DOW JONES

THE WALL STREET JOURNAL.

U.S. IPOs Modernize On Digital Platform

By Corrie Driebusch
676 words
24 September 2021
The Wall Street Journal
J
B1
English

A new **technology** platform backed by the biggest U.S. banks and money managers is aiming to bring the IPO market into the 21st century.

The syndicate desk -- a longtime fixture at banks across Wall Street where IPOs and other large stock sales are priced and allocated to investors -- has long clung to traditional ways of doing business like phone orders and scribbled pieces of paper, even as other businesses go digital.

Capital Markets Gateway LLC has set out to change that. Backed by Franklin Templeton, Fidelity Investments, Goldman Sachs Group Inc., JPMorgan Chase & Co. and Morgan Stanley, among others, CMG was launched in 2017 by former bankers at Robert W. Baird & Co.

Its platform currently provides data and analytics on follow-on stock sales, block trades and initial public offerings, as well as a list of who the underwriters are for each offering. Later this year, the firm plans to expand its offering to enable investors to place orders for IPOs and other equity-capital-markets deals on the computer rather than doing so verbally over the phone, according to Chief Executive and co-founder Greg Ingram, who previously ran ECM at Baird.

When the system is up and running, buy-side firms -- of which nearly 100 are signed up -- will be able to see what deals are pricing when, what the terms are and digitally enter their orders with lead bankers, so long as they have an existing relationship with them.

Once IPOs and other offerings are priced, instead of waiting until the following morning to learn via a phone call if they received any allocation, fund managers can find out electronically that same evening. They also can see over the platform a breakdown of the commissions owed.

(Over the last year or so, Goldman, Morgan Stanley and others have launched their own direct-order entry systems to facilitate some IPOs, but they are bank-specific.)

Whether the new platform works and -- perhaps a bigger if -- whether IPO-market players ultimately prove willing to change the way they have done business for years, remains to be seen.

But everyone agrees, the system is ripe for improvement.

Ben Batory, head of Franklin Equity Group Trading at Franklin Templeton, said for decades he and his team have kept track of how many shares they asked for in IPOs -- as well as how many they received and at what price -- on loose sheets of paper.

He and his counterparts at other firms talk of calling multiple bankers on a deal to make sure their orders are recorded correctly. And then they wait.

The morning after an IPO prices, a banker calls them, tells them how many shares they got, at what price, and what percentage of fees they owe to each of the dozen or so underwriters. It is up to Mr. Batory, or someone in his shoes, to keep track of it all.

"All these things are ripe for error," he said. "There can be five deals a day, and you need to get the amount right, get the commission right, and it's all chicken scratch on a piece of paper on my desk. It's incredibly challenging."

This year -- the busiest ever for U.S.-listed IPOs and equity capital markets as a whole -- has put the problem in sharp relief. Traditional U.S.-listed IPOs, not including special-purpose acquisition companies, or SPACs, have raised roughly $110 billion, surpassing every other full year in Dealogic's records, while more than $480 billion has changed hands in ECM deals.

About 20 IPOs a week have priced on average; some weeks that number has surpassed 40.

"It used to be that fund managers looked at IPOs and follow-ons," said Michael Wilcox, another CMG co-founder who hails from Baird. "Now they are looking at IPOs, follow-ons, PIPEs [private investment in public equity], SPACs and crossover investments. The only way to truly be able to focus on the investment decision is to utilize **technology**."

Document J000000020210924eh9o0003x

THE WALL STREET JOURNAL.

JPMorgan to Acquire Owner Of Zagat Restaurant Guide

By AnnaMaria Andriotis and Benjamin Mullin
328 words
10 September 2021
The Wall Street Journal
J
B1
English

America's biggest bank is buying the company behind the Zagat brand.

JPMorgan Chase & Co. said on Thursday that it has reached a deal to acquire the Infatuation, which owns websites and apps that guide diners to eat like locals in cities around the world.

The company also hosts a biannual food festival, Eeeeeatscon, where restaurants serve food in a stadium while musicians and speakers entertain attendees.

JPMorgan is buying all of the Infatuation's business, including the decadesold restaurant brand Zagat.

The Infatuation purchased Zagat from Alphabet Inc.'s Google for an undisclosed amount in 2018, the same year it raised $30 million from WndrCo, a **technology** and media investment firm co-founded by Hollywood mogul Jeffrey Katzenberg.

Banks don't usually buy media companies. But JPMorgan has made a push to attract big spenders who like to travel and dine out, particularly through credit-card rewards. Last year, the bank rolled out Chase Dining in its Ultimate Rewards portal, which gives certain cardholders access to hard-to-get dining reservations and other perks.

