THE WALL STREET JOURNAL.

Behind Greensill's Collapse: Detours Into Risky Loans --- Pushed beyond safe but barely profitable supply-chain finance

By Duncan Mavin and Julie Steinberg
2,080 words
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English

Lex Greensill portrayed himself as a savior for small business.

He started Greensill Capital to give the little guy a banking service mostly reserved for blue-chip companies: supply-chain finance, a type of cash advance that helps when payments are due from customers.

Mr. Greensill, the son of an Australian melon farmer, wanted to bring this helpful service to millions of smaller, less-established businesses. He planned to build a **technology** platform that would outrun bigger competitors such as JPMorgan Chase & Co. and Citigroup Inc.

His world came crashing down this week when Greensill filed for bankruptcy, ensnaring a global network of borrowers -- more than half of them in the U.S -- as well as the firm's financial backers, SoftBank Group Corp., Credit Suisse Group AG and Japanese insurer Tokio Marine Holdings Inc.

Small towns that kept deposits at Greensill's German bank face losses on holdings they thought were safe. Investors in Credit Suisse supply-chain funds that invested in Greensill's loans no longer have access to $10 billion in cash.

Behind Mr. Greensill's failure: The business went beyond the scope of what it initially set out to do. Many of Greensill's loans went to a small circle of borrowers close to Mr. Greensill, as well as acquaintances and his biggest outside backers.

A Wall Street Journal review of internal Greensill records, including board minutes and emails, along with interviews with more than a dozen people familiar with Greensill's business, reveals how the company obscured its riskier loans behind a safe but barely profitable supply-chain finance business.

Greensill took on bigger, riskier long-term loans. In some cases, the loans were given other names before they were sold on to investors in the Credit Suisse funds, obscuring who the borrower was or the type of loan, the Journal found.

Documents indicate an acquaintance borrowed $30 million to invest in a New York skyscraper development. Mr. Greensill got into aircraft leasing, and after getting big slugs of cash from SoftBank and General Atlantic, he lent money back to them.

Mr. Greensill didn't respond to requests for comment for this article.

Mr. Greensill found out last September that an insurance policy key to the survival of the business was imperiled and could expire March 1, according to court documents. The expiration triggered the firm's collapse.

Regulators have taken over supervision of the German bank and referred a criminal complaint to prosecutors there. The regulators said in a written statement that a special audit turned up suspicious accounting related to Mr. Greensill's biggest client, U.K. steel magnate Sanjeev Gupta.

Greensill's insolvency process in the U.K. started this week. A deal for Apollo Global Management Inc. to take over its core business stalled. Greensill, which said it was a financial-**technology** leader, had relied on a third-party **technology** platform.

Credit Suisse suspended three executives who oversaw the bank's Greensill funds. Tokio Marine, which provided the insurance, suspects internal wrongdoing related to the policies it provided to Greensill clients, court filings indicate.

SoftBank, which put close to $2 billion into Greensill, including $400 million at the end of last year, plans to write down the entire investment, the Journal has reported.

Mr. Greensill set up Greensill Capital in 2011, with backing from former colleagues at Morgan Stanley, and used the family farm as collateral. The idea would be to drum up the same type of business he did at Morgan Stanley and Citigroup, but expand the client base and use **technology** to digitize the piles of paper invoices that clog up deals.

Supply-chain finance is a low-margin business. Big firms have lots of bills to pay to suppliers who sell them the raw materials and services that go into their products. Banks front the payment, take a cut and collect what's due from the company down the road. It is considered short-term, usually less than 120 days, and extremely safe.

The big banks do it at great scale and often provide supply-chain finance to top clients because of the revenue they can earn from selling other services.

Mr. Greensill saw a new way to finance the deals. He would package the loans into securities and sell them to investors. He also bought a little bank in Bremen, Germany, for about $20 million. Instead of using the bank to hold the loans, it sold them on to investors, too. The bank, he said in the 2019 interview, was like a warehouse.

