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JPMorgan In Talks On Deal For Apple Credit Card

By AnnaMaria Andriotis and Alexander Saeedy
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JPMorgan Chase is talking with Apple about taking over the tech company's credit-card program.

Discussions started earlier this year and have advanced in recent weeks, but a deal could still be months away, according to people familiar with the matter. It isn't guaranteed a deal will come together, given key details, including the price, are still to be negotiated.

Apple and Goldman Sachs, the current issuer of the card, decided to part ways last year on their partnership, which includes credit cards and savings accounts.

Since then, Apple has spoken with several potential suitors, including Synchrony Financial and Capital One, to gauge their interest in taking over the credit-card program, according to people familiar with the matter. Goldman spoke with American Express last year, The Wall Street Journal reported at the time.

A deal between JPMorgan and Apple would further tie together the U.S.'s biggest bank and one of the largest **technology** companies in the world. JPMorgan already offers its Chase customers deals on Apple products and pays the company whenever one of its millions of card customers uses Apple Pay. Landing the deal would expand Chase's card business -- already the biggest in the country -- while bringing along a loyal base of Apple customers to whom it can pitch more financial products. Apple, meanwhile, needs to find a new home for its credit card, which has more than 12 million users, after Goldman decided to abandon its push into consumer finance.

Whenever a credit-card partnership changes hands, the bank offloading the program and the bank seeking to take it on generally have to agree to a transaction price for the existing card balances. With the Apple card program, Goldman holds the balances that will have to be sold. But JPMorgan and Apple also have to agree on terms and conditions, including the rewards program, offered to the consumers.

The team at JPMorgan negotiating the deal wants to pay less than the full face value of the roughly $17 billion in outstanding balances in the Apple credit-card program, the people said. Credit-card portfolios often sell at par or for a premium to the total loans, while accounts that have high delinquencies or some other flaw can sell at a loss.

Apple's current program has both subprime exposure and terms associated with it that could be costly to take on for any issuer.

Allison Beer, chief executive of the credit-card and connected commerce business at Chase, has been leading the bank's efforts to put a value on the Apple program over the past few months, people familiar with the matter said. Senior executives at JPMorgan, including CEO Jamie Dimon, have been briefed on the continuing negotiations, they said.

Dimon has said tech companies are increasingly becoming competitors to his business, forcing the bank to stay nimble and consider new partnerships.

"The banking system is not static," Dimon wrote in his letter to shareholders this year. "There are startup banks, mergers, successful upstarts and **fintech** banks, and even Apple, which effectively acts as a bank." (Apple works with many banks on Apple Pay and other financial services that it offers to consumers.)

JPMorgan also wants to do away with key components of the card program, including Apple's requirement that all cardholders receive their statement at the beginning of the month, the people said. This unusual billing structure created customer-service issues for Goldman and, in turn, contributed to regulatory scrutiny of the bank's consumer-lending business.

Goldman tried more than once to persuade Apple to change the billing date, according to people familiar with the matter. Apple has signaled that it is open to making this change for JPMorgan.

Goldman is actively dealing with several challenges as it works to exit from the consumer sector, including limiting its losses.

Last week, it disclosed that it expects to incur a roughly $400 million pretax hit on the eventual sale of its General Motors' credit-card business and a smaller, unrelated business. Barclays is negotiating a deal to buy the GM program, but the British bank has been unwilling to pay the price Goldman originally expected, in large part because of losses from highly delinquent borrowers, the Journal reported last week.

Goldman could be facing a bigger loss when it sells the Apple credit-card program to a new issuer.

The Consumer Financial Protection Bureau has also been investigating Goldman's credit-card practices. The probe, which Goldman disclosed in 2022, is focused on credit-card "account management practices," according to the bank, including how Goldman resolves billing errors and refunds cardholders.

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Big Banks To Limit Hours For Young Staffers --- JPMorgan confines weekly hours to 80; Bank of America revamps timekeeping

By Alexander Saeedy
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JPMorgan Chase and Bank of America plan to limit and more closely track young bankers' hours following a Wall Street Journal investigation that detailed a dangerous culture of overwork on Wall Street.

JPMorgan will now cap junior investment bankers' hours at 80 a week in most cases, people familiar with the matter said. Meanwhile, Bank of America is implementing a new timekeeping tool that requires junior bankers to go into more detail about how their time is spent, other people familiar with the matter said.

The changes come after the Journal investigation, based on conversations with more than three dozen current and former bankers, revealed that junior bankers at Bank of America were routinely instructed to lie about their hours to avoid exceeding hourly limits.

The question of how much to work junior employees, whose entry-level salaries can reach $200,000, has divided Wall Street for decades. Each year, thousands of young people start entry-level jobs in investment banking, attracted by the industry's reputation for turning hard workers into millionaires. But many of them said consistent bouts of working long hours are not only mentally grueling but also hazardous to their health.

