

# SIFMA: SECURITIES INDUSTRY AND FINANCIAL MARKETS ASSOCIATION

Remarks of Jamie Dimon - Lunch Annual 2009

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## Jamie Dimon - Lunch Annual 2009

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MR. CHARLIE ROSE: It's great to be here first of all and certainly the timing could not be better to have Jamie here and Tim and the program that you have had. We are at a time in which a lot of books have been written about where we are and how we got here. And Andrew Ross Sorkin has got one out that talks about the characters and the people who were part of this, which Jamie is a principal character in that book as in other books. But there's even a new book out Jamie and it is called "Last Man Standing, the Assent of Jamie Dimon and JP Morgan Chase," written by Duff McDonald. And this is what the book review in Business Week said, "For Dimon whose rise, fall and rise again has been one of the most compelling stories on Wall Street for decades, the crises proved he is much more than a survivor. He has the ear of the President; he has the gratitude of the Treasury Department for helping the U.S. escape financial ruin and the respect of legendary investor Warren Buffet. So, with that, I'm especially pleased here to talk to Jamie, we have done this before and with this audience it is both a pleasure for me and a challenge. So what I would like to do in a sense is talk about the things that are on your mind, how we got here, where are we, what's the outlook for the rest of 2009 and 2010. And talk about credit and talk about the deficit and talk about the stimulus and talk about the financial sector and the outlook. And then look at where we are with respect to regulation and some other big issues. You will have an opportunity to participate in this. I have a clock back there that says 42 and at some point I'll turn to you. So as we have this conversation, let what he says resonate with you, think about it and then we have a number of people who will have microphones. If I spot I will come to you, make your question sharp and to the point and we'll get as many as we can and we'll do that about half way in. But I begin with saying where we [laugh] are?

MR. DIMON: Well, Charlie knows I hate to forecast because I think it is virtually impossible to really forecast. But you can look at some facts as they sit now. I think the chance of financial Armageddon is over. We've seen real stabilization in consumer spend. Even today, Kay Schuler came out and home prices came up for the third month in a row in 15 or large 20 markets. Confidence was down a little bit today, but its

coming back. I think it is possible -- I look at one of the chance of repose for some real growth is possible. We should be prepared there may be we are just -- if this is a recovery this is what it would feel like; this kind of uncertainty at this standpoint.

MR. ROSE: What about credit, is credit flowing? Not just here in big major banks but across the country.

MR. DIMON: JP Morgan, we are still lending like \$2 billion a day; \$45, \$50 billion a quarter. Obviously there have changes. I'll just go through it real quickly. Large corporate credit is flowing. The balance sheet numbers are way down. That is because the markets are so open that corporation have gone to the markets, we think corporate America is flushed with cash, maybe even a trillion dollars of excess cash at this point. They have pre-funded much more than when we pre-fund. Middle market credit is flowing. I think loans are down a little bit, but because utilization is down. Demand is down, they're not building plants, their not in inventory receivables. Consumer credit is going to come down. So credit card and mortgages are going to come down. Today, consumer credit is \$13 trillion. I remind people it is going to go from 13 to 12 because it is being written off. So the consumer, that will be down a little bit. And the consumer is back to good old fashion lending, 80% loan to value; more conservative credit card. Which we all think is probably the right thing to do, because bad lending is part of what got here in the first place. I think the big issue and you hear more out of Washington and you hear everywhere is small business. Small business demand is down, but approval rates are down. They're having a tougher time getting credit and Washington is trying to do some things to make it easier for a small business to get credit. Remember small business is very complicated, some do it in home equity, some do it on credit cards, and some do it on direct loans. SPA in fact, is a very small part of what I would call small business lending.

MR. ROSE: What's going to happen to the dollar?

MR. DIMON: The ultimate strength for the dollar depends on the ultimate strength of the United States of America. Which means it always makes sense that you want a strong dollar, because it's saying you don't want to strong dollar is arguing you don't want a strong economy. And I think the most important part and I saw you're interview with Lee Kuan

Yew. I think the most important thing is that the United States has to grow. So the economy has got to start to expand. And the second most important thing or maybe equally important is that we demonstrate fiscal responsibility. We owe it to ourselves. We owe it to all the creditors, which not just here, but we have creditors around the world. And if you were a creditor we should say to you, we're going to make sure we do a good job for you. So, its not the deficit over the next year or two, it is really the will and discipline to get it under control and to pass things that you all believe, because you're going to vote on your feet on this one. that we are showing the discipline we need to get that deficit under control in years, three, four, five, six, seven.

MR. ROSE: It's \$1.4 trillion for 2009 fiscal year.

MR. DIMON: Right, correct. It almost doesn't matter, the \$1.4 trillion is going to be a trillion the year after that, it is really do you believe that we are doing the right things to have it go down to zero over time and as it starts to reduce the total debt to deficit, the debt to GDP. So there's nothing wrong with running a deficit. There is something wrong with creating this system where it will get out of control. And that's what you are going to see a lot of non-stop for the next year; you are going to be reading about that. And the bond, what Jim Cargill said, I'm going to come back as a bond market because it runs everything. That will be back [laugh]. That will be back and in my opinion it won't be what the fed is doing, it will be how much the Congress is spending.