A big early buyer of his notes was GAM Holding AG, a Swiss asset manager that runs hedge funds and other investments. Its investment funds would serve as a kind of off-balance-sheet financing tool for Greensill's clients. A risk was that if the funds ever ran into trouble, Greensill would be unable to fund its deals.

Mr. Greensill signed up some big, credit-rated companies. To wrest those customers from big banks, Greensill had to offer competitive terms that didn't make it much money, according to people familiar with Greensill's business.

To boost margins, he turned to deals that weren't classic supply-chain finance.

Among the Greensill assets that ended up in GAM funds: lease payments for a Russian-owned cargo plane and a loan to an acquaintance of Mr. Greensill's for a stake in a New York skyscraper development, according to a subsequent report that GAM commissioned.

Several loans went to a former Greensill shareholder, Mr. Gupta, the report said. These include about $900 million backed by cash flows from projected government subsidies tied to experimental biofuel generators.

A whistleblower in 2017 alleged to management that the GAM portfolio manager had cut corners and misvalued the Greensill assets. In 2018, GAM suspended the manager and wound down the fund. Of the $2 billion of assets GAM bought from Greensill, none of them looked like traditional supply-chain finance assets, said the firm's report, which was reviewed by the Journal. The report called the New York skyscraper loan "little more than a 'crapshoot.' " The portfolio manager has denied wrongdoing.

The fallout didn't seem to damage Greensill. The world was flush with venture capital looking for exciting financial-**technology** businesses. U.S. private-equity firm General Atlantic, which seeks out high-growth companies, invested $250 million in Greensill in 2018.

A year later, SoftBank's $100 billion Vision Fund injected $1.5 billion into Greensill, valuing the startup at $4 billion.

Colleagues described Mr. Greensill as charming but straight-laced. During trips on the company jets, tea was preferred over alcohol. He kept a photo in Greensill's office of Prince Charles bestowing upon him a Commander of the British Empire medal from 2017.

The GAM trouble turned out to be a temporary setback. Credit Suisse had set up a rival supply-chain finance fund with Greensill in April 2017, giving it an even bigger source of off-balance-sheet financing.

Credit Suisse pitched the funds to investors as alternatives to other liquid diversified investments, such as money-market funds, which also make short-term loans to companies. Some of the funds aimed to offer returns just barely more than on a bank checking account.

The funds were given an extra layer of protection. Trade-credit insurance taken out by Greensill would pay out in case of a default by some of the clients. This insurance gave the funds a higher credit rating, something professional investors wanted.

Some of the notes in the Credit Suisse funds financed dozens of credit-rated borrowers and government agencies. But returns on these clients, which had broad access to other banks, were small.

Credit Suisse fund managers rarely rejected the notes Greensill offered, according to people familiar with the funds.

There was a loan to a small recycling facility; a corporate-security business run by former special-forces operatives; and a business that provided modular buildings to hospitals. None of these businesses had more than a few million dollars in annual revenue, according to their filings.

Most of Greensill's revenue -- more than 90% some quarters -- was coming from its top five clients, according to documents reviewed by the Journal.

Among them was Mr. Gupta, the U.K. industrialist who had been buying unwanted steel foundries in a dozen countries.

By September 2019, Greensill's lending facilities to Mr. Gupta's GFG Alliance hit about $7.4 billion, a Greensill document reviewed by the Journal shows. Much of it wasn't traditional supply-chain finance attached to GFG's short-term bills with suppliers, the document indicates. Greensill turned to a category of loans called "future receivables," based on projections of what the client's business might look like over the next five years.

Future receivables is a legitimate lending practice normally used to finance guaranteed, long-term, contractual payments, such as for government infrastructure projects.

Greensill made $850 million in loans, some of them future receivables, to another top client, Bluestone Resources Inc., a coal-mining company owned by West Virginia Gov. Jim Justice.