The death of a 35-year-old Bank of America associate who had been working 100-hour weeks led to an outcry in the industry about employee protections being ignored. Leo Lukenas III had been working on a team completing a $2 billion deal. An autopsy found he died of a blood clot that formed in a coronary artery.

The weekly cap on hours at JPMorgan, a first for the bank, is the same as the New York state limit for hours of medical residents. The bank plans to make exceptions in certain cases, such as a live deal.

Young bankers at JPMorgan already have a protected window from 6 p.m. Friday to noon Saturday and a guarantee of one full weekend off every three months. The bank, like most of its peers, has long monitored bankers' hours through self-reported time sheets. Young bankers have been known to put in 120 hours a week or more in the thick of a time-sensitive project.

JPMorgan Chief Executive Jamie Dimon said in May the bank was asking "what can we learn from" Lukenas's death. Senior bankers have been communicating the new guideline to staff in recent weeks, some of the people familiar with the matter said.

Bank of America had already capped young bankers' hours, but the Journal found that the guidelines were routinely violated and in some cases bosses told direct reports to lie about how much they were working. Shortly after the Journal's investigation was published, the bank told employees to alert superiors or the human-resources department if they were being pressured to lie about their hours, the Journal reported at the time.

In recent days, Bank of America unveiled a new tool in the company's timekeeping software that requires U.S.-based junior investment bankers to log their hours daily rather than weekly, people familiar with the matter said. They also will be required to detail which deals they are working on when, and which senior bankers are overseeing the assignments, the people said. Junior staff also can gauge how much capacity they have for more work on a scale from 1 to 4.

The new reporting tool will go live next week, the people said. It was being developed before Lukenas's death.

"We successfully piloted this improved **technology** platform earlier this year to help our team more efficiently serve our investment banking clients," a spokesman for the bank said.

The death over a decade ago of a Bank of America intern in London who had logged long hours at the office prompted some soul-searching in the industry. But enforcement of protective guidelines put in place by many banks has been inconsistent over the years.

At Goldman Sachs, junior bankers famously protested their working conditions in 2021 when the bank's deal business was booming. A person close to the bank said Goldman doesn't plan to change its policies in the near term but will continue to keep an eye on juniors' hours.

Protections for Most Junior

Bankers at Big Wall Street Banks

Bank of America

-- Human resources is flagged when hours worked exceed 80 a week, and intervenes after prolonged periods above that limit to mandate time off.

-- Protected weekend day of no work, with no specific time frame.

JPMorgan Chase

-- 80-hour weekly cap on hours with exceptions for certain circumstances, such as a live deal.

-- "Pencils down" period between 6 p.m. Friday and noon Saturday, with exceptions.

-- In the U.S., one protected full weekend off every three months, plus protected holidays with guaranteed time off.

Goldman Sachs

-- No formal cap on hours worked.

-- "Protected Saturday" of no work between 9 p.m. Friday and 9 a.m. Sunday, with certain exceptions.

Morgan Stanley

-- No formal cap on hours worked.

-- No protected weekend time off.

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YOUR MONEY ADVISER
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Chase Will Bar 'Pay Later' Loans on Its Cards

By Ann Carrns
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English

Financial regulators and consumer advocates frown upon using credit cards to pay off installment loans because of the risk that consumers will dig themselves further into debt.

JPMorgan Chase, the nation's largest credit card issuer, will bar customers from using its credit cards to repay increasingly popular "**buy now**, **pay later**" installment loans.

Chase said in an emailed statement that **buy now**, **pay later** installment loans "are a form of credit" and that the bank did "not generally allow customers to pay for credit products" with their Chase credit cards.

Chase has been alerting customers about the change, which takes effect on Oct. 10, and telling them to link a new form of payment to the pay later accounts to avoid missed payments and possible late fees. The bank declined to say what proportion of its cardholders use third-party pay-later services like Affirm, Afterpay, Klarna, PayPal and Sezzle.

Chase is not the first credit card issuer to make the move. Capital One, the fourth-largest card issuer, barred use of its credit cards for pay later loans in late 2020. In an emailed statement, Sarah Strauss, head of customer services and strategy at Capital One, said the bank "encourages its customers to make responsible decisions when it comes to debt repayment." She added, "Our longstanding policy is that we do not allow customers to pay other forms of debt on Capital One credit cards, including **buy now pay later** loans."

The change at Chase follows the announcement by a federal consumer watchdog agency to regulate the **buy now**, **pay later** loans as credit cards. It also comes as delinquencies on traditional credit cards are rising, causing banks to be more cautious even as they face competition from alternative pay-later lenders.