MR. ROSE: Do you fear inflation?

MR. DIMON: If we don't get that under control, you can have inflation come back, yes.

MR. ROSE: What about jobs?

MR. DIMON: Jobs that is the most important thing, getting people back to work. It is important obviously for the people who lost jobs. But at the end of the day it is going to be the economy. And the economy, I think we have 120 million jobs and most of them work at public and private companies. They don't work for governments. So it is getting those companies invested again and growing again, that will be the most important thing for that. And I hope that all the things are taken place and we will start to see some improvement.

Everyone thinks it can get worse for the next quarter or two. Most people think that unemployment is a lagging indicator and hopefully it will get better after that.

MR. ROSE: So go to 10% somewhere in the middle of 2010 before it begins to decline?

MR. DIMON: It could be 10% next month. It is a very volatile number.

MR. ROSE: But, has the stimulus program created jobs?

MR. DIMON: Well, it certainly has created some jobs. I don't know and I read the same things you read, it is hard to really tell. I think one of the more important things with the stimulus program is when you spend that kind of money. If you spend money on a bridge to nowhere you're going to create a lot of jobs, but there's nothing of value afterwards. If you spend money in a bridge to somewhere, you create a lot of jobs and there is something of value afterwards. So that to me is the one thing I look at, is it really being spent efficiently on things we really need or is it being wasted?

MR. ROSE: So what do you think?

MR. DIMON: I don't know.

MR. ROSE: You don't know.

MR. DIMON: I don't know.

MR. ROSE: I mean \$70 and \$80 billion the President says he has to focus on healthcare; he has to focus on education. And he has to focus on climate change at the same time he has to do something about the economy. But it is smart, he says, to spend that money on those issues because they are key to economic recovery. Is he right or is he doing too much?

MR. DIMON: Well I think the economic recovery isn't related to cap and trade or healthcare or things like that. I do think he is right that those are very big long-term concerns. But actually, in the short-run they can actually stifle the economy a little bit. Because people are looking at their additional health mandates and possible cost of the doing business and cost of hiring people. So you have to be a little careful in the short-run and I think the government has to orchestrate how it rolls these things out.

MR. ROSE: The New York Times has an editorial about a new stimulus, I think it is today. Do we need another stimulus?

MR. DIMON: I am not an economist, I don't really know. I hope not. And I think if we do it should relate more to things that we really believe will create jobs and not things which are just spending money.

MR. ROSE: And the deficit would be enhanced greatly.

MR. DIMON: Yes.

MR. ROSE: Is there political will to deal with entitlement reform in this country?

MR. DIMON: You know, eventually there will be -- it will be forced upon us and I don't know. I don't know. I watch what goes on in Washington and you don't really know. They are very much in the here and now. So a lot of things that we don't know are important for the long-term health of this country, we want the best and brightest from around the world to come here. That we know we have to get healthcare under control, but having a healthcare program package isn't sufficient. It has got to be a good package. We know we want to protect the environment, we know we have to graduate a lot more kids from inner city schools. Those are the things that are going to make us a great or keep this country competitive for a long period of time. So I agree with all of those points, they just have to be done intelligently.

MR. ROSE: You supported President Obama.

MR. DIMON: Well, I'm on the New York Fed Board, so I can't technically support anyone. I am a democrat [laughter].

MR. ROSE: Should I leave it there [laugh]. So here is the question, we went through over the last year an economic crisis no one could have imagined. How close did we come to meltdown?

MR. DIMON: I think the real question is, is there a chance that we could have meltdown. Because if you were in the shoes of the policymakers it is very hard to sit there and say, well, I know there is only a small chance for meltdown and I am going to take that. So I think the chance was large enough that they did the right things to move aggressively and not -- but -- orthodox or break some eggs to do things, because I think the chance was too high. Far too high, that it would have been bad. But we'll never know. People will write

books for a long, long time and we will still never know what would have happened if some of those actions hadn't taken place.

MR. ROSE: When was the most crucial moment?

MR. DIMON: I think the most crucial weekend was the weekend of Lehman Brothers and that week you had Lehman and AIG and Merrill Lynch was sold under some form of distress. We had cardiac arrest in our capital markets. And the cardiac arrest wasn't something we had ever seen before. You had AAA companies who couldn't call their commercial paper. And I remind audiences, how many of you did something a little more conservative with your money after Lehman went down? Raise your hands. So who caused it? You did [laughter]. And so -- and I'm not being facetious, we acting wise as individuals got scared and pulled money out of money market funds, bond funds, hedge funds and those people had to sell the most liquid stuff. So we had cardiac arrest. And then I think it took the TARP, some of the car programs, the stimulus package to get us out of that. The TARP, I look at it a little like with the adrenaline shot to the heart. So after some of those actions took place, whether you agree with them or not --. And I always see articles how people could have done them better or sold it better or something like that. You had in November, December, January the economy dropped but the market started to get better. So January, February, March, April all of the sudden you had open bond markets and open capital markets, they had IPO's and high-yield debt being done. So we have come back to stability. Not growth, but stability and that is a very good thing. And I think all of those actions probably stopped it from getting a lot worse.