Sapphire Reserve and Preferred cardholders get access to virtual events with chefs, mixologists and restaurateurs.

Founded in 2009 by record executives Chris Stang and Andrew Steinthal, the Infatuation has grown from a scrappy review site known for its branded Instagram hashtag ("#Eeeeeats") to a global taste maker in the world of cuisine.

JPMorgan plans to give some of its customers, including credit-card holders, special access to the Infatuation's curated experiences, like Eeeeeatscon, and to certain content on its website.

Mr. Stang will continue to run the business, which will operate as a separate brand within the bank.

The Infatuation doesn't disclose its finances, including whether it is profitable.

The company was exploring options including raising funds in recent months, according to a person familiar with the matter, and ultimately opted for an outright sale of the business.

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THE WALL STREET JOURNAL.

EXCHANGE --- JPMorgan Wins Control Of China Unit

By James T. Areddy
119 words
7 August 2021
The Wall Street Journal
J
B2
English

JPMorgan Chase & Co. said Friday it was granted permission to take full control of a securities business in China, a first for an international firm and a continuation of financial-market liberalization by Beijing at a time of waning confidence in its markets.

After years of slow-walking promises to allow access to its financial markets by Wall Street giants, China has loosened rules to give firms more opportunity to trade securities in the country and build investor bases.

The fresh market access also follows a slump in foreign investor sentiment about China's financial markets, following regulatory pressure from Beijing on various sectors including **technology** and education.

Document J000000020210807eh870003x

THE WALL STREET JOURNAL.

Business Piles Up Record Unused Credit --- Increased corporate demand could hint at a coming spending boom, bankers say

By David Benoit
760 words
5 August 2021
The Wall Street Journal
J
A1
English

Businesses are sitting on record amounts of unused credit from U.S. banks, another quirk in the economic recovery that bankers have said could help unleash pent-up spending in the coming months.

Bank executives said their business clients have in recent months ramped up requests for credit lines that can be drawn quickly for spending on inventory, labor or expansions.

Companies aren't actually drawing the money into their bank accounts just yet. Businesses are already stuffed with cash, and supply-chain issues and labor shortages have crimped their ability to spend it. Those unexpected conditions are acting like kinks in the economy's attempts to restart from the dramatic braking in 2020.

But bankers said the activity in recent months is evidence that businesses are planning to turn on the spending spigot. That could help the economy shoot higher.

JPMorgan Chase & Co. and Bank of America Corp., the two biggest banks in the U.S., at the end of June together had nearly $1 trillion in unused commitments to lend to corporate clients. That is up 20% from a year ago and a quarterly record at both banks.

"This virtuous circle of hiring workers and meeting customer spending will help drive the economy, and hopefully will result in more line usage on our loans," Bank of America Chief Executive Brian Moynihan told analysts last month.

For large banks with a bigger concentration on commercial lending, there has been an average 21% increase in unused commercial and industrial credit compared with the prior year, according to a review of available filings by Janney Montgomery Scott analysts.

The Federal Reserve's survey of senior loan officers in July reported that banks were getting more inquiries from commercial and industrial borrowers about both new and increased credit lines. The banks also said they had loosened their restrictions on the maximum size of the lines.

Bank executives said the demand is coming from companies in healthcare, industrial products, food products and wholesale supply. They said companies appear to be arming up in hopes they can build back inventory quickly if their supply chains can deliver the products they need.

For instance, auto dealers starved of inventory are sitting on large unused credit lines, executives at several banks said.

Bankers view the untapped credit as a sign that their corporate clients are optimistic about the economy's trajectory.

In a June survey of commercial-banking clients, JPMorgan found business confidence at its highest level in the survey's 11-year history. About 46% of the businesses surveyed said they expect to increase capital spending and 38% said they would need to increase their credit, a sharp rise over the past two years.

"I've never seen anything quite like it," said Jim Glassman, the head economist at JPMorgan's commercial bank. He said businesses are planning ambitious spending projects, especially on automation and **technology**.

For banks, the unused credit isn't particularly helpful because they can't charge interest on the money until it is drawn. With bond markets surging, cash aplenty and interest rates near zero, banks have struggled to increase loans and lending profits. That has become a focal point for investors wondering if bank stocks can keep rising.

The credit lines are something of a green shoot that would typically lead to higher borrowing in the coming months, executives said.

"The good news inside all that is we're actually winning a lot of clients and we're extending facilities at a pace beyond where we've been for a bunch of years," PNC Financial Services Group Inc.'s CEO William Demchak said on a conference call with analysts. "The problem is they're just not drawing."

