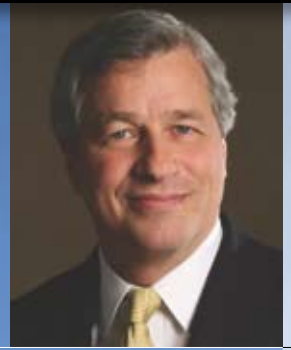


# Jamie Dimon



Jamie Dimon is chairman of the board and chief executive officer of JPMorgan Chase & Co.

Excerpts of Jamie Dimon interview from cover story by Richard Schwartz in *Dialogue*, Q3 2007.

## Is the banking industry getting better at adapting to change?

Yes. We are, for example, heavy users of technology and, in many respects, we're good at it. The retail side of our business was always regulated, but it has become increasingly competitive. We've become retailers in the true sense of the word with all the elements that that entails: products, services, platforms, systems and designs, all of which need to be reviewed within a context of enormous consolidation. So banks have become good at both innovation and consolidation.

**“Banks have become good at both **innovation** and **consolidation**.”**

## Are there any aspects of the changing environment that, in your view, the industry hasn't yet gotten to grips with?

At a global level, the process of consolidation is not over. In the U.S., there are far too many banks. And the same is still true in Europe, where there is now more reason to merge.

At the same time, we are also seeing greater fragmentation in the securities industry. If you're talking broadly about strategic inflection points, technology is very often the spur. This has been true throughout history. Without the computer, you couldn't have had mutual funds, for example.

Exchanges are very good users of technology too. The question is, who is going to use technology to win in the market place; ultimately, that will be what works better for the customer.

## Taking JPMorgan's global expansion as an example, do you look for opportunities across all your lines of business or can one line lead you into a market?

One line of business can bring us into a market, though the dividing lines are not rigid. We have six lines of business — seven if you include private equity — but in some ways, it's a bit of an artificial construct because of regulatory walls. Our lines of business are just how we manage the broad franchise. We could have chosen to manage things in a different way.

You also have to look at the world much more from the point of view of the customer. The customer doesn't care that they're being served by three of our lines of business: Treasury & Securities Services, Asset Management and the Investment Bank, for example. They have a relationship manager who handles the relationship as a whole. So you have to be careful. If you think too much about lines of business, your approach to the business can become too siloed.

The members of our Operating Committee — the executives who actually run each line of business — work well together. Recently, for instance, most of us flew out to Asia and we did a series of country reviews, including Japan, Korea, India and China. We went to the people on the ground there and said, “Okay, forget your line of business. If you owned JPMorgan Korea or JPMorgan Japan, what would you be doing here?” And they came up with far more aggressive business plans — which were approved, budgeted and are being executed.

# “You have to run your business well to grow organically and that means **better products** and **better services** in both new and established areas.”

Do you like to be a first mover or fast follower?

Neither. It's not a distinction I value. You need a coherent, consistent, business plan that's synchronized and well thought through. Sometimes that will make you a first mover. For example, we are at the forefront of creating capital markets for mortality because one of the biggest risks for pension plans is retirees' longevity. We've found novel ways to address that challenge.

In other areas, we're a rapid follower, because we weren't a first mover, though maybe we should have been. In some other areas, however, the prospects are unclear to us and we don't mind being a follower.

Does a crowded space put you off? Do you look for areas that are commercially unexplored?

First of all, organic growth is Job Number One. You have to run your business well to grow organically and that means better products and better services in both new and established areas. Organic growth also gives you the ability to make acquisitions where you think it is appropriate. It's hard to acquire someone if you're not doing a good job of running your own company.

People seem to be looking to move away from the idea of one prime broker. What are your thoughts on this?

Well, if you look at JPMorgan Treasury & Securities Services (TSS), we have custody, we have execution, we have securities lending, we can margin loans, so we have all the abilities required; they are just not coming out of one place in the bank.

We might come up with a different way of putting those services together. For example, our product developers came up with a concept called MasterSwap, which is a brilliant idea, allowing you to put many derivatives in one big swap, do one big margining, and generate one big report. It comes close to satisfying what is usually thought of as a prime broker service.

Earlier you touched on the role of the relationship manager. Since corporate and institutional clients have a relationship manager who looks after their needs across the various lines of business, is there much interaction between TSS and the other businesses?

Yes, constantly. I would call TSS a “Warren Buffet”-type business. It grows with time, it grows with inflation, it's a dynamic payments and processing business. It has low capital requirements, good margins and it's got its own ‘moat’ — you can't duplicate a lot of the things it has.

But it's also part of the rail on which the whole company rides. TSS gets a tremendous amount of business from Investment Bank clients, middle market clients, from small business clients and other customers of the company that need those services.

Scale is the ‘moat’ for TSS. You can't just say, “I'm going to be a global custodian.” You have to build these fabulous systems around the world. There are only so many people with the scale and experience who can do it right. A lot of other services leverage that. TSS is, for example, a big source of FX business for the investment bank. They do it jointly.

Think of the flow that Heidi Miller, who runs TSS, can bring to the FX business and vice versa. I was recently at a meeting in Grand Rapids, Michigan, with middle market clients and 75% of the people around the table were doing business in China and India. A lot of them are doing their foreign exchange through us and a lot of that is automated in TSS systems.

Who would think that private companies in Grand Rapids would be doing that much FX? Some of them were doing FX options. They said it was just a much better way to manage their exposure. You and I would have considered it a very esoteric investment banking product a few years ago and it's now being driven by TSS.

In a business like that, which is technology-intensive to a degree, how important do you think it is to own or control the technology?

I think you have to be extraordinarily technology-competent. You have to be very good at it. That does not mean you have to do everything yourself and write all your own code. But you need to have people inside your organization who are deeply knowledgeable and who are part of your management teams, because the efficiency of the technology is a large part of what you're giving your clients.

But I always remind people that there is a continuum. We don't make our own light bulbs and our own energy. We could. We could buy power plants, but we don't. We also don't build all our own operating software, like Windows NT® or Oracle® databases. But we could. The fact is we choose to buy those foundations and build a lot of stuff ourselves on top of them.

When you're investing in technology, how much at the moment is directed towards the customer experience as opposed to internal functions and processes?

You can't separate the two. When we have a business review, we expect it to be holistic, meaning that we should review whatever is important. TSS alone has a huge number of applications. Some are customer facing, some are back-office, but if they aren't timely, efficient and cost-effective, they'll lead to high error rates and that will negatively affect customers. So we should know all of them, be good at all of them and have a game plan going forward.

Do you have a strategy for engaging with SWIFT?

Yes, we do, because we take governance very seriously. We look at when we want something to be done by a clearing house, SWIFT or a central utility. There's no benefit in duplicating those functions and significant benefit in making sure they're done right. ○○○