MR. ROSE: So in a sense when we look back at the previous administration which was Paulson, Bernanke and Geithner and now its Geithner, Bernanke, Summers, Romer and others. We should say, given the circumstances, given the card they had to play. Given the emergency, they did okay.

MR. DIMON: I agree with that.

MR. ROSE: With any exceptions?

MR. DIMON: You know, I think it is hard really; I always give the benefit of the doubt to the person who is actually in the ring. And they are punching and being punched at and it is very hard to be the guy outside saying you should have

blocked that punch. You should have moved. They have to deal with a lot of constituencies and a lot of issues and so it is possible. The only thing I would caution all of us now, responding to a crisis and stopping the crisis is one thing, these other things have to be well done. It is not sufficient to say they were done. We are going to have to live, like way after I'm out of my job and way after you are out of your job. Way after the President is out of his job and Larry Summers and Tom Geithner is out of there and Ben Bernanke, we are going to have to live with some of these things. And I remind people, some of the rules we will live with today you are closer in time to the Civil War than they are to today. Let's do them really, really well. So that would be my one caution, thoughtfully and well.

MR. ROSE: When you look at what we have gone through, what should we do to minimize it happening again?

MR. DIMON: I think one of the most important things we should be honest about what happened, okay? Analytics and facts not pop-offs in anger. There was too much leverage in the system and it was everywhere folks. It was hedge funds, it was in investment banks, and it was in some of the commercial banks. It was even in how pension plans were being run where they were making forward commitments. It was in how we did repo, it was in how money market funds handled hand structures and that was one. Obviously I never blamed the regulators, but a lot of regulatory failures and the biggest ones Fannie Mae and Freddie Mac. And beyond that we all know the flaws of Bozell one [phonetic] and Bozell two. There were I think we ran a trade deficit our GDP was \$12 and \$13 trillion dollars during most of this time period. And we were sending out \$300 billion, \$400 billion, \$500 billion, \$600 billion, \$700 billion net over 8 years. I don't know how you think that that is a responsible thing to do over a long period of time. And I can go on and on, mortgages underwriting terrible. And that filtered through securitizations and CDOs and CLOs, derivative aided but they didn't cause. When you go through all of those things we should respond to them. We know we think we need a resolution mechanism, so that we don't mind. We think everyone should be allowed to fail. We think failure is a good thing. But you don't want a failure that destroys America. And therefore, I think the government really needs a resolution mechanism for companies like at Lehman or Bear or AIG that they simply didn't have. Like the FDAC had for Continental - - and for WAMU. I think we need

the right rules and authorities to do that. We think they need a systemic kind of regulator who can look around the corners, make sure that things are regulated in the proper place. Make sure that we are looking for the next round of problems, so we think a lot of changes need to be done and they should be done thoughtfully and you know.

MR. ROSE: Well that brings us to regulation. Are there still going to be banks like JP Morgan that are too big to fail? You are never going to say, you're going to say I would never steer JP Morgan into a place where it was that at risk. Because we had some warning as to what was going and we made certain decisions where we thought we were exposed. But suppose JP Morgan was at risk, it's too big to fail and nothing has changed.

MR. DIMON: So one of the things that are out there is this world hazard, I caution people, remember most of the people in most of these failed institutions lost everything and a lot of their pride and reputation. So it isn't like someone took a big bat and if you win you make money and if you lose you're okay, because that is not what happened. The second thing is that it is a bad long-term policy to have anyone to be too big to fail. And I'm not saying their too big, you don't care if JP Morgan fails. I think you can set up a resolution mechanism that dismantles JP Morgan and facilitates failure in a way that doesn't damage the system. I think it's doable. It will take a little bit of coordination internationally and you're going to have to give the right authorities legally, like the FDIC does with how you fire management, get rid of equity, wipeout some of the debt, but it is doable and that is a better long-term thing than saying their too big to fail. The other thing about the too big to fail is all these companies where they say their too big to fail, the debt always comes with trade like government debt. So everyone says, everyone knows their too big to fail and there was a moral hazard because they were borrowing money cheap. They weren't borrowing money cheap. Most of the big financial companies are borrowing money more expensive than big industrial companies. Not like Fannie Mae or Freddie Mac where you're paying a little bit over treasury. So the market didn't really believe they were too big to fail.

MR. ROSE: So there's not such thing as a financial institution being too big.