It is still unclear how much of the unused credit will turn into spending. In March 2020, when much of the U.S. shut down to slow the spread of Covid-19, businesses raced to draw down their credit lines in an effort to stockpile cash. They have continued to add cash in the months since.

The lingering memory of the shutdowns might spur businesses to keep their powder dry for some time, especially during a surge of new infections from the highly contagious Delta variant.

"It may be an evolution," said Christopher Marinac, a bank analyst at Janney Montgomery Scott. "Some of this may be building a better toolbox because what we learned from Covid is we have to be prepared."

Document J000000020210805eh850001q

THE WALL STREET JOURNAL.

Barclays Overtakes Credit Suisse With Investment Bank

By Simon Clark
815 words
27 July 2021
The Wall Street Journal
J
B10
English

Barclays PLC recently overtook Credit Suisse Group AG in investment banking revenue, a sign that the U.K. bank's long, frustrated push to be a major player is making progress thanks in part to the troubles of its Swiss rival.

The London-based bank vaulted past its Zurich-based counterpart to be the largest investment bank outside the U.S. in the second quarter of this year with $1.26 billion of investment banking revenue, representing a 4.1% market share, according to Dealogic. JPMorgan Chase & Co. was the top investment bank during the quarter with $3.15 billion of revenue, a 10.1% market share.

Inside Barclays, executives say the collapses of key Credit Suisse clients Archegos Capital Management and Greensill Capital have disrupted the investment banking landscape. This has created a rare opportunity for Barclays to grab market share in the business of advising on takeovers and arranging debt and equity sales for global companies.

A Credit Suisse spokesman declined to comment.

Barclays has gone after its wounded competitor. It recruited several bankers from Credit Suisse, including Tim Devine to advise financial companies, Eric Federman to advise **technology** and media companies, Ihsan Essaid to co-head mergers and acquisitions advice in the Americas, and Kamal Ahmed to advise semiconductor companies.

Barclays' Chief Executive Jes Staley has long pushed to grow the U.K. lender's investment banking arm. The American former JPMorgan executive has argued that having an investment bank acts as a counterweight to its steadier U.K. consumer bank, envisioning a smaller, British-based version of his old employer.

That push has gained momentum during the pandemic. Investment banking revenue boomed. Mr. Staley got another shot in the arm when activist investor Sherborne Investors said it sold its entire 6% stake in Barclays, giving up on a yearslong activist campaign to have him focus more on the U.K. consumer bank.

The British lender's investment bankers talk about their ambition of making Barclays a top-five player globally and the dominant non-U.S.-domiciled investment bank. The top-five investment banks are all based in the U.S. Breaking into the elite group would require Barclays to oust Citigroup Inc. from fifth position.

Barclays' strategy is to boost revenue in mergers and acquisitions and equity capital markets, or helping companies issue new shares. Both areas have been strengths of Credit Suisse.

Barclays recently promoted New York-based bankers John Miller and Jean-Francois Astier to lead a new management team for the investment bank, a signal of the bank's intent to grow. The new team will implement the expansion strategy, Paul Compton, a member of the bank's executive committee, said last week.

The latest progress report card comes Wednesday, when Barclays announces its results for the second quarter.

An example of its investment banking wins: Barclays advised and arranged financing for a group of private-equity firms that agreed to buy medical-supply company Medline Industries Inc. for more than $30 billion, in one of the largest leveraged buyouts since the financial crisis.

Barclays has struggled in previous attempts to get its investment bank into the top tier. It took over the U.S. business of Lehman Brothers Holdings Inc. in 2008 and tried to create a global footprint, only to scale back sharply earlier this decade.

Mr. Staley, who joined the bank in 2015, reversed efforts by his predecessor to cut back the investment bank. One of his bankers described him in a recent interview as riding in on a white horse to save the operation.

But the profits flowing into the investment bank aren't encouraging investors to flock to Barclays shares. Barclays is worth about 0.53 times its book value, less than the 0.72 times book value at which British retail-banking rival Lloyds Banking Group PLC trades.

