of Downsizing Large Banks**

My former boss, Henry Kaufman, has been a leading advocate for reducing bank concentration dating back well before the financial crisis. One of his main concerns is that concentration is a growing problem throughout the US economy, with many sectors moving in the direction of becoming oligopolies. He sees this problem as being especially acute in the financial sector, which impacts virtually every part of the economy. And he warns that financial conglomerates are difficult to manage effectively, contain inherent conflicts of interest between client activity and proprietary trading and also may contribute to heightened market volatility due to the volume of their trading activities and the size of the assets they control.

In his book *Tectonic Shifts in Financial Markets*, Kaufman presents his case for reining in the activities of the largest financial organizations.\textsuperscript{13} He argues they have not been an anchor of stability and required enormous support from the federal government during the 2008 crisis. The top firms were also at the forefront of securitization and risk management techniques that helped spawn the crisis. As regards universal banking, Kaufman observes:\textsuperscript{14} “The giants claim that vertical integration offers economies of scale and allows them to serve customers better through one-stop shopping. There is little or no

\textsuperscript{10}See FESSUD, Studies in Financial Systems No. 10 (US), by Robert Polin and James Heintz, Chapter 1.

\textsuperscript{11}Some of the reduction in the bank share in the post-crisis period is due to an overall net decline in lending by government sponsored entities in 2008–12.

\textsuperscript{12}Tobias Adrian and Bradley Jones, “Shadow Banking and Market-Based Finance,” IMF, 2018.

\textsuperscript{13}Kaufman, op. cit., Chapter 8.

\textsuperscript{14}Ibid., p. 77.
evidence of the former, and while the latter may be true, the cost of convenience for financial markets is diminished competitiveness."

The alternative view has been articulated by researchers at Brookings. In a report titled “The Role of Finance in the Economy: Implications for Structural Reform of the Financial Sector,” Martin Baily and Douglas Elliott begin by observing that it is extremely hard to determine the right size of the financial system or any industry based on well-grounded economic theories.\(^\text{15}\)

The core of their argument against breaking up large banks or downsizing them is summarized as follows:\(^\text{16}\)

\begin{quote}
We believe that the best analysis indicates considerable economic benefits to size and scope and that these advantages are likely to grow further with increasing globalization, complexity, and improved management systems. America should have at least a few financial institutions with global scale, capable of providing a wide range of related commercial and investment banking services, operating on a scale in individual product lines that produces real efficiency.
\end{quote}

Rather than break up large banks, Baily and Elliott favor continuing to designate them as systemically important financial institutions (SIFIs). As such, they are required to operate with higher safety margins and are also subject to closer regulatory oversight than non-designated institutions.

\section*{The Future of US Banking}

So, where does this leave us today and what does the future hold for US banking?

In light of all that has happened one should appreciate how difficult it is to answer this question. Forty years ago, no one could have foreseen “the long, strange trip” described in the seminal Brookings study, the proliferation of shadow banking or the 2008 Global Financial Crisis. Since then, the recapitalization of US banks and stress tests conducted by the Federal Reserve have restored the public’s confidence in the banking system, which is now at the forefront globally.\(^\text{17}\) This is clearly a positive development.

As regards bank M&A, there has been a discernable slowdown over the past decade for two reasons. First, the asset holdings of the largest financial

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\(^{15}\) Baily, op. cit.

\(^{16}\) Ibid., p. 2.

\(^{17}\) See Matthew De Silva interview of Robert Engle, “How do you predict the next financial crisis,” August 28, 2017.
institutions are near regulatory ceilings. Second, in light of the concerns about Too Big to Fail, regulators are reluctant to raise the current limits. Therefore, should the largest banks seek to enter new business lines in the future, they most likely will be required to divest other lines of business.

Beyond financial stability, another important consideration for regulators is that as banks have become larger and more complex, they have also become more difficult to govern. Henry Kaufman contends there is a direct correlation between institutional size and rule breaking, and he cites the finding of the CCP Research Foundation in the United Kingdom that reports more than $300 billion in fines, settlements and provisions related to financial wrongdoing in a five-year period beginning in 2010. Moreover, the tally for the six largest US institutions over the past two decades exceeds $180 billion, with two-thirds related to mortgages and toxic securities (Table 22.3). This has caused critics to argue that, even if they are financially sound today, they have become “Too Big to Manage.”

One consequence is that all banks, large and small, are subject to greater regulatory scrutiny. According to a study by Rice University’s Baker Institute for Public Policy, passage of the Dodd-Frank Act roughly doubled the number of regulations applied to US banks, and it hiked their compliance costs by $50 billion annually. US banks now collectively spend about $220 billion annually on compliance, representing 10% or more of most bank operating costs. Moreover, some estimates call for them to double by 2022.