MR. DIMON: Big, this is an important thing, because it is very important. A lot of size, companies exist to do something for a company. That's why we exist and you make a fair profit in doing that. And you can't get that backwards. You have to do a great job for a customer. So small businesses do it for their customers, large businesses they are large for a reason. Huge times at scale. So we build a data center we're talking about trillions of dollars. And it's not just true for us, it is true for Boeing, GE, pharmaceuticals, electronics; huge companies. When they build semi-conductor plants and they travel around the world, we follow those clients around the world. And we provide them credit, clearing, checking, settlement. So a lot of our size is related to the size of our clients. And you can't do an \$8 billion loan to a corporation if you are a small bank. So before you start saying, a priority, what works you have to look at why you are large in the first place. And there are a lot of legitimate reasons. We do business in almost 100 countries. So we do business with a large corporation they want services often from 30 or 40 different places. And that is a lot of exposure to us.

MR. ROSE: When you look at the businesses you are in, are the businesses or other banking institutions that are huge, are there businesses they should not be in?

MR. DIMON: I think there is a legitimate -- I believe and I've written about this in our chairman's letter. Our businesses have a reason to be together, that each business does not detract from being part of it and they all have a competitive advantage from being there. Cards benefit from retail and visa versa, our commercial bank there is \$1 billion of business to our investment bank. Private banking and investment banking in large parts of the world have almost the same business, same clientele. I think when you go to businesses that have no reason to be there is a legitimate question for a board to ask, why are you in that business? And does it enhance your ability to do a good job for your clients by being in that business? When you're a big complex company it is better to stay focused than it is to go off and start doing a whole bunch of new ventures. There is nothing wrong with private equity guys or small companies saying we are going to do it because we can do a great job for shareholders. There doesn't have to be a reason why you are in three different businesses if in fact you can handle it.

MR. ROSE: Is there anything wrong with a commercial bank being in the hedge fund business?

MR. DIMON: I think when you say hedge fund you have to look at two different things. You mean owning a hedge fund that manages third party money, I don't think there's any problem with that. There is no money management and it didn't create any problems in this crisis. If you talk about running huge proprietary debt inside the business, remember proprietary debt by its nature, let me define it, you're not doing customer business. But if you have huge leverage and it is in your company, I think it is a legitimate question to say, why should we be allowed to do that in a regulated company? So it's a legitimate question and we will see how that all sorts out.

MR. ROSE: Well you know they are --

MR. DIMON: It's not going to --. But in the market making business you have to be able to buy and sell for your clients. And by your nature you have risk in position. So I don't think you can remove that.

MR. ROSE: What about risk and leverage and what ought to be the new regulations that the congress looks to about defining capital requirements and defining the risk ratios?

MR. DIMON: Well first of all, I'd say congress shouldn't be defining risk and ratios, unless they want to read through the Bozell two documents and all of that. First of all, you should never rely on VAR or Bozell one or Bozell two if you think that is risk management I think that is a terrible mistake. And you really have to use a lot more commonsense when you look at the risk you are taking. There is lot of legitimate failures in Bozell two and I think you just fix it, just make it better. Liquidity wasn't counted, it didn't matter how you finance something you didn't require more capital and obviously, if you are in the wholesale funding markets that could dry up in a second. Certain things have far too risk allocated to them so lets fix Bozell two and I think it will lead to more capital in the banks which will be a good thing. A lot that has already happened, the really good American banking institutions they are actually increasing their capital as we speak. And that does detract a little bit from providing credit. I would leave it to the regulators, let them do it very thoughtfully, but don't do something that is really make people credit out today.

MR. ROSE: Paul Volcker for example is in favor of separating. That he believed there ought to be banks, but there will be banks too big to fail. And he thinks you have to live with that idea, but he also thinks that certain functions that commercial banks, which would benefit from federal protection ought not be doing.

MR. DIMON: Right, but I think people -- he is not, at least what I have read, he is not in favor of going back to glass eagle.

MR. ROSE: No, he is not.

MR. DIMON: And remember the whole rest of the world doesn't operate that way. As American citizens we want large successful, global companies. We need that to have this country be healthy over the long period of time. So here is one glass eagle, would he raise questions about is about big proprietary trading inside a regular institution.

MR. ROSE: Are you with him on that?

MR. DIMON: I don't agree. I think it is a valid point and there maybe ways to handle it and reduce the risk. But it is not going to affect our ability to service our customers. I don't agree and I think he is very clear; he is not talking about market making clients. Which obviously has a lot of risk associated too, so he is talking about proprietary trading.

MR. ROSE: But you know the argument, the argument is simply that if you are too big to fail, meaning the government will come in and take care of you. Then you are going to have an advantage, a business advantage.

MR. DIMON: Right, but I think there wasn't. I guess my point is if you look at the way people borrowed money, I'm not talking about JP Morgan, and they didn't really have an advantage. They were borrowing at a really high cost of funds. And I think he would agree that the better way to handle is have a resolution mechanism in place. That can deal with the new complex interconnected world. I don't think he is saying that you are really going to stipulate too big to fail. Meaning that no one if they do a bad job will have their equity and their debt protected that should be wiped out if you don't do a good job; as should management and as should the board.

MR. ROSE: Lay out for us in terms if you were writing this debate, what regulations were already there but not enforced, who was asleep at the wheel? That is one question. The other question, what have the lessons we have learned that suggest new regulations that we need? How would you define that?

