 Docket No. 11-035-200
UIEC Ex. ___ (JRM-8)

At J.P. Morgan, CEO Jamie Dimon Messes Up the Right Way

May 11, 2012

One thing is refreshing about the way J.P. Morgan Chase has handled its gigantic $2 billion trading loss: It admitted that it screwed up.

A JPMorgan Chase building is shown on May 11, 2012, in New York.

This is novel on Wall Street. Over the last few years, we watched titans at AIG, Merrill Lynch, and Citigroup walk away with nine-figure paychecks while leaving their firms in tatters, indicating no regret whatsoever. When Lehman Brothers collapsed in 2008, CEO Richard Fuld blamed competitors, the press, and the government, but largely exempted himself for Lehman's massive mistakes. Goldman Sachs has issued one legalistic, self-righteous explanation after another in response to criticism of its Machiavellian habit of putting its own interests ahead of customers. Has it ever done anything wrong? Banish the thought.

[Photo gallery: Occupy Wall Street Fighting or Floundering?]

J.P. Morgan seems to have screwed up big-time, by losing a bundle with a strategy that was supposed to "hedge" risk but ended up inflating it. But CEO Jamie Dimon has at least gone out of his way to say the huge loss wasn't caused by external forces, but by bad decisions right inside his own firm. He called the hedging strategy that led to the loss "flawed, complex, poorly reviewed, and poorly executed."

"We made these positions more complex and they were badly monitored," Dimon told analysts on a conference call. In an adjectival flurry of self-admonition, he added that the mistakes were "egregious" and "self-inflicted."

Dimon didn't go as far as to fault himself directly, but he improved on the usual vague and backhanded acknowledgement that "mistakes were made." He spoke in the active, not passive, voice, and used the pronoun "we" instead of reading elliptical, carefully orchestrated remarks designed to acknowledge a problem while denying that any actual person could be responsible.

[See 6 reasons America will rebound.]

Some critics, including MIT economist Simon Johnson, say Dimon should fall on his sword and resign. Johnson is an expert on finance who plumbed Wall Street's culture of greed in his acclaimed book *13 Bankers*, and he rightly points out that J.P. Morgan's losses, which still haven't been fully explained, come at a tepid time in the markets, raising questions about how the too-big-to-fail bank would fare in a genuine crisis.

But CEOs shouldn't be fired for making mistakes. What they should be fired for is denying their mistakes, or blaming others for them. Dimon has more explaining to do, but by putting the blame for the loss squarely on J.P. Morgan, he's showing that he has identified a problem and taken steps to fix it. You can only do this if you recognize your own role in what went wrong. What has mostly happened on Wall Street, by contrast, is that CEOs deny their own culpability and look for somebody else to blame, which means the problem doesn't get fixed, it just gets buried.

[See why Mark Zuckerberg might be too successful.]

Making a mistake, acknowledging it, and doing what's necessary to fix it is actually a terrific learning experience that heightens sensitivity to what could go wrong. Instead of running adverse scenarios using computer models, Dimon is

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dealing with a real-life adversity, including the human frailties, market pressures, and public criticism that don't always show up in simulations. Assuming that Dimon is telling the truth and acknowledging the whole problem, he's likely to emerge from this fiasco wiser and more capable of spotting similar problems in the future.

Many of our most admired business leaders, including Steve Jobs, Warren Buffett, Jeff Bezos of Amazon, and Jack Bogle of Vanguard, got smart by making mistakes and learning from them. When something goes wrong, we often expect heads to roll. But instead of generating greater accountability, an intolerance of mistakes tends to encourage evasion and cover-ups. For once, somebody on Wall Street is taking responsibility for the bad decisions made under his watch. That's the way a CEO is supposed to act.