An unintended consequence of Dodd-Frank is that it may reinforce the trend of bank consolidation by making the plight of small banks more

| Firm                  | Total violations (Billions of dollars) | Mortgage/toxic securities |
|-----------------------|----------------------------------------|----------------------------|
| Bank of America       | 182                                    | $63.2                      |
| JPMorgan Chase        | 135                                    | 18.8                       |
| Citigroup             | 97                                     | 15.5                       |
| Wells Fargo           | 136                                    | 9.3                        |
| Goldman Sachs         | 37                                     | 9.2                        |
| Morgan Stanley        | 79                                     | 5.4                        |

Source: Good Jobs First, Violation Tracker

18 Ibid., p. 77.
19 The study was conducted by Thomas Hogan and Scott Burns. See article by Jeff Falk, Rice University News and Media Relations, September 13, 2019.
20 Stuart Brock, “The Cost of Compliance,” International Banker, November 7, 2018.
challenging. The researchers at Rice University found that since its passage, legal costs of small banks have increased by $1 billion annually, and their annual spend on data processing, auditing and consulting has risen by nearly $500 million. The report notes that “Compared to large banks, increases in small banks’ non-salary expenses were bigger and more likely to be statistically significant.” The main reason is they lack the scale to absorb the increased regulatory costs that larger financial institutions enjoy.

The Future of JPMorgan Chase

As history attests, it is inherently difficult to predict which institutions will be industry leaders. Morgan was able to stay pre-eminent throughout the twentieth century, because it benefited from several positive attributes—sound management and talented professionals, an ethical culture, a fortress balance sheet and superior risk management. Yet, even these attributes were not sufficient to keep it independent during the era of bank consolidation.

A key consideration that weighed on both Preston and Weatherstone was their desire to preserve Morgan’s heritage and culture. The bank’s motto of “doing only first-class business, and that in a first class way” enunciated by J.P. Morgan, Jr., was not something to which the rank and file merely paid lip service. It guided them when they dealt with clients and also made them proud to be with the bank.

Morgan’s culture, however, could be a hindrance at times. For example, because most officers began their careers at the bank, they only knew how to do things the Morgan way; consequently, they had difficulty assimilating people from outside and resisted new approaches that were necessary for Morgan to adapt to a rapidly changing financial landscape. Morgan was also predominantly a blue-blood organization in the 1970s and 1980s with few female or minority officers, although that would change over time.

When Preston and Weatherstone set out to build a securities capability, they were well aware of the conflicts between bankers and traders. They worried that by mixing the two, they could create a variant of Gresham’s Law in which bad ethics drive good ethics away. They hoped to minimize these risks by training internal hires and turning bankers into market-savvy advisors to corporations. Yet, the loyalty employees felt was eroded when bankers who

21 Rice study, op. cit.
22 Gresham’s law is a monetary principle stating that “bad money drives out good” when there are two forms of money in circulation—for example, gold and silver.
could not make the transition to become financial advisers were either let go or encouraged to retire.

The spirit of teamwork also began to fade when differentials in compensation widened considerably, as bonuses were awarded in addition to base salary. As David Fisher, the first president of JP Morgan Securities, observed, teamwork was much easier to maintain when the pay differential for people in similar jobs was within $10,000 than when it became multiples of that figure. Strains between business units also increased over time, especially as profits lagged and there was pressure to produce better results.

It was not until Jamie Dimon came on board in mid-2004 that Morgan had a leader who could succeed in running a highly complex financial services conglomerate. One of his crowning accomplishments is his ability to combine both wholesale and retail banking with investment banking, while also overseeing about 255,000 employees worldwide. Morgan is now the largest US bank and sixth largest in the world, and its balance sheet, earnings and share price are the envy of its peers (Fig. 22.2).

One of the keys to Dimon’s success is his ability to combine a strategic vision of global finance with detailed knowledge of each of JPMorgan’s six main business lines: They consist of investment banking, commercial banking, retail financial services, card services, asset and wealth management, and treasury and securities services. He is also adept at the so-called plumbing of banking that includes technology and operations, and he has a strong grasp of

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Fig. 22.2 Share price of JPM versus KBW NASDAQ Bank Index, cumulative return from 2004 to 2020. (Source: Bloomberg, Fort Washington)

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23 JPMorgan Chase now includes four former NYC money center banks (Morgan, Chase, Chemical and Manufacturers Hanover), Bank One, Bear Sterns and Washington Mutual.
management information systems to assess performance of individual business lines.