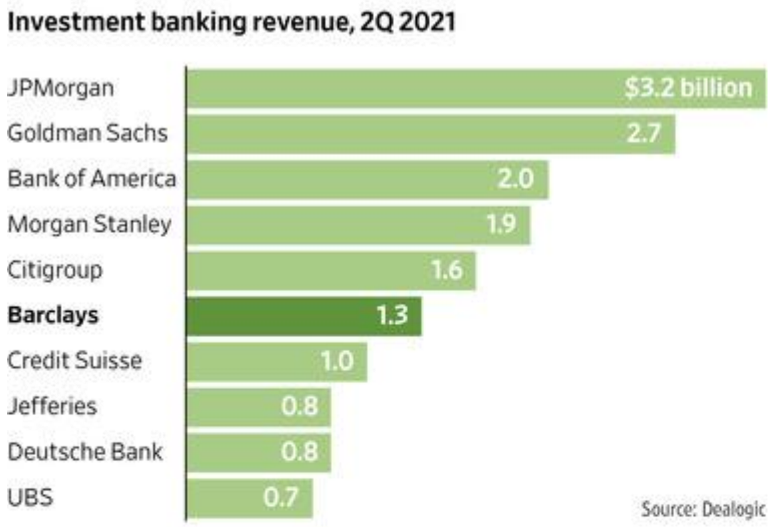
There is concern that increasing pay will push up costs at the investment bank, according to Christopher Cant, an analyst at Autonomous Research, a unit of AllianceBernstein.

"The question now for Barclays is: How low can they hold the cost-to-income ratio for that division?" Mr. Cant said. "The revenue performance has been very good, but how much of that are they going to bleed away?"

Past forays into investment banking have ended in failure at other lenders. It is a notoriously volatile business, booming when times are good, as they are now. But revenue can evaporate quickly, while costs stay high.

A senior banker at Barclays said that the bank can't afford to slip up. European competitors including Deutsche Bank AG and UBS Group AG have scaled back investment banking operations in recent years in the wake of billions of dollars of losses.

The bank is also rebuilding its presence in Asia, where Barclays reduced its presence drastically before Mr. Staley took charge.



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THE WALL STREET JOURNAL.

Monday's Markets
Dow, S&P, Nasdaq Notch Records

By Caitlin Ostroff and Paul Vigna
610 words
27 July 2021
The Wall Street Journal
J
B10
English

Stocks rose slightly to set records ahead of a busy week of earnings from technology companies.

The Dow Jones Industrial Average added 82.76 points, or 0.2%, to 35144.31, after the blue-chip index on Friday closed above the 35000 milestone for the first time. The S&P 500 rose 10.51 points, or 0.2%, to 4422.30, and the Nasdaq Composite added 3.72 points, or less than 0.1%, to 14840.71. All three indexes set records for the second consecutive session.

Investors are awaiting earnings from a flurry of American companies, including large technology firms, this week will indicate how large businesses are weathering the pandemic and a recent uptick in inflation. Electric-car maker Tesla reported record earnings after the closing bell. Apple, Amazon.com and Google parent Alphabet are on deck later this week. All four stocks traded modestly higher.

This week is really where we enter crunchtime for earnings," said Hugh Gimber, a strategist at J.P. Morgan Asset Management. "With tech names reporting, the bar is high."

Rising concerns over the Delta variant of Covid-19 and worries over economic growth are likely to challenge the pace at which the U.S. stock market will rise in the coming weeks, some investors say. Money managers also are awaiting guidance from the Federal Reserve this week, including policy makers' outlook on inflation and any clues on when the central bank may start scaling back its bond purchases.

"Economic activity in the U.S. does seem to have peaked," said Altaf Kassam, head of investment strategy for State Street Global Advisors in Europe. "We're still in very benign territory where the economy is still powering ahead but not at the full elastic bounce back."

The market actually may be reflecting more of that than it seems, said JC Parets, the founder of technical-analysis service AllStarCharts. The records for the big indexes are coming from a small group of stocks, which happen to be the largest. Underneath that, he said, the picture is much choppier.

Global markets initially soured after Beijing took aim at some of China's rapidly growing listed companies over the weekend, prompting a sharp selloff and fueling concerns about regulatory risks. The Shanghai Composite Index dropped 2.3%, while Hong Kong's Hang Seng Index shed 4.1% in its biggest one-day rout in more than a year.

Early Tuesday, Japan's Nikkei was up 0.4%, the Shanghai benchmark was up 0.2% and the Hang Seng was down 0.6%.