Rick Newman is the author of Rebounders: How Winners Pivot From Setback To Success. *Follow him on Twitter: @rickjnewman.*

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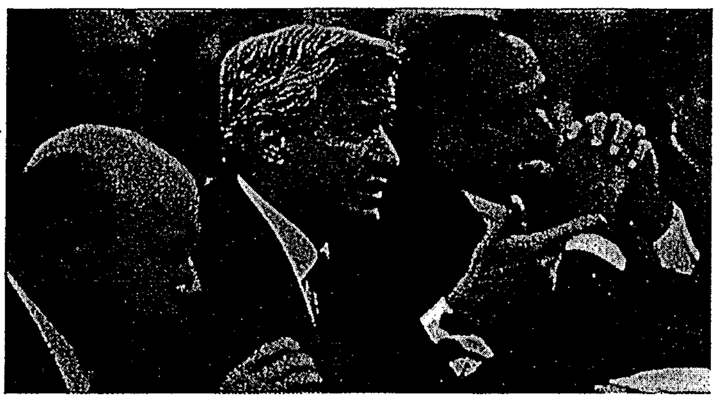
MARKETS | Updated May 14, 2012, 8:20 a.m. ET

Pressure Builds on Dimon

J.P. Morgan's Loss Widens, Political Scrutiny Intensifies; Top Departures Expected

By DAN FITZPATRICK and GREGORY ZUCKERMAN



Pressure is growing on J.P. Morgan Chase & Co. CEO James Dimon following the firm's $2.3 billion trading loss. With three high-ranking executives expected to leave the firm, WSJ's David Enrich sets out what might happen next. Photo: Reuters

Pressure built on J.P. Morgan Chase & Co. Chief Executive James Dimon following the firm's $2.3 billion trading loss, as a powerful advocate for stricter Wall Street oversight said large banks will "lose their battle" to defang new regulations.

Sen. Carl Levin (D., Mich.), a proponent of the Volcker rule limiting bank risk-taking and other aspects of the Dodd-Frank financial overhaul, made the remarks as fallout from the losses continued to shake J.P. Morgan.

On Thursday, the bank disclosed a massive trading bet that resulted in the $2 billion-plus loss. Losses have grown since then and are likely to result this week in the departure of three of the highest ranking executives with direct ties to the investments, people familiar with the situation said.

Sen. Levin spoke on NBC's "Meet the Press" after Mr. Dimon described the loss on the show as a "terrible, egregious mistake." Mr. Dimon is likely to face scrutiny Tuesday at a shareholder meeting in Florida.

On Friday, the bank suffered more than $150 million in new paper losses in the trading of its chief investment office unit, which made the complex bets tied to the value of corporate debt, a person familiar with the matter said. The firm is prepared for a total loss of more than $4 billion over the next year, though the positions could rebound, reducing any loss, the person said.

Those expected to leave include Ina Drew, head of the unit with the losses, and trader Bruno Michel Iksil, known as the "London Whale" for big positions he took in credit markets, people familiar with the matter said. Both declined to comment through the firm.

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A version of this article appeared May 14, 2012, on page A1 in some U.S. editions of The Wall Street Journal, with the headline: Pressure Builds on Dimon.

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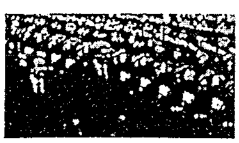

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BUSINESS | Updated May 14, 2012, 8:37 a.m. ET

Three to Exit J.P. Morgan

Drew, Others to Depart in Wake of Loss, Which Could Total More Than $4 Billion

BY DAN FITZPATRICK AND GREGORY ZUCKERMAN

Three high-ranking officers at the center of J.P. Morgan Chase & Co.'s giant trading blunder are expected to leave the firm this week, said people familiar with the situation, and losses on the trade have grown.

Expected to leave as soon as Monday are Ina Drew, who has run the risk-management group tied to the losses since 2005; Achilles Macris, who was in charge of the London-based operation that placed the questionable trades; and trader Javier Martin-Artajo.

As of last Thursday the bank had lost $2.3 billion on a credit derivatives trade gone awry, but that figure grew by about ...

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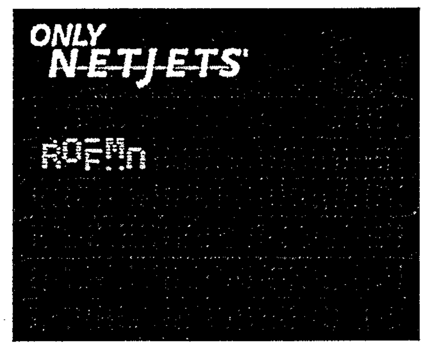

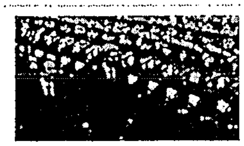

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He pointed out that it was the bank and its shareholders, not bailout-weary taxpayers, who were suffering this time.