One former Morgan executive contends Dimon is the first Morgan leader who is both a business manager and keen observer of financial services. Another believes Dimon was well prepared to assume the helm of a complex financial organization having served a full apprenticeship under Sandy Weill: “He arrived with a full deck of cards in terms of the range of experiences; he saw good and bad leadership; he had strong natural skills and knows b.s. when he sees it; he stands on the shoulders of (Morgan) predecessors; and he arrived at the right time.”

When Dimon succeeded Bill Harrison as CEO in mid-2005, he spelled out his vision in the company’s 2005 Annual Report. He began by asking whether JPMorgan Chase was in the right businesses. He concluded it was well positioned in each of the areas, but he also noted they all competed in consolidating industries. Therefore, he was prepared to invest in technology and innovation to reap economies of scale in systems, operations, distribution, brand and R&D, among others. At the same time, Dimon stressed the need for the firm to become more efficient. He spelled out steps that would be taken to remedy the situation, including the need to improve accountability and decision making.

Dimon then went on to assess various risks the firm faced including commercial and wholesale credit risk, market and trading risk, interest rate and liquidity risk, reputation and legal risk, and operational and catastrophic risk. He observed the first three types of risk are cyclical, which requires the firm to be prepared for inevitable cycles, and he wrote:

> A company that properly manages itself in bad times is often the winner. For us, sustaining our strength is a strategic imperative. If we are strong during tough times —when others are weak—then opportunities can be limitless.

This assessment would prove prescient when the collapse of Lehman Brothers sent shock waves throughout the global financial system in September of 2008. Leading up to the crisis, Dimon had maintained a “fortress balance” sheet, with Tier I capital at 8.5% and total capital at 12%. Beyond this, the bank had previously taken steps to lower risks including (1) limiting the

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24 Source withheld for confidentiality reasons.
25 Letter from Jamie Dimon, JPMorgan Chase Annual Report 2005.
26 Ibid., p. 9.
amount of low-prime and sub-prime credit it issued in credit card and other businesses and (2) not offering higher risk, less-tested loan products. Consequently, while JPMorgan Chase sustained a loss in investment banking and took hits to earnings in retail and card services, it was much better positioned overall than other leading financial institutions.

JPMorgan Chase, in turn, benefitted as it attracted assets of individuals and corporations that sought a safe haven refuge. During 2008, its assets under management rose by more than $600 billion to $2.175 trillion, with the acquisitions of Bear Sterns and WAMU accounting for more than one half of the increase. Since 2008, customer and wholesale deposits rose by nearly 50% to stand at $1.5 trillion at the end of 2018, while assets under custody (which includes Assets Under Management (AUM) and custody, brokerage, administrative holdings and deposit accounts) rose by $10 trillion to $23.2 trillion as of end 2018. The bottom line is that Jamie Dimon deserves credit for the revival of JPMorgan as the world’s pre-eminent financial institution.

One blemish on JPMorgan Chase’s record is the $34.5 billion in violations it has paid since it was acquired in 2000. Of this total, more than one half were inherited and relate to toxic security and mortgage abuses that originated with Bear Stearns and Washington Mutual. But the firm has also been involved in a series of high-profile trading violations relating to manipulation of foreign exchange, precious metals and energy as well as an ongoing investigation of alleged rigging of the European Interbank Offered Rate. These infractions along with publicity over a $6 billion trading loss by the “London Whale” in 2012 concerned Morgan alums that the firm was not living up to its heritage.

Because of JPM’s stellar performance throughout his tenure, Dimon has maintained the confidence of Morgan’s board and its shareholders. However, the big unknown is how the firm will fare once he steps down as CEO. His successors will face the daunting challenge of managing a highly complex institution that is unrivaled in financial history. Moreover, new challenges lie ahead including the risk of cybersecurity, which Dimon has called the biggest threat in the financial services industry, as well as the rise of “fintech” that seeks to displace traditional banking models through the application of financial technology. The coronavirus pandemic is yet another example of unforeseen shocks that affect the economy and financial institutions.

27 Ibid.
28 See Goods Jobs First, Violation Tracker.
29 They relate to manipulation of the European Offered Rate and precious metals trading. Morgan also took a large loss in 2012 with a trader known as the London Whale.
Based on how Morgan has performed over the past fifteen years, my take is the underpinnings of the firm—talented management and people, fortress balance sheet and sophisticated risk management—are sound. They will likely keep it at or near the top of global financial institutions for years to come. This achievement would extend the legacy of J.P. Morgan, although the current institution is vastly different from the one he founded and was pre-eminent throughout the twentieth century.