Both the GFG and Bluestone future-receivables loans were financed out of the Credit Suisse funds.

Investors in the funds wouldn't have known the full extent of the lending. On disclosures sent to investors, some of the loans were housed in wrappers named Rasmussen, Seaview or Rehbein, board documents indicate, all street names from Bundaberg, where Mr. Greensill grew up.

Other loans went to Greensill's biggest backers. A loan for $435 million made to a SoftBank Vision Fund company, Katerra, was called Fairymead.

General Atlantic took a $350 million loan from Greensill. Greensill put part of it in the Credit Suisse funds, but it was obscured to investors because it was classified under the name of another company.

In early 2020, cracks started to appear. At a board meeting, a Vision Fund representative noted that other Vision Fund companies were providing much of the new lending, people familiar with the meeting said. A spokeswoman for SoftBank denied that.

Then when stock markets declined in March, investors in the Credit Suisse funds called in their investments.

Mr. Greensill dialed SoftBank's billionaire boss, Masayoshi Son, who agreed to make an emergency $1.5 billion investment into the funds. The investment wasn't disclosed to the Credit Suisse investors, according to people familiar with the funds.

Greensill ramped up lending to SoftBank clients, all startups that generated losses. In April 2020, four Vision Fund startups were among the top clients of the largest Credit Suisse fund, receiving the equivalent of about $800 million in financing. In some cases, the loans were for much longer periods than the typical terms of supply-chain finance deals.

In June, executives at Credit Suisse launched a review of the funds after becoming concerned about SoftBank's role as an investor in Greensill and an investor in the funds, according to the people familiar with the funds, while the funds were providing loans to companies in SoftBank's Vision Fund.

Ultimately, SoftBank withdrew its investment, and Credit Suisse disclosed to investors how much of the funds were going to Vision Fund borrowers.

In July, Greensill's main credit-insurance provider, Tokio Marine, informed Greensill that it was likely to drop coverage, according to documents filed in an Australian court case.

At midyear, Greensill's revenue was under $200 million, less than a quarter of Mr. Greensill's fast growth target for the year, according to board documents reviewed by the Journal.

Publicly, Mr. Greensill put on a brave face. He said he was raising fresh capital -- the Journal reported about $1 billion -- to expand the business. He said he would add more independent advisers and jettison the jets.

The Credit Suisse funds kept taking in new money in the last quarter of the year.

By February, investors weren't willing to put more into Greensill. The insurance deadline was nearing. Greensill, unable to secure new coverage, sued Tokio Marine and related insurers in Australian court in a last-ditch attempt.

A judge threw out the request. Credit Suisse froze the investment funds and said some assets in the funds are "currently subject to considerable uncertainties with respect to their accurate valuation," according to a notice the bank sent to investors. Within days, Greensill had filed for insolvency.

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Citigroup's New CEO, Fraser, Aims to Refresh a Megabank

By David Benoit
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Jane Fraser wants to simplify Citigroup Inc., the original megabank. That won't be easy.

On Monday, Ms. Fraser takes over as chief executive of the third-biggest bank in the U.S. Once the industry's problem child, the bank has stabilized and built up its defenses, proving sturdy and profitable even during the pandemic. Unlike her predecessors, she comes to the job when Citigroup is relatively under the radar.

But Citigroup, which used to be the world's largest financial-services firm, is struggling to keep up with rivals. While Goldman Sachs Group Inc. and Morgan Stanley are hitting highs in market value, Citigroup's is half of what it was in 2006. Its profit and revenue, once roughly double that of other big banks, have now been lapped by JPMorgan Chase & Co. and Bank of America Corp. And last fall, regulators ordered the overhaul of vast systems underpinning its sprawling operations, raising anew questions about the bank's complexity.

Ms. Fraser, the first woman to run a major U.S. bank, now has to reinvigorate the $2.3 trillion giant.