MR. DIMON: Right, I think the ones we know how to be fixed is that mortgages were half un-regulated and I think regulators have the right to regulate them and didn't. But I think we should be careful about starting new agencies here. So we should make sure mortgages are regulated, Fannie Mae and Freddie Mac as you know as a disaster and it is still not answered. So I think when Tim Geithner is here later you can ask the secretary if they have plans. Are they going to handle Fannie Mae and Freddie Mac? The new ones would be resolution mechanisms for large complex companies, systemic regulator. I think consumer protection, I would put that in a category of we are in favor of consumer protection. We think it is important for the world and the United States of America but we believe that we have a chance to simplify our regulatory system and strengthen it and not to add new agencies. New agencies causes another whole round of issues that they should simply go back to the OCC and Fed, the congress and say we want you to do a better job at it. Here are the mandates, here are the tools and report back to us. And you won't end up with an even more fragmented regulatory system you'll have a much more focused. And I think you want to deal with a regulator who knows you, who is tough and who gets things done, but it's not another one. We already have multiple regulators. And you look at a lot of the problems that did cause some of the problem. Some of the folks are talking about people shopping for the easiest regulator. The OTS regulated the derivative arm of AIG. Now you have to be kidding me. We knew that, that was allowed. A systemic regulator should say, that won't be allowed. Like in derivatives people say they weren't regulated and no cap was held against them. That's not true. They were regulated by the OCC and the Fed and they had been regulated and capital is held against them. The problem didn't happen in the OCC and Fed regulated part, it happened in the OTS regulated part. They should never had been allowed to exist.

MR. ROSE: Let me come back to derivatives in a moment. Compensation and what Feinberg has proposed with respect to certain particular institutions at TARP money, Citi Corp,

General Motors, B of A, what do you think of those initiatives?

MR. DIMON: I haven't read all of the things that Feinberg came up with. I think if you were the American public and these companies go special assistance, I agree with the fact that someone should be saying wait a second. While you're under the - - of the American government and you were kind of bailed out, that something should be done to regulate the pay of the people who maybe caused part of that. So I'm not against that. On the other hand, and he is in a tough place, we need all of us need Citibank, Bank of America, and all these other companies to be healthy, vibrant and growing. It is not good for our country if it's not true. So I would be very careful to hamstring those companies as they try to grow. They may want to hire some people in this room and it maybe doesn't fit into whatever those rules are. So I hear to strike a balance, obviously --.

MR. ROSE: Well JP Morgan be looking at people who now will be working for these institutions and saying come over and work for us because we don't have compensation restraints and we'll give you a better job and give you more of an opportunity to use your talent?

MR. DIMON: I morally have an issue with people going against these companies that are hamstrung and making it worse. I have an issue with that. I also have an issue by the way, if somebody calls up and want to leave, it's a free country and you are allowed to leave. So I would be -- it would be wrong for us to say, let's go hire their best people. I think it would be a terrible thing to do. And so we are not going to do that. But it doesn't mean that we aren't going to hire some. In fact, a lot of those people are hiring from us every day. So, there are two sides to that street.

MR. ROSE: Trying to find out what they knew?

MR. DIMON: Well some of those, not those particular giving out multi-year deals and hiring at big packages and taking our people. So those I will hire from [laughter].

MR. ROSE: The kind of compensation packages. Rex and Morganson [phonetic] wrote over the weekend saying that compensation is just tinkering at the edges. What you really are going to have to have is some kind of serious regulation of derivatives.

MR. DIMON: I think they are two completely different things. We are in favor of derivatives being regulated and we have been --. I have been reading the press also, some of these companies are fighting against the big dealers, and they are fighting against regulator and derivatives. We are not. We have been in favor for years and you can ask we have been part of groups that have been in favor for years. We believe that standardized stuff should be put in a clearinghouse. That reduces operational risks, it increases transparency, it reduced balance sheet. It actually focuses counterparty risk but it puts into place the safe and secure. There has got to be room for over-the-counter customized contracts between consenting adults that satisfy the market. That is not being done for JP Morgan. That is being done because hundreds and thousands I would say 20,000 middle markets, even some small businesses and large players need that to manage their own risks. So you have to be careful. I don't think that has anything to do with compensation. That's just one little factor. I don't think derivatives caused this problem. Derivatives, one of the things that brought AIG down, AIG was one of many problems in this problem.

MR. ROSE: What caused this problem in your judgment?

MR. DIMON: I said, excess leverage, Fed regulations, mortgage markets. I would say derivatives and compensation may have aggravated all of that, but it didn't cause it. Fannie Mae, Freddie Mac, I could go on and on. Our trade deficit over a long period of time, we were building up this huge problems and it blew. And no one expected the outcome. A lot people, the funny part about all the problems they were actually well written about. So you could look at what I just said, they were all talked about excess leverage.

MR. ROSE: The trade imbalance?

