# AFTER TRADING WITH THE ENEMY, JP MORGAN CHASE WHINES FOR REGULATORS TO FIGHT "ANTI-AMERICAN" REGULATIONS

Two and a half weeks ago, JP Morgan Chase signed an $88.3 million settlement with the government. JPMC traded with Iran, Sudan, Liberia, and Cuba, all in violation of Treasury's various trade restrictions. When subpoenaed on the Sudan transfer, JPMC at first denied it had the documents in question. While I think many of these sanctions (particularly the Cuban ones) are silly, the settlement revealed that JPMC thought it was above rules designed to serve America's self-interest.

Which is why I find MOTU Jamie Dimon's wail for help fighting "anti-American" regulations so distasteful.

> The United States should consider pulling out of the Basel group of global regulators, Jamie Dimon, chief executive of JPMorgan Chase, said in an interview with the Financial Times.
>
> [snip]
>
> "I'm very close to thinking the U.S. shouldn't be in Basel anymore. I would not have agreed to rules that are blatantly anti-American," he said in the interview.
>
> "Our regulators should go there and say: 'If it's not in the interests of the U.S., we're not doing it'."

Dimon is complaining because Basel's rules require more reserves from the very largest banks—including JPMC—to hold 9.5% of reserves, as opposed to the 7% required from smaller banks. Just three of the eight banks with higher reserve requirements are from the US. The Basel rules also treat “covered bonds”—a European product—differently from mortgage backed securities with a GSE guarantee.

I’m particularly amused with the way Dimon describes “global financial firms” to be in the best interest of the US.

> “I think any American president, secretary of Treasury, regulator or other leader would want strong, healthy global financial firms and not think that somehow we should give up that position in the world and that would be good for your country.”

Bank of America’s global status right now risks putting the US at great risk, because the bank is insolvent but regulators have a tough time unwinding it because of that global reach. We know that because a bunch of global financial firms crashed the economy just a few years ago.

There’s one more ugly irony about Dimon’s wail. His concern, he says, is that because of these rules, Asian banks will pick up market share in the US.

He’s saying this, of course, at a time when Obama is about to push through a trade deal with Korea—one that will ultimately cause American manufacturers to lose market share in the US—in significant part so JPMC and Goldman Sachs can spread their toxic finance to Korea. That is, he’s whining about competing on an uneven playing field with Asian banks at the same time as the government is helping his company get preferential access to Korea’s finance market.

Jamie Dimon wants to pretend he is both a free market capitalist and a good American. But his whining and the actions his bank have taken suggest he’s neither of those things.

Update: In the longer account of this interview, Dimon whines even more about how poor American banks won’t be able to compete against Asian and European banks.

> In his office, looking relaxed in white shirt with two buttons undone, Mr Dimon is still exercised about what he sees as a "miscarriage of justice". US policymakers, he says, have sold their banks down the river – the Yangtze river. "There are plenty of countries out there that are happy with the changes being implemented in the US. They realise that they can be huge beneficiaries of this. I'm talking about China, India, Singapore, Japan. I wouldn't want to see, 20 years from now, the US asking, 'what happened? How come the winners in the marketplace are all outside the US?'"
>
> [snip]
>
> Derivatives dealt off exchanges will need to use clearing houses – which Mr Dimon supports – and will be subject to margin rules governing how much collateral they have to supply.
>
> These he does not like, particularly if, as currently framed, they apply to JPMorgan's overseas businesses too. He fears British, French and German competitors might not be subject to the same standards and will gain market share.

Update: Yves Smith debunks Dimon's jingoism.

> Dimon manages to play yet another jingoistic card, acting as if Basel III singles out US banks when a majority of the financial firms subject to the most stringent rules are outside the US. And he raises the truly bizarre specter of "Asian" hordes invading the US. Huh? Does he mean HSBC? I presume not, that's a UK bank. The only Asian bank in the top 10 is Mitsubishi UFJ, and the Japanese are not likely to be in aggressive expansion mode (they've never gotten the knack institutionally of hiring and managing good top level foreigners; I know of a very few Japanese executives who have figured it out and did a good job when they were posted in the US, but as soon as they were rotated

back to Japan, their successors made a hash of what they had put in place).

The Chinese are even less likely to move in near term (long term is a completely different matter). First, the Chinese were apparently interested in investing in US players in the crisis and were rebuffed. But having worked repeatedly with foreign banks in the US, building a denovo operation (or using small acquisitions as a platform) is a completely different kettle of fish. And going from the Chinese market of heavy state control and limited product scope to the US is like saying a drayage company can operate a supersonic plane because both are in the transportation business. I've seen what a hard time foreign banks have had in the US with a vastly lesser skill gap (one they closed over a period of decades). The Chinese are too far behind skill-wise to constitute a threat in the US until they can acquire the skills via a major acquisition (and that was not the scenario Dimon was hinting at).

And it goes without saying that Dimon made clear that he believe that what is good for banks is good for the US, when that has been demonstrably false for at least the last decade.

What's striking about Dimon's comments is how brazen they are. He's not making clever, narrowly accurate but substantively misleading comments. Much of what he says and implies is unadulterated bunk. The fact that he peddles this tripe shows how confident he is that his message will go unchallenged. And that in turn reveals that he is secure in his belief that the banks have won the war; all he is caviling about is the speed of the mop-up operation.