She will have to juggle responding to the regulators' concerns -- an expensive, multiyear project -- with a reappraisal of the bank's strategy. Already Ms. Fraser, 53 years old, has launched a "refresh" she hopes can simplify the bank inside and out, making it easier to run and improve.

Simplifying Citigroup is a path similar to what her predecessors, Michael Corbat and Vikram Pandit, both tried. But Ms. Fraser believes there is more to be done.

"I'm not looking for what's wrong," Ms. Fraser said in an interview. "I'm looking for what Citi's going to be and what is working."

What Citigroup is today is part of the trouble.

The bank is a giant on Wall Street, in serving multinational corporations and in credit cards. It is second-tier in U.S. consumer banking.

Returns tend to improve with scale in consumer banking, and rivals Bank of America and JPMorgan have supercharged their retail operations with thousands of branches in cities across the country. Citigroup has fewer than 700 branches in just a handful of cities, instead betting on a future of heavily **digital banking**, including a coming partnership with Google.

Citigroup's power comes from its global corporate bank. It has operations in 96 countries, helping governments and corporations move money around the world. It is also a leader in raising debt for companies and trading it on Wall Street. But those businesses don't earn returns as high as they once did, squeezed by crisis-era regulations.

The combination has underperformed rival megabanks, which have kept profits high with a better balance between their Wall Street and Main Street businesses. Analysts and investors have argued Citigroup needs to restructure, with suggestions such as ditching all of its international consumer operations or buying a U.S. bank. Activist investor ValueAct Capital has urged changes to focus on the institutional business.

"There's little doubt that the two-decade experiment that is Citigroup has failed in every measure," said Mike Mayo, a longtime bank analyst and Citigroup critic.

Ms. Fraser hasn't telegraphed her plans, but executives said the strategic review will create significant changes. Citigroup recently announced an expansion of wealth-management operations. The bank is likely to shed its consumer operations in parts of Asia, including South Korea and Vietnam, people familiar with the matter said. It doesn't plan to exit from institutional banking in any countries, according to one of the people.

Chief Financial Officer Mark Mason said decisions won't be based solely on the financial return metrics that have driven the conversation around Citigroup for years.

"I think what our investors are listening for is: Tell us how and why the strategy you've come up with makes sense," Mr. Mason said. "Then tell us what that means in returns."

But it is unclear if the immediate plans will be enough to appease critics. The regulatory consent order could bar any sizable acquisition for now. And some investors and analysts want Citigroup to shed its Mexico consumer bank or do away with equities trading, which haven't grown as expected. Neither is likely at this time, according to people familiar with the bank's plans.

Ms. Fraser said the Mexico consumer bank, which was dragged down by fraud allegations several years ago, has "wonderful scale," a barometer for their review. Getting rid of the business would be costly because the unit is tied to a chunk of goodwill on Citigroup's balance sheet. With equities trading, executives say the benefits for client relationships are too great, even if investors can't see it.

That may leave investors hoping for a second round of restructuring soon.

The Citigroup of today was created in 1998, a merger of the consumer-focused Citicorp and the highflying Wall Street bankers at Travelers Group. Executives envisioned a one-stop megabank where companies could manage their finances and globe-hopping travelers could always find a Citi ATM.

But Citigroup's businesses continued operating as silos, and the merger benefits didn't materialize as hoped. The bank repeatedly ran afoul of regulators. During the financial crisis, it nearly collapsed under the weight of toxic mortgage-backed securities. Since then, it has sold off assets it considered too risky or too ancillary, like a British music empire, a stake in a Mexican airline, a subprime lender and the Smith Barney brokerage.

Ms. Fraser came to Citigroup in 2004 after stints at Goldman Sachs and McKinsey & Co. During the financial crisis, she ran the bank's strategy division, helping lay the groundwork for the asset sales.