Dimon will be talking to shareholders from a position of weakness for the first time. He has built a reputation as a cost-cutting zealot and an expert at keeping risk under control.

He led JPMorgan into a stronger position than almost any other bank after the 2008 financial crisis, which brought him more praise than at any other time in his career.

Shareholders rarely lash out against Dimon. Vikram Pandit of Citigroup and Brian Moynihan of Bank of America are not so fortunate: Shareholders at those banks take the slightest opportunity to call for them to step down.

Dimon's reputation has been severely damaged now. But shareholders still appear to believe he should be given the chance to prove himself again.

"He's earned enough market respect to have the opportunity to correct this," said Benjamin Wallace of investment firm Grimes & Co., a longtime shareholder that sold its JPMorgan shares six months ago.

"I don't think anyone else can do a better job than him, and we would not be calling for his ouster," Wallace said.

Dimon said on Sunday that the bank had "made a terrible, egregious mistake" and that there was "almost no excuse for it."

Yet there have been no signs of a shareholder insurrection against Dimon, and no member of the board of directors has spoken out against him since he disclosed the loss.

He still holds a reputation as the man who restored Bank One to a profit a decade ago when few thought it was possible and who kept JPMorgan Chase profitable through the financial crisis by managing its risk.

And while $2 billion was a stunning figure, as the investor reaction demonstrates, JPMorgan is more than big enough to absorb the loss. The bank made $19 billion last year alone.

"Banking is a people business, and people are going to make mistakes," said Steve Shafer, chief investment officer of the hedge fund Covenant Global Investors in Oklahoma City, which bought JPMorgan shares on Friday.

"If anything, this just reveals how difficult it is, with some of the smartest hedgers on the face of the earth, to interpret what the markets are going to do," he added.

Dimon has said the bank lost the money in a strategy to hedge against financial risk, as banks often do, not because it was trading for its own profit. Some lawmakers have cast doubt on that portrayal.

JPMorgan's disclosure has led lawmakers and critics of the banking industry to call for stricter regulation of Wall Street.

On Monday, President Barack Obama said JPMorgan's loss in high-risk trading shows the need for the Wall Street rules that Congress passed two years ago.

JPMorgan "is of the best managed banks," Obama said during an appearance on ABC's "The View," a daytime talk show. "You could have a bank that isn't as strong, isn't as profitable, making those same bets and we might have had to step in. Which his exactly why Wall Street reform is so important."

Many post-crisis rules governing risk-taking by banks are still being written.

Among them is the so-called Volcker rule, which would block banks from trading for their own profit, a practice known as proprietary trading. Dimon has said the trading in question would not violate the rule.

On Monday, Sen. Tim Johnson, D-S.D., chairman of the Senate Banking Committee, announced additional hearings on financial regulation and said he expected the JPMorgan loss to be discussed.

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Four days after Dimon announced the trading blunder, the executive responsible for trading strategy at JPMorgan, one of the highest-ranking women on Wall Street, became the first casualty.

The bank said that Ina Drew, 55, the chief investment officer for the bank and a 30-year veteran of the company, would retire and be replaced by Matt Zames, an executive in JPMorgan's investment bank.

Dimon said Drew's "vast contributions to our company should not be overshadowed by these events." He stressed that the company remains "very strong."

"We maintain our fortress balance sheet and capital strength to withstand setbacks like this, and we will learn from our mistakes and remain diligently focused on our clients, who count on us every day," Dimon said.

JPMorgan is holding the meeting in Tampa partly because the bank is expanding in Florida. Dimon will address shareholders, who will get to ask questions.

They will also vote their approval or disapproval of his $23 million pay package from last year. The vote is non-binding, and Dimon is unlikely to lose it. The overwhelming majority of votes were probably locked in before the meeting.

Not all shareholders are squarely behind him. An influential union, the American Federation of State County and Municipal Employees, wants Dimon to be stripped of his chairman's title, which he holds in addition to being CEO.

"The stakes are too high to leave Jamie Dimon unsupervised," said Gerald W. McEntee, trustee for AFSCME, which owns JPMorgan shares through its pension plan.