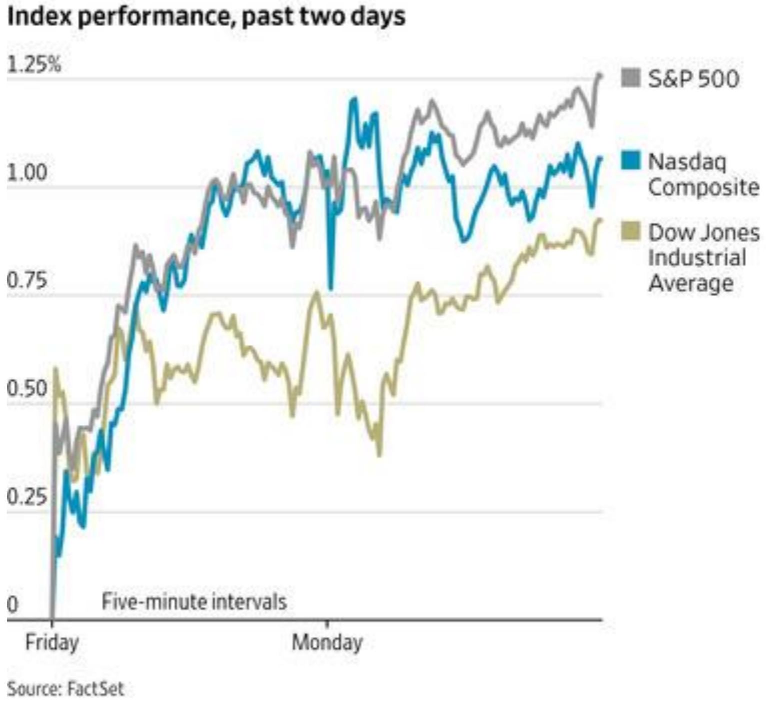
In New York Monday, U.S.-listed shares of large Chinese companies fell, with Alibaba Group Holding sliding 7.2% to $191.76 and KE Holdings, a Chinese online property platform, down 28% to $24.44. Food e-commerce platform Pinduoduo dropped 8.8% to $88.71, online retailer JD.com shed 8.6% to $66.08 and gaming company NetEase dropped 14% to $89.40.

In other action, shares of Aon rallied 8.2% to $251.56 after the company and Willis Towers Watson agreed to terminate their roughly $30 billion deal and end litigation with the U.S. Justice Department. Willis Towers Watson shares fell 9% to $206.07.

In bond markets, the yield on the 10-year Treasury note ticked lower to 1.276% from 1.286% Friday. Yields fall when prices rise.

The yield on 10-year Treasury inflation-protected securities, or TIPS, fell to a record Monday. The TIPS yield reached minus 1.120% in intraday trading, according to Tradeweb.

U.S. stock futures were down 0.1%.



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THE WALL STREET JOURNAL.

FICO Sees Its Hold On Credit Slipping

By AnnaMaria Andriotis
1,183 words
26 July 2021
The Wall Street Journal
J
A1
English

For decades, nearly every consumer credit decision revolved around a three-digit number -- the FICO credit score. That is changing.

FICO has long dominated the market for consumer credit, providing scores for some 200 million U.S. consumers that are used by a whole host of lenders to evaluate credit-card, auto-loan and mortgage applicants. For borrowers, higher scores can mean bigger loans and lower interest rates.

But powerful forces are aligning to test its dominance.

Big lenders are moving away from FICO, according to people familiar with the matter. Capital One Financial Corp. and Synchrony Financial don't use its scores for most consumer-lending decisions. They are becoming a smaller factor in some underwriting decisions at JPMorgan Chase & Co. and Bank of America Corp.

A key financial regulator, meanwhile, is encouraging banks to de-emphasize credit scores in an effort to expand access to affordable credit. And housing-finance giants Fannie Mae and Freddie Mac are considering allowing lenders to use other scores when evaluating mortgage applicants.

There are a few reasons for the shift. Many lenders now review a wealth of new data and use it to refine their own proprietary scores that they say are better able to predict who will repay. Regulators are concerned that FICO leaves too many people behind, limiting them to payday loans and other costly forms of credit. Some 53 million U.S. adults lack traditional FICO scores because they have thin or nonexistent borrowing histories.

"FICO scores are good, but they're not perfect," said Roger Hochschild, chief executive of Discover Financial Services. The company relies less on FICO scores when evaluating existing or prior customers and more when applicants are brand-new to Discover, he said.

FICO's waning influence could become a problem for the roughly $16 billion company behind it: Fair Isaac Corp. FICO scores account for about 40% of its revenue but nearly all of its profits, according to people familiar with the matter.

The company has increased its price for traditional FICO scores significantly in recent years, to around 25 cents apiece for underwriting purposes from 15 cents to 18 cents, eliciting complaints from some big lenders, according to people familiar with the matter. In recent months, it has offered lenders free access to two newer credit scores meant to boost loan approvals among applicants with slim credit histories, other people said.

"We see no evidence in our business to indicate the marketplace is using the FICO score less," said a FICO spokeswoman. "We realize lenders use, and in fact encourage lenders to use, the FICO score in conjunction with proprietary data and models to make the best decision possible." The spokeswoman said that FICO didn't materially increase the price of FICO scores for 25 years after their introduction. "After decades of inflation, the real price of the FICO score effectively decreased," she said.