MR. DIMON: No one predicted that it would get this bad. People just thought that it would end up being a tough recession, adjustment period, et cetera and obviously it got much worse and we're going to have to do something about that.

MR. ROSE: Should we worry that at some point when the Chinese look at holding so much of our debt and so many of our treasury securities, look at the United States economy. Because of its deficit, because of how we are dealing with the problems and say that's not the best place for our money?

Let's stop it and let's not provide them the debt to go on this consumption feast they go on?

MR. DIMON: I think all creditors will eventually say that if we don't show discipline. Remember the Chinese and the U.S. are just different sides of the coin. Our spending too much was spending too much there. We both benefited and we're both paying. It's in both our interest to get that under a little bit of control. Any creditors, if you take my bonds you want me to know that I'm going to treat them well. I'm going to take care of you. They have the right to do that. So, long-term, they don't have that many choices. The Chinese already, they are \$2 trillion they own what \$800 billion and \$100 billion of U.S. government securities. They already can buy whatever they want. But remember they keep the WAN high, the R&B and they have to sell that to -- they will herd their own currency in a way they want to sell our dollar. So they are kind of locked in like us and we need to fix this problem together.

MR. ROSE: Let me, I'm going to turn to you so think about your questions, but this last question. Wherever I go to do conversations like this the question of confidence in the future comes up. The subject you've thought a lot about. It has to do with the relationship with the financial sector and businesses and the public. But the principal players in the American economy need to do what about confidence in the American system and confidence in their individual endeavors.

MR. DIMON: Wherever most of the jobs are business, small business, and mid-sized, large corporations. I wouldn't separate them like they do a lot, because we all sell to each other and we all do things. So I never paid that much attention to confidence, because it was just one of those numbers on the charts and I'm not sure it affected much. Whenever I travel around now, it's almost universal. I've adjusted to the problem, I don't like it, and I've got some extra money. One day I'm going to do something, when I see it get better I'm going to start doing it. So, the American economy is vibrant and innovative and it is going to grow, we are going to get better and things will work. We just don't know exactly when. It will happen over time. Part of it is just getting back to work, the good old American way.

MR. ROSE: But do you sense, there is some sense that there are two standards in America. There is one standard for Wall Street and another standard for small town America. And

people who are hurting say, there is unfairness in the system.

MR. DIMON: There is unfairness on both sides. So big business does great things for this country, it drives innovation, it drives growth, and it drives huge capital investment. An economist told me for every job a big business creates, creates five ancillary jobs, which are small business types of jobs, outsource types of jobs. And we are all in this together. I think this blaming big business all the time is part of what damages, we are business. The thing that makes America great, we have a great government, we have a democracy, we have rule of law. We have always accepted the smartest and brightest from around the world. And what drives it all; the fount of every thing is the economy which produces everything. That pays for the schools, the highways, and the military. And we want a more equitable; I want a more equitable society. Don't damage that engine. I do think there's a little bit of when you see constantly coming out, some folks in Washington beating up on business like all business is bad because there was some bad business people. I think it is damaging us. They are criticizing all of us. There are 120 million people that go to work every day and it's not for the federal government. We have to be a little careful why you go to work. And by the way, it's a funny thing, I always ask people, if you ask do you trust lawyers they will say, no. Do you trust your lawyer, they say yes, of course.

MR. ROSE: Same thing about congress.

MR. DIMON: There is something about what we have done in this country to erode everybody and every thing that I just think is some how eroding confidence too.

MR. ROSE: Finally, this last question, raise your hand so we can spot you, because there are people with microphones that are ready. So raise your hands. There you go right over there. This is the last question. When you, Chairman Bernanke has raised this point, is there an exist strategy. Do we have something to fear over the fact that this economic crisis has lead to a necessary government intervention in the economy and we may not have a strategy to get out of that intervention?

MR. DIMON: Let me just separate that. The Federal Reserve before this had a balance sheet little less than a trillion call it

1 trillion and say it's a little over a trillion so they went from 1 trillion to 2 trillion. The value of everything in the United States is 65 trillion. The value of all non-government credit is 27 trillion. It is a drop in the bucket. I actually think the fed will be able to remove but it is high velocity money. So I have faith and trust of their ability to remove that intelligently. The issue the fed is going to have to deal with that is more complicated is that government spends money. And so what they do has to be done in reflection of what the government is doing to the deficit. I'm more worried about that side than the fed side. And they are directly related.

MR. ROSE: All right, right there. Yes, please.

FEMALE VOICE: There is a lot of talk that equities are over valued. Apparently, it seems to be 40% over valued. If you think this do you think there is going to be a correction? And if there will be, what do you think will be happening to the recovery?

MR. DIMON: You obviously don't know me well. I would never guess what's going to happen to the stock market. That's not my job, I don't know. And honestly you have to look stock by stock. So I could give you opinions on certain stocks that I actually something about, but I wouldn't comment on general.

MR. ROSE: Okay, right over there, yes.