James Rickards, author of "Currency Wars: The Making of the Next Global Crisis" and a partner in JAC Capital Advisors, a New York hedge fund, has called for him to resign as CEO.

JPMorgan has access to funding from the Federal Reserve at an interest rate of almost zero and lends it out to people and businesses at a higher rate, he pointed out.

"The money that his bank put at risk comes at the cost of everyday Americans who are getting zero income on their savings accounts, and Dimon should take the ultimate responsibility," Rickards said.

Bank annual meetings have been intriguing affairs since the 2008 financial crisis, almost always attended by placard-wielding protesters.

And consumer advocates usually show up to air grievances against the bank's handling of its activities including foreclosures, credit card debt, and overdraft fees.

But an anti-Dimon revolt is unlikely Tuesday in Tampa.

"Yes, it happened on his watch, and he is eating humble pie," Holland said. "But I have seen lots of bank CEOs come and go, and even after a $2 billion fiasco, Dimon is one of the best."

Here are nine other big bank fails:

JPMorgan Whale Fail And Nine Other Big Bank 1

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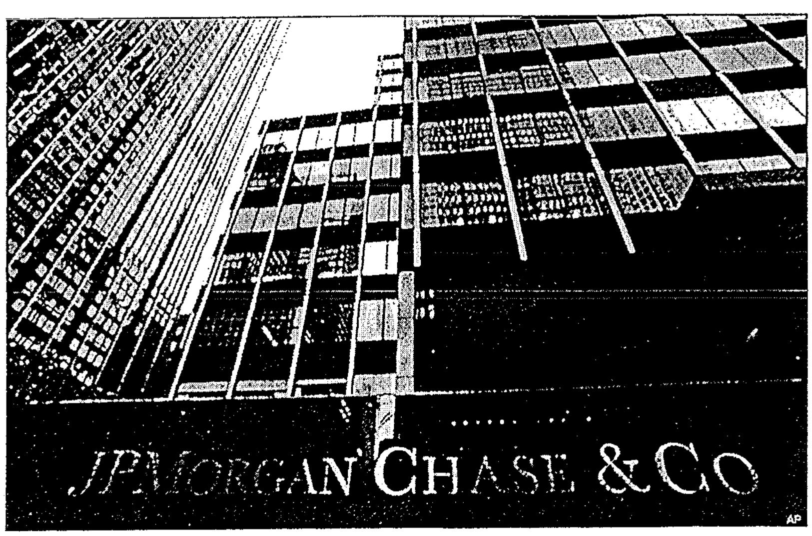

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HANG SENG	19,721.50	-13.51	-0.07%

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JPMorgan Unit's London Staff May Go as Loss Prompts Exits (Update 3)

By Dawn Kopecki - May 14, 2012 8:41 AM MT

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JPMorgan's London CIO Staff May Lose Jobs

The entire London staff of JPMorgan Chase & Co. (JPM)'s chief investment office is at risk of dismissal as a $2 billion trading loss prompts the first executive departures as soon as this week, a person familiar with the situation said.

Ina Drew, who oversees the unit, resigned today, the bank said in a statement. Joseph Evangelisti, a bank spokesman, said before her departure was announced that Drew would have no comment. While the firm is examining whether anyone in the unit, which employs a few dozen people in London, sought to hide risks, there isn't yet evidence that's the case, one of the people said.

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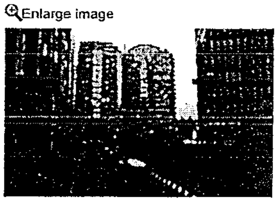

Traffic passes the offices of JPMorgan Chase & Co., center, at London Wall in London. Photographer: Simon Dawson/Bloomberg

Chief Executive Jamie Dimon, 56, announced the loss May 10, assailing his firm's handling of trading in synthetic credit securities as "flawed, complex, poorly reviewed, poorly executed and poorly monitored." Initially, he resisted accepting Drew's resignation, the person said. The incident has given ammunition to proponents of stricter bank regulations.