FICO scores, which range from 300 to 850, are calculated using the information in people's credit reports, such as payment history, credit-card debt relative to spending limits and recent credit applications.

Borrowers often check their FICO scores before they apply for credit. But the guessing game is getting harder. Big banks are increasingly approving applicants with low FICO scores or rejecting those with high scores if alternative metrics point in a different direction, lending executives said.

Still, the scores are a mainstay in many consumer-credit decisions. The company sold more than 10 billion FICO scores in the past 12 months, a figure that has remained steady during the last few years.

Lenders' efforts to rely less on FICO scores accelerated during the pandemic. The scores don't reflect deferment and forbearance programs, making it harder for lenders to evaluate borrowers. Some 48% of lenders feel less confident making consumer-lending decisions based on traditional credit scores and reports compared with a year prior, according to a recent Aite Group survey of more than 20 lenders.

Bank credit executives said their own internal data and proprietary scores are more reliable. They factor in information from credit reports, deposit balances and overdrafts and their own prior lending relationships with applicants.

For banks, one benefit of their own scoring systems is their ability to tweak them. Several years ago, JPMorgan noticed that when borrowers transferred their credit-card debt to a personal loan, their FICO scores often increased because the share of debt they carried compared with their cards' spending limits had fallen, a person familiar with the matter said. But the debt was still present in the form of a personal loan. The bank found a similar issue with its own credit score but was able to quickly fix it, the person said. FICO said recent versions of its scores address this issue.

JPMorgan still uses FICO scores for mortgages and car loans but relies on them less for many credit-card originations, the person said, particularly when there is an existing relationship with the bank.

FICO is becoming a smaller factor in underwriting decisions at Citizens Financial Group Inc. When shoppers apply for its **buy**-**now**-**pay**-**later** loans, the bank considers factors including what they are buying, according to a person familiar with the matter. Fitness equipment, for example, is viewed as a sign of creditworthiness because it suggests a positive change in behavior.

FICO has a big advantage: Investors rely heavily on the scores to decide whether to buy packaged-up consumer loans. The scores are a common language of sorts, one that requires no time-consuming translation. Even lenders that don't use FICO to make lending decisions tend to use them in loan securitizations.

FICO largely has Fannie Mae and Freddie Mac to thank for its hold on securitization. Decades ago, they decided lenders using credit scores to underwrite mortgages would have to use FICO scores if they wanted to sell the loans to them. Lenders later moved to using them for nearly everything else.

But FICO might soon face competition in the mortgage market. Fannie Mae and Freddie Mac are considering allowing lenders to use other scores -- including VantageScore -- in lending decisions.

Banks' efforts to decrease their reliance on FICO recently got a boost from Washington.

Last summer's racial-justice protests sparked a conversation at the banks' main regulator, the Office of the Comptroller of the Currency, about the pitfalls of credit scores. Agency decision makers concluded that the OCC's credit-score guidance to banks -- meant to prevent big loan losses -- was preventing many Black and Hispanic borrowers from obtaining affordable credit, according to a person familiar with the matter.

The OCC enlisted banks, financial-**technology** firms and civil-rights advocates to find ways to underwrite loans to people without traditional credit scores. FICO has contacted the OCC several times asking to be part of the effort, including pitching its UltraFICO score that factors in bank-account activity, according to people familiar with the matter.

Big lenders participating in the program told the OCC they weren't interested, some of the people said.

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THE WALL STREET JOURNAL.

Wall Street's New Rivalry: Who Can See the Most People in Person --- Dealmakers get back on the road, and JPMorgan awards points for meetings

By Cara Lombardo and David Benoit
1,015 words
17 July 2021
The Wall Street Journal
J
A1
English

Wall Street investment bankers are well-accustomed to jockeying for multimillion-dollar fees on corporate deals. Now, the game is focused on just showing up.

After more than a year of Zoom, Wall Street's elite are beginning to emerge from behind their screens and returning to the timeworn custom of in-person client visits, handshakes and wine-soaked dinners.

Rivals Goldman Sachs Group Inc. and JPMorgan Chase & Co., which have already brought their employees back to the office faster than the rest of Wall Street, are urging their bankers to get out and visit boldfaced corporate clients -- and quickly, before others do.

Goldman chief David Solomon began touting the importance of traveling to see clients as soon as New York state quarantine restrictions softened in early April, people close to him say. He modeled the desired behavior himself, asking bankers if they had clients he should visit while he was making trips to places such as Florida and California on his corporate jet. This prompted senior bankers, many of whom had been holed up in the Hamptons and Palm Beach, to hit the pavement.