BEN TERNTINO: Jamie, hi. Ben Tarantino from UBS in a few years from now, we have another crisis and the government comes to you and says we'd like for you to take over this company. But you look at it and say it's not in the best interest of my shareholders, but Tim Geithner says, we need you to save this company for the sake of the country, what do you do?

MR. ROSE: I was kind of in that situation a little while ago [laughter]. I think when the government asks you to do something, when you ask about Bear Stearns and even when we did TARP I quickly got on the phone with my board and said we were asked to do this, because it is in the interest of the United States of America. And we should do everything we can to try to accommodate them. It has to make sense to shareholders. So there is a trigger about shareholders. You can't say it is going to cost my shareholders a lot of money, but I'll do it anyway. That doesn't make sense. So we try to balance the two.

MR. ROSE: Right here.

MALE VOICE: Jamie, you made a few points that I think are critical for us, public trust and confidence. Two things you said we serve clients. We don't need more confusion with an additional regulator for consumer protection, but how do we get back public trust and confidence with all of the media hype about Wall Street versus Main Street. With words out of a congressman's mouth about bad guys being in the financial industry; how do we gain that confidence back? Because I think it is essential for the future of our business.

MR. DIMON: I guess really have to do it at the micro level. Every day at our company you have over 200,000 people who go to work as tellers and call centers and branches and brokers and salesmen and bankers. They are doing a great job for their client. That is what they do and for the most part our clients are actually kind of happy. There is some who aren't. Maybe we made mistakes we should fix them. So I think doing what you are doing every day. Where there are flaws acknowledge them and do something about it. And I think most companies; most good companies actually try to do it all the time. Let's acknowledge what went wrong, let's fix up the individual client or change the rules or regulations, because obviously something went wrong. So, transparency, fix the problems, deal with the clients and this too shall pass.

MR. ROSE: You have also said that institutions have to do certain number of things. They have to align compensation with performance and new structures for that. And also they have to connect capital with 21<sup>st</sup> Century needs to show that they have a sense of where the country and what it needs. Things like environmental questions and other questions and that business needs to show that it has a consciousness of the challenge.

MR. DIMON: Compensation obviously is a hot button and a fire. And we should understand that. Part of that fire is some of these financial companies paid people a lot of money; they blew up and almost took the system down. Now it wasn't everybody, it was some. And this whole TARP thing, let's blame the people who did the bad things, let's not blame everybody. You didn't all do it. And it is kind of unfair to just paint them with the same brush like everyone is bad. So blame the people who did something wrong, which I think is fine. There are examples where people went through a lot of

money and they did a terrible job. And that happens in this industry and it happens in other industries. But I do think there are other valid complaints about comp. At JP Morgan we got rid of, years ago, Para shoes [phonetic], change of control, several severance packages, special retirement packages, always looked at multi-year comp. Always made people own or keep a lot of the stock they get through stock or restricted options. In fact, my board gave me an option grant, I think two years ago and here are the terms. The terms of the option grant are that in the fourth year they will decide when and if to vest. Which means if they think I did a great job they can vest it all then, maybe they'll vest it over four years, but I thought that was perfect - - for a company our size that takes the kind of risk that they do. That they want to kind of look back and say how did you really do and did you stay. Did you help build a great company or did you go do something else when you had a couple of good paydays. So our management or our operating committee we can call back their unvested comp because we think they didn't do a good job. So people should be responsive about the complaints about comp. It is still going to be an issue at the end of the year when people get paid money. So we'll see what happens.

MR. ROSE: What about connecting capital to the 21<sup>st</sup> Century issues?

MR. DIMON: That's what Wall Street does best.

MR. ROSE: Allocating capital.

MR. DIMON: Absolutely. Remember Wall Street is a very peculiar term because all investors are Wall Street, money managers and Wall Street and all brokers are Wall Street. There is no Wall Street, Wall Street is us. But that is what we are supposed to do and that is what a lot of people in this room do all day long. They are looking for capital and things to invest and things to grow and financing businesses and financing individuals. And we are going to continue to do that. And most big companies they are great corporate citizens and I'm not talking about philanthropy, they help the veterans that return, they help welfare mothers get jobs. They help and do community investing in communities all around America. We do all these wonderful things for people and probably more on average than small business. And more I would say on average than a lot of other people. So we will continue to do that, because we want to be a great corporate

citizen. Whether we do business in India or Austin Texas, we want the people there to say we are better off with having JP Morgan being here. They have made this a better place and they are a great community citizen how they treat our people. And I think it is important and I think the bigger you get the more important it is to be that way.

MR. ROSE: All right, in the back?

MALE VOICE 2: What do you think about the retail brokerage business and can you see JP Morgan getting into that business in a more significant way?

MR. DIMON: I love the retail broker business, because my dad is a broker and my grandfather was a broker and it was the first job I ever had, remember the rheumatic tubes and stuff like that, putting numbers on the board. We have, when we bought Bear Stearns the first time we had a broker jar, we have a great private bank and private vault management. We have 350 brokers there and our strategy there is to go to 1,000 of the top, top, top. So if you are really, really good, call JP Morgan we'd be happy to hire you [laugh].