Dimon "has to clarify the management changes that have to take place to ensure that a firm line has been drawn under

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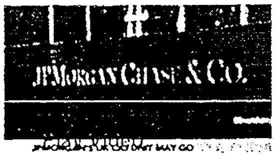
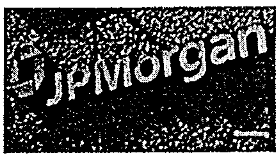
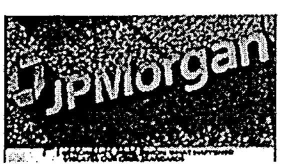


May 14 (Bloomberg) -- The entire London staff of JPMorgan Chase & Co.'s chief investment office is at risk of dismissal as a $2 billion trading loss prompts the first executive departures as soon as this week, a person familiar with the situation said. Ina Drew, who oversees the unit, is among three people set to leave, the Wall Street Journal reported yesterday, citing unidentified people familiar with the situation. John Dawson reports on Bloomberg Television's "On the Move Asia." (Source: Bloomberg)



May 11 (Bloomberg) -- Jamie Dimon, chief executive officer of JPMorgan Chase & Co., and Bloomberg's Dawn Kopecki and Christine Harper talk about JPMorgan's $2 billion trading loss after what Dimon said was an "egregious" failure in the firm's chief investment office. This report also includes comments from Bloomberg Television contributing editors William Cohan, Thomas Brown and Neil Barofsky, Portales Partners' Charles Peabody, Aegis Capital's Stanley Crouch, Fifth Third Asset Management's Keith Wirtz and Rochdale Securities' Richard Bove. (Source: Bloomberg)

May 14 (Bloomberg) -- Alistair Scarff, an analyst at Bank of America Merrill Lynch in Hong Kong, talks about JPMorgan Chase & Co.'s $2 billion trading loss and its implications for banking regulation and Asian banks. Scarff also discusses China's banking industry and the reserve ratio cut announced by the People's Bank of China on May 12. He speaks with Susan Li on Bloomberg Television's "First Up." (Source: Bloomberg)



May 10 (Bloomberg) -- Thursday's "Bloomberg Rewind" includes a discussion of the biggest news of the day and wrap-up of the markets. (Source: Bloomberg)

this," said Christopher Wheeler, a London-based analyst at Mediobanca SpA.

Shares of the company have lost more than 11 percent since the May 10 announcement of the loss. They dropped 1.9 percent in New York at 10:40 a.m., to $36.24.

Drew, 55, is one of two women on the operating committee at JPMorgan, the biggest and most profitable U.S. bank. Her office oversees about $360 billion, the difference between money from deposits and what the bank lends. Dimon had encouraged her unit to boost earnings by buying higher-yielding assets, including structured credit, equities and derivatives, in an expansion of risk-taking led by Achilles Macris, ex-employees said in April.

Macris, 50, and a trader on his team, Javier Martin-Artajo, also are leaving the New York-based firm with Drew, the Wall Street Journal reported yesterday, citing the unidentified people. Macris and Martin-Artajo didn't respond to messages left outside of regular business hours.

To contact the reporter on this story: Dawn Kopecki in New York at dkopecki@bloomberg.net

To contact the editor responsible for this story: David Scheer at dscheer@bloomberg.net

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May 14 (Bloomberg) -- William Rogers, chief executive officer of SunTrust Banks Inc., talks about JPMorgan Chase & Co.'s $2 billion trading loss, financial regulations and the outlook for the U.S. housing market. He speaks with Betty Liu on Bloomberg Television's "In the Loop." (Source: Bloomberg)

May 14 (Bloomberg) -- Simon Johnson, a professor at the Massachusetts Institute of Technology and a former economist at the International Monetary Fund, talks about the outlook for JPMorgan Chase & Co. following the disclosure the company suffered a $2 billion trading loss. Johnson, speaking with Deirdre Bolton on Bloomberg Television's "In the Loop," also discusses the prospects Greece will exit the euro. (Source: Bloomberg)

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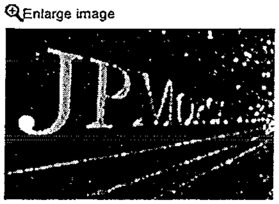

Signage stands outside JP Morgan Chase & Co. headquarters in New York. Photographer: Peter Foley/Bloomberg

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JPMorgan Chase & Co. Chief Investment Officer Ina Drew. Source: JPMorgan Chase & Co. via Bloomberg

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