Pay later loans, a modern version of layaway plans, are commonly called "pay in four" loans because they allow shoppers to pay for purchases in four payments, usually over six weeks. Details vary by company, but users typically owe no fees or interest if they make their payments on time. (Some pay later lenders may charge hefty late fees for missed payments.)

The services are offered online during checkout, as well as in some stores or via mobile apps. Shoppers can get quick approval with a cursory credit check. (Some pay later providers also offer more traditional, longer-term installment loans that charge interest.)

To participate, shoppers link their pay later account to a payment method, like a debit card, bank account or credit card. Payments are usually deducted automatically. In October, just over 9 percent of consumers said they had recently used a pay later loan. While that proportion was still relatively low, it was up roughly 40 percent from two years earlier, according to a report from the Federal Reserve Bank of Boston.

The practice of using credit cards to pay off the short-term installment loans is frowned upon, both by financial regulators and by consumer advocates, because of the risk that consumers will dig themselves further into debt. Shifting the required payments to a credit card means users can end up paying double-digit interest if they carry a balance on their credit card instead of paying it in full monthly. (The average interest rate on credit cards is around 22 percent.)

"It makes no sense to use a credit card to service a **buy now**, **pay later** loan," said Lauren Saunders, associate director of the National Consumer Law Center. "It defeats the purpose of the loan." If users want to put as many purchases as possible on a credit card, to earn points or rewards, Ms. Saunders said, they can also earn them by paying with the card directly rather than by using a pay later loan first.

Given that research suggests financially vulnerable consumers are more likely to use pay later loans, using a credit card for the loans is "highly problematic," said Jennifer Chien, senior policy counsel at Consumer Reports. Pay later borrowers on average are more likely to be "highly indebted," to carry a balance on their credit cards and to have lower credit scores, according to a report last year from the Consumer Financial Protection Bureau.

Michael Hershfield, founder and chief executive of Accrue Savings, a financial start-up that gives incentives to users to save for big purchases, said credit card companies preferred that customers used their own "pay later" options, rather than those of competitors. "They want to build that user base," he said.

Chase, for instance, offers a "pay over time" program that its credit card holders can use to break up payments for some purchases into smaller installments paid over weeks or months for a fixed monthly fee. Chase also offers its own pay-in-four loan to its checking account customers, allowing them to repay in four installments over eight weeks with no fee or interest.

Ms. Chien said it was already "standard practice" for banks to bar credit card holders from using them to make direct payments to pay balances on other credit cards. (There are indirect options, like using balance transfer cards to move debt from one card to another.)

Penny Lee, president and chief executive of the Financial **Technology** Association, an industry group representing several companies that offer pay later loans, including Klarna and PayPal, said Chase's new policy was "unfortunate" because it limited consumer choice. Ninety percent of pay later shoppers pay with a debit card, she said, suggesting they use the loans to "smooth their spending and cash flow."

By contrast, Adam Rust, director of financial services at the Consumer Federation of America, said Chase's policy would help borrowers. "I applaud Chase for the decision because it will protect consumers from becoming overextended," he said.

Here are some questions and answers about pay later loans:

Will other credit card companies change their policies?

Policies at other big card issuers vary. Bank of America allows its customers to use its credit cards to pay for pay later loans, said a spokesman, Don Vecchiarello. American Express said its cards currently could be used with a "limited number" of **buy now**, **pay later** providers.

Do other credit card companies offer their own version of pay later loans?

Some do. Citi and American Express both offer options for credit card customers to pay for certain purchases over time, in smaller installment payments.

What is the best way to use pay later loans safely?

Consumer advocates recommend limiting the number of pay later loans you have at one time and arranging for automatic payments from a bank account or debit card to avoid missing one and possibly getting a late fee.

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EXCHANGE --- One Equity Raises $1.75 Billion for Latest Fund

By Chris Cumming
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One Equity Partners has raised $1.75 billion for its latest fund so far, according to a person familiar with the matter, as the New York private-equity firm transitions to new leadership.

The vehicle, One Equity Partners IX, held a first close in recent weeks following about three months of active fundraising, and has a $2.75 billion target, the person said.

A spokesman for the firm declined to comment.

If One Equity Partners reaches the new vehicle's target, it will match the total raised for its eighth main fund, which closed a little over two years ago. The firm also closed a $1 billion continuation fund last year to support two European portfolio companies.

The new flagship fund is being raised with the assistance of placement agent Asante Capital Group, according to a Securities and Exchange Commission filing.

Private-equity fundraising has been difficult for more than two years, as investors have pulled back new commitments in the face of rising interest rates. In the first six months of the year, U.S. private-equity managers raised $155 billion, a slower pace than 2023, according to research provider PitchBook Data.

One Equity Partners traces its roots to banking giant JPMorgan Chase's buyout business, from which it spun out in 2015. The firm has made more than 300 deals since it was set up in 2001, and typically invests $30 million to $150 million in North American and Western European businesses in the industrials, healthcare and **technology** sectors, its website says.