MR. ROSE: Over there?

MALE VOICE 3: I appreciate your comments. What I heard you talk about attribution was corporate responsibility, regulatory responsibility, what about personal responsibility?

MR. DIMON: You have to describe what that means? When you say personal responsibility?

MALE VOICE 3: The individual in this. I heard a lot about everything about the corporate and the regulatory side, but what about the individual.

MR. DIMON: I guess I really can't separate that. I think most of us try to do the best we can every single day in our personal life, our professional life and as a citizen of this country. So when we look at people we look at the individual what do they do. Did they do a good job or not do a good job. And I think most people try hard to do that. I think most CEOs; they are patriotic, hard-working people who have spent 25 or 30 years to get where they are. It wasn't they were just given the job in the spur of the moment. They worked hard to get there. And every now and then someone got there because of politics and they didn't deserve it. Well, that's fine.

MALE VOICE 3: Just a clarification it's really about the individual consumer responsibility, not the CEO.

MR. DIMON: I think everyone should be responsible. When I or in our generation we all balanced our checkbooks. I have three daughters who don't balance their checkbooks.

MR. ROSE: Do you give them a pass?

MR. DIMON: You know, I don't know, you got to keep peace in the family [laughter] and it is very important, in fact, George McGovern wrote an opaque article 20 years ago in the Wall Street Journal and he spoke about how we've become a society of blame. That every problem is someone's fault and blames somebody else. Every fall isn't because you tripped but it's because someone didn't keep the sidewalk well. So I do think we have to go back to individual personal responsibility. When we deal with a lot of these clients and I actually get complaints from congress and credit. Sometimes we were terrible with the individual and we fix it. But I hate to tell you; every now and then you would be shocked. How many people don't file their taxes properly, how many people lied on their income forms, how many people said they were going to live in the house and they bought on spec. And shame on them and shame on us for not doing our due diligence better in some of those cases.

MR. ROSE: Right over here.

WELLINGTON DENAHAM: Hi, I'm Wellington Denahan with Annaly Capital. I really like your assessment of the crisis period and what went wrong and some of the regulatory comments you made. My question is that you have the ear of the administration and a lot of very powerful people that are now blanketing the system or potentially blanketing the system with a lot of new regulations. Do you think that they are listening to anything that you are telling them?

MR. DIMON: Let me just correct you, I don't believe I have the ear of anybody and some of these things that have come out we didn't see until after they came out. Now, look, I'm not saying that is good or bad, because the American population sometimes says well if we saw it before it came out they manipulated it for their own self interests. But, there is this talking around each other sometimes. I wish there was more engagement on the part of everybody to just try to get these things right. So, we try to get engaged as I know hundreds of other people do and it is hard. Right now we are

just overwhelmed. G20, FSB, Federal Reserve, derivatives, CFPB and we are trying to intelligently give our comments and feedback to the right people. Some don't listen at all and I think some take it into consideration.

MR. ROSE: Let me pick up on that, after Sarbanes Oxley a lot of people said there was too much regulation, spend too much time to make sure that there were all these regulations had been satisfied. Do you worry that we may fall into a situation in which there is too much regulation and especially small business is suffocating from it.

MR. DIMON: When you talk about regulations it is not really more or less because it gets into this debate about business want less and government wants more. It is really good or bad. Better regulations actually work and accomplish their stated objectives. George McGovern, I'm going to send it to everyone, wrote, he opened an Inn in Vermont or New Hampshire and he said as a legislature he had helped pass all this legislation, OSHA, Worker's Comp, Children Employment, all with good intent, but he didn't understand the impact on a small business on a capital formation. And he would have been a better legislator if he had known that and the stuff would be more coordinated in a way that didn't stifle business. And he wasn't blaming anyone for the failure of his Inn, but he learned a bit lesson about that and he also talks about litigation and so yeah, we have a chance if we create too much of this it will just erode America's ability to compete, both globally and in the United States. We have to remember what made the country great and stick to the principals and I think the right people have to be engaged to do that. I don't think regulation should be done by a lot of people who go off in a room and they dream up and they are angry and they listen to a narrow constituencies say and figure they come up with good policies. Good policies are fact, diagnostics, diagnosis, and analysis, get the right people in the room, and give the regulators the right tools and capabilities and flexibility so they can make changes down the road. So I'm a little worried that we're not going to over do it, but do too much conflicting, overlapping stuff that will make it very hard. Not for JP Morgan, JP Morgan will be fine, for business in general including small business. There is an article in the paper of the New York Times about how small businesses are already looking at things that create risk for them, health mandates and cap and trade and certain taxes. So we should be very careful, we

need America to go back to work. We don't mean to do this; we create a lot of disincentives to employment. When hire someone in a company you are going to spend \$20,000 a year before they go to work. I'm not sure that's an incentive to hire people. That's social security, health, OSHA, Worker's Comp all those related things are pretty expensive in this country.

MR. ROSE: On that note, we are out of time. Thanks to Jamie Dimon [applause].

MR. DIMON: Thank you.

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