She has hopped around from job to job, running Citigroup's private bank for the ultrarich, the battered mortgage unit and the scandal-hit Latin America operations. That has given her experience with many parts of the company, though some people say that has made it hard to judge her operational success.

People who have worked with her said she makes decisions quickly, and that she can think strategically over the long term while also running a business. Even when cutting jobs, they said, she wraps her messages in empathy.

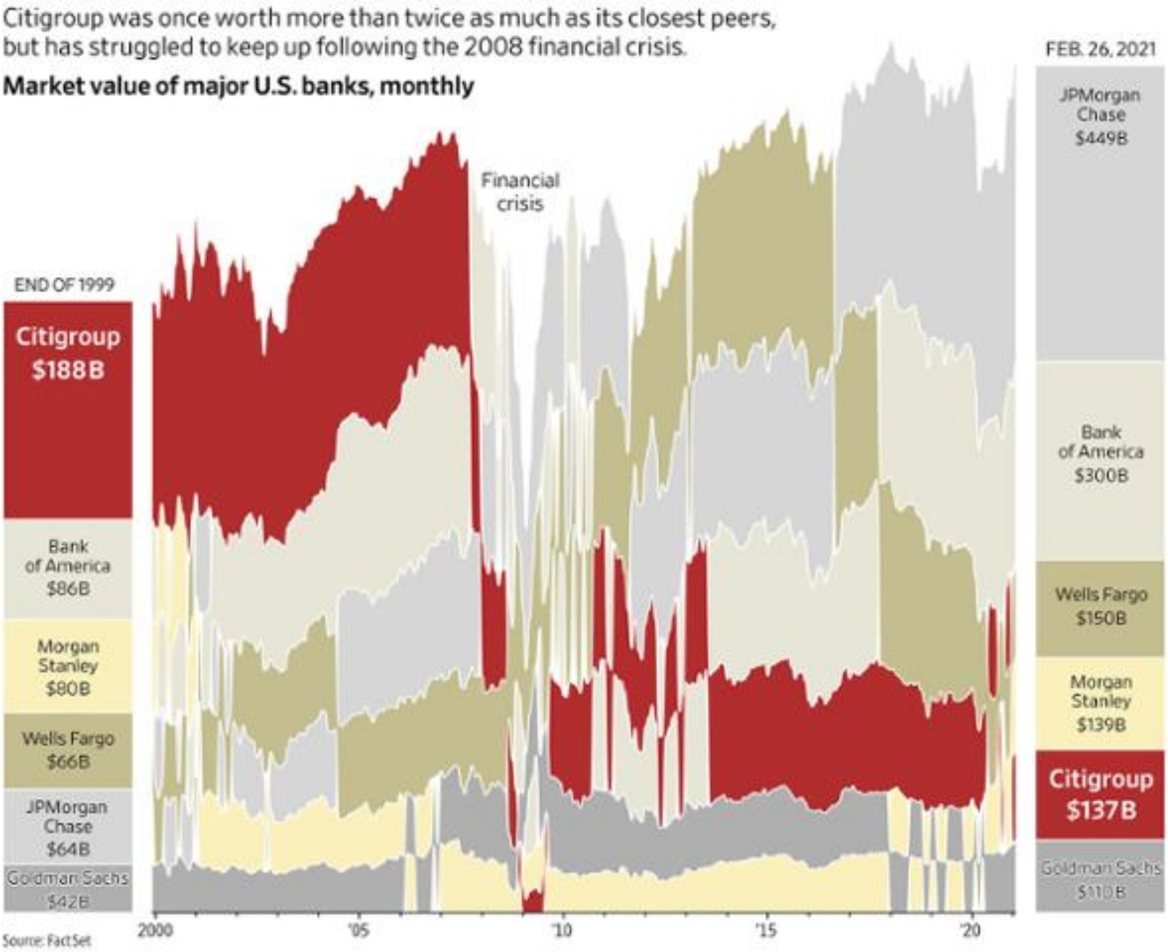
She is also known for practical jokes. In January, when Mr. Mason logged into the executive team's morning Zoom meeting, he found all of his colleagues sitting in front of a 20-year-old picture of him. It was his anniversary at Citigroup. Ms. Fraser kept it as her background all day.