JPMorgan's Jamie Dimon sprung into action and began pushing the firm's fleet of private jets on managing directors, saying, "If you need to use a plane to go see a client, use it. There are no excuses," according to a person familiar with the chief executive's communication.

The effort intensified when Fernando Rivas, JPMorgan's head of North America investment banking, set up a contest to get bankers on the road again.

The game, which ran during the month of June, awarded senior bankers 10 points for proper face time with CEOs outside their offices, seven for attending board meetings in-person, five for visiting CEOs in their offices, three for CFOs and one for other senior executives such as heads of corporate development, people familiar with the matter said.

For investment bankers used to year-end bonuses that can top $1 million, the stakes were small by comparison: The top point earners would get a dinner with Mr. Rivas and Carlos Hernandez, the executive chair of the investment bank. Still, that didn't stop the gamesmanship from taking flight.

One **technology** banker, Rod Reed, racked up points by hosting a cocktail reception at his San Francisco-area home with several CEOs present, including Mr. Dimon, some of the people said. That prompted eye-rolls from some colleagues and helped propel him to a win. In addition to Mr. Reed, the other winners named this month at an internal meeting were Andy Rabin, a top regional investment banker; Matt Seiter, a **technology** banker; and Phil Ross, who specializes in healthcare. The four winners declined to comment, through a company spokeswoman.

The game seemed to serve its purpose. The bank recorded more than 1,000 total in-person meetings for the month, Mr. Rivas said in an interview, adding that they were often first to see clients in person since the pandemic hit.

Bank CEOs are getting in on the action too.

Mr. Dimon, who wasn't earning points in the game, in late June went to Paris and Rome, winning face time with French President Emmanuel Macron, who came to the opening of the bank's new office, and Italian Prime Minister Mario Draghi.

But Mr. Dimon skipped what was supposed to be a stop in London, unwilling to lock himself down for the required quarantine in the U.K., according to someone familiar with his itinerary.

Around the same time, Citigroup Inc.'s Jane Fraser did the quarantine, staying in a London hotel for her five required days on her first international trip as CEO. She cooked her own meals on a small two-burner stove and caught up on some light television (NCIS) and heavy reading ("Ratification: The People Debate the Constitution, 1787-1788" by Pauline Maier). Things generally went smoothly except when her monitor went dark during an address to the bank's 210,000 employees. (She kept speaking.)

Once free, she said it was worth it to return to Citigroup's Canary Wharf offices, see clients and officials from Bank of England and Rishi Sunak, chancellor of the exchequer. Meetings would run long, but few had other places to be. Plus, there was no traffic, she said.

Though Ms. Fraser made it a point to make personal visits, Citigroup isn't requiring its bankers to start traveling again. Ms. Fraser said the bank won't be tracking banker meetings with clients and will instead focus on the quality of the relationship. She says it will help Citigroup recruit.

The mood is a swift reversal from the early days of the pandemic. When merger-and-acquisition activity screeched to a halt in the spring of 2020, many investment bankers had flashbacks to previous crises and thought about dusting off their resumes. Instead, activity came roaring back in the second half of the year, with a string of megadeals and a SPAC merger bonanza.

At a recent meeting with industry bankers, American Airlines Group Inc. CEO Doug Parker said the ones who had led the company's $10 billion debt deal in March were those who had come to visit him. American hired Goldman and Barclays PLC for the deal. "Do you know how many bankers showed up the next week?" the airline's finance chief, Derek Kerr, said at an industry conference in May. "Every other one."

Ben Metzger, Barclays' head banker for the transportation industry, said many of his recent in-person meetings were more social than PowerPoint-driven. After a record-breaking year for his team, it is working through a backlog of dinners to celebrate closing deals. That means the Lucite trinkets commemorating deals are stacking up again too. "I had clients saying to me, 'Where is my dinner and deal toy?'" Mr. Metzger says.

Alison Sider contributed to this article.

Document J000000020210717eh7h0002k

THE WALL STREET JOURNAL.

Wall Street Split on Forcing Bankers to Return to Office

By Julia-Ambra Verlaine and David Benoit
1,139 words
7 July 2021
The Wall Street Journal
J
A1
English

There is a growing divide on Wall Street: firms calling employees back and firms telling people they can work from home.

Titans like Goldman Sachs Group Inc. and JPMorgan Chase & Co. are taking a hard-line approach, beefing up in-person staff five days a week in New York even though it might mean losing talent. Rivals including Citigroup Inc. are touting flexibility, betting that a softer approach will help them poach top traders and deal makers.

While businesses across America are struggling with whether and how to have staff return full time, the issue has been particularly thorny at large U.S. banks, where leaders like Jamie Dimon and David Solomon have voiced strong opinions.

Culture is at the heart of the debate. Some say the trading floor is the last bastion of Wall Street, where interns and young employees learn by osmosis. Others think record results in a remote-work year prove that the trading floor and the office alike have lost their relevance.

JPMorgan's investment-banking staff had to be back in the office by Tuesday, including communications, **technology** and operations teams. Sales, trading and research staff members were told to return full time in June. Many sales and trading staffers have already been in the office throughout much of the past year.

Goldman staff members returned on June 14. Mr. Solomon, the CEO, said in February that working from home isn't the new normal: "It's an aberration that we're going to correct as soon as possible."

Leaders at both banks say being in the office leads to better collaboration and idea generation, and they have complained that employees are less productive at home.

Morgan Stanley CEO James Gorman said at a conference last month that he would "be very disappointed if people haven't found their way into the office" by Labor Day.

"If you want to get paid New York rates, you work in New York," Mr. Gorman said then. "None of this, 'I'm in Colorado . . . and getting paid like I'm sitting in New York City.'"

Other banks are betting the strict attitude will look outdated and help them draw in new talent. A recent study by consulting giant McKinsey & Co. showed that more than half of employees prefer hybrid work -- a mixture of working remotely and heading into the office -- up from 30% before the pandemic. "The playing field was level for all these banks because they were forced to work from home at the same time," said Chris Wooten, an executive vice president at the consulting firm NICE who is working with banks to ensure remote-work plans meet risk and compliance guidelines. "The great experiment starts . . . when some go back to the office full time and some don't."

Citigroup said in March that the bulk of its workforce would be in the office about three days a week. "Our vision is you can't go back to what it was, you have to go forward," said Tyler Dickson, the global co-head of banking, capital markets and advisory.

Jefferies Financial Group Inc. is largely letting employees and leaders figure out what will work best from team to team. CEO Richard Handler has said that record revenue proves he doesn't need to issue an edict bringing staff back to work.

"Our people didn't spend the day streaming movies, commiserating about the pain of life in isolation or hiding in any way from their obligations," he wrote to investors this month. "They worked harder and more effectively than at any time in our firm's history."

Some recruiters said that pushing for five days a week in the office will hinder efforts to hire people from other industries, especially when sectors like tech are being so flexible.

That is important because banks, hedge funds and asset managers alike have increasingly been searching far afield for new hires. Goldman has been looking at lawyers, and JPMorgan widened its recruiting pool to span a broader range of universities, including some more focused on engineering and **technology**. Citigroup has been hiring thousands of coders and computer programmers.

Mr. Dimon, the JPMorgan CEO, admitted he has gotten blowback. "Oh, yes, people don't like commuting, but so what?" he said at The Wall Street Journal's CEO Council Summit in May.

A person familiar with the matter said the bank is expecting more people to resign than in other years, but that overall attrition is low. A JPMorgan spokesman said staff members in supporting roles who aren't managing capital or dealing with clients will be able to work remotely a few days a week.

For those returning to the office, some firms have instituted vaccine requirements, while others are requiring disclosures and social distancing for unvaccinated staff.

In private equity, Blackstone Group Inc. called its investment staff back to the office full time in June. Carlyle Group Inc. and Apollo Global Management Inc. are offering more flexibility.

Asset manager Vanguard Group is preparing for most staffers to work from home two days a week, and rival BlackRock Inc. will allow for some level of hybrid work. Some 44% of hedge funds also said they were considering three days a week in office, according to a May survey by industry group Managed Funds Association.

Some Wall Street leaders are wondering if they were too early to promote flexible work.

UBS Group AG, for example, has been touting hybrid work in town halls and memos. So some sales and trading employees were surprised when certain teams were told to return full time by September. Sales and trading employees said the tone shifted after competitors like Goldman and JPMorgan started bringing staff back to the office.

UBS clarified its approach last week, telling staff it was committed to hybrid work "where role, tasks and location allow."

Deutsche Bank AG will bring back employees after Labor Day, when it will open its new offices overlooking Central Park. Many will be able to work from home part time depending on their role. For example, staffers with client-facing jobs will be able to work remotely one day a week. Traders are likely to remain full time.

A spokesman said the bank hoped to attract talent with the hybrid work model as well as the new offices, which include outdoor terraces that can function as meeting rooms.

One particular difference: Fridays. At Capital One Financial Corp., Lazard Ltd. and Vanguard, many staffers will be allowed to work from home on Mondays and Fridays.

At JPMorgan, those who can work from home part time have been told by some managers that on Mondays and Fridays they must be in the office.

Dawn Lim contributed to this article.

Document J000000020210707eh770001q

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