Firm founder and longtime President Dick Cashin passed the torch earlier this year to Greg Belinfanti, who became president while Cashin remains as chairman. Belinfanti, who joined the firm in 2006, has been a member of its investment, operating and valuation committees since the 2015 spinout and sits on the boards of many of its portfolio companies.

One Equity Partners has had other turnover in its executive ranks, as former Senior Managing Director Chip Schorr and Operating Partner Todd Bradley this year launched a new firm, Niobrara Capital Partners, with former U.S. Secretary of State Mike Pompeo, WSJ Pro Private Equity reported in June.

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THE WALL STREET JOURNAL.

Wall Street Says Bye To Its Biggest Bear

By Jack Pitcher
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Marko Kolanovic found himself in the loneliest place on Wall Street.

A robust stock-market rally that started early in 2023 caught many investors by surprise. But as other big-bank analysts relented one by one, adjusting their forecasts higher, Kolanovic, JPMorgan Chase's top market strategist, doubled down on his bearish outlook. Stocks kept rallying, with major indexes hitting new highs again this week.

On Wednesday, the man dubbed "Gandalf" and "Half-Man, Half-God" by the financial press over the years for his prowess at predicting market moves, was out of a job at JPMorgan.

Kolanovic called for a recession that has yet to materialize, and largely missed the artificial-intelligence boom that has propelled **technology** stocks for the past 18 months.

JPMorgan's current research view is that the S&P 500 will tank 24% by year-end. Kolanovic warned in one of his final reports, out last week, of a "clear disconnect" between stock valuations and the economy, diminishing liquidity, and narrow leadership that is masking weakness.

His departure highlights the perils of being a stock-market bear -- never a popular position in an industry whose business is selling investments to its customers -- during a roaring bull market. If you are telling clients that markets will fall and they rise instead, your clients lose money and you and your firm risk losing face.

"It's not really a matter of being right or wrong," said Richard Bernstein, who was chief investment strategist at Merrill Lynch before starting his own investment firm in 2009. "It's more that the product people think a bear hurts business and a natural conflict brews."

Kolanovic, a 48-year-old native of Croatia, told Bloomberg News he earned a degree in classical music before coming to the U.S. to study at New York University. He got a Ph.D. in theoretical high-energy physics and started a Wall Street career in the early 2000s, joining JPMorgan when it acquired Bear Stearns in the midst of the 2008-09 financial crisis.

Kolanovic rose through the ranks and attracted widespread attention as a derivatives strategist in 2015, when he made a series of highly accurate short-term calls on the direction of the S&P 500 based on how he expected quantitative funds to react to increasing volatility.

Then, during the peak of Covid-19-related market panic in March 2020, he made a bold and ultimately correct call that stocks would quickly bounce back to record highs. Kolanovic was inducted into the Institutional Investor Hall of Fame in 2020 after numerous years as the publication's top-ranked analyst.

But over the past three years, the JPMorgan strategist made a series of untimely calls. He recommended clients take an overweight position in stocks during the market selloff of 2022. Then he advised them to cut exposure in early 2023, just as stocks began to rebound sharply.

"Marko was excellent when it came to understanding how the equity derivatives market can occasionally be the tail that wags the dog. He made some great calls," said Andy Constan, chief executive of Damped Spring Advisors, a consulting firm for macro hedge funds. "Then he was promoted to macro, and he struggled in generalizing to broad markets. Why he made so many aggressive calls over the last few years is beyond me."

If the first rule of forecasting markets is to be right, the second rule might be: Don't be the only one who's wrong. The S&P 500's 45% rally since the start of last year caught most of Wall Street by surprise, but the naysayers slowly capitulated.

Kolanovic has a history of going against the grain, however. In a 2018 interview, he told Bloomberg: "I do tend to be a more contrarian person who looks at things that people aren't looking at right now . . . The bad is that you may be sometimes looking too far out. 'Too early' sometimes also means 'wrong' in finance."

Kolanovic isn't the first to fall into this trap. Charles Clough, a predecessor of Bernstein's as Merrill Lynch stock guru, left the firm near the height of the dot-com bubble after turning bearish on stocks just as the late-1990s rally accelerated.

Morgan Stanley's Mike Wilson, long one of Wall Street's most prominent bears, dropped his bet against the S&P 500 in May, leaving Kolanovic and JPMorgan as an outlier.

Wilson might have paid for his stance, too. Morgan Stanley sent an internal memo in February announcing that he was leaving his post as chair of the bank's Global Investment Committee.

When the market party is raging and there is money to be made, it might be that few want to hear from a doubter.

"If you think about the current speculative environment when investors are max bullish, a subdued view might not jibe within a sell-side firm," said Bernstein, the former analyst.

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