Citigroup announced in September she would be CEO. Regulators were ramping up pressure over the bank's risk-management systems, and Mr. Corbat decided to step down because he felt that such an expensive, multiyear project was best left in the hands of a successor.

Ms. Fraser said the regulatory issue is her highest priority. The bank delivered on a February deadline to diagnose its risk problems and executives said the relationship with the regulators is productive. She has branded the work a "transformation," an opportunity for the bank to make changes that are overdue and competitively important.

Ms. Fraser said she knows the work will be a heavy lift but that she doesn't expect her first day as CEO to feel any different.

She is scheduled for a town hall, a meeting with new employees and some client calls. She is also planning to call some former colleagues and others to say thank you.



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Banking & Finance: JPMorgan Unit Chief Departs to Run TIAA

By Justin Baer
447 words
26 February 2021
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English

Teachers Insurance and Annuity Association of America named JPMorgan Chase & Co.'s Thasunda Brown Duckett as president and chief executive, tapping a powerful consumer banker and one of Wall Street's most-prominent Black executives.

As CEO of Chase Consumer Banking, Ms. Duckett oversees a sprawling network of 4,900 branches, more than $600 billion in deposits and 40,000 employees. She led Chase's first retail-branch expansion in a decade, extended its digital offerings and pushed the bank to help improve customers' financial literacy. Ms. Duckett has also been a leading voice among bankers in the need to close the wealth gap between white and Black Americans.

The 47-years-old executive will succeed Roger Ferguson, who announced his retirement from TIAA in November after a 13-year run as CEO. Mr. Ferguson will remain in his role until Ms. Duckett joins the firm on May 1, TIAA said Thursday.

Ms. Duckett is leaving consumer-banking for a part of the financial world that is confronting many of the same challenges, albeit at a different stage. **Technology** and evolving customer tastes have driven down the costs of investing, squeezing money managers' margins and forcing firms to consider mergers that give them the scale to compete. The U.S. banking industry's consolidation wave began decades ago, leaving JPMorgan as one of a handful of systematically important lenders.

TIAA manages $1.3 trillion in assets through its retirement accounts and investment funds.

"I am extraordinarily grateful for the opportunity to lead a company that has helped millions of people retire with 'enough' to live in dignity and excited about the opportunity to help TIAA chart its next 100 years," Ms. Duckett said in a statement.

JPMorgan's consumer- and community-banking division, which includes Ms. Duckett's business, earned $4.33 billion in the fourth quarter on $12.73 billion in revenue. Ms. Duckett joined the bank's operating committee in September, becoming the first Black executive to sit on the bank's top leadership group. She previously served as chief executive of Chase's auto-finance arm, and before that worked at the bank's mortgage business.

"She is an outstanding leader and role model, and we will miss her," said James Dimon, JPMorgan's chairman and CEO, in a statement.

In a memo to staff, JPMorgan co-President Gordon Smith said Thursday that the bank would announce Ms. Duckett's successor shortly.

Under Mr. Ferguson's direction, TIAA expanded beyond its own core business of managing retirement accounts for employees at colleges, healthcare systems and nonprofits.

David Benoit contributed to this article.

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Technology
Dining Software Firm to List --- Toast taps Goldman Sachs, JPMorgan to underwrite a possible IPO later this year

By Cara Lombardo and Maureen Farrell
301 words
22 February 2021
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J
B4
English

Toast Inc. is planning an initial public offering that could value the restaurant-software provider at around $20 billion, people familiar with the matter said.

Toast tapped Goldman Sachs Group Inc. and JPMorgan Chase & Co. to underwrite a possible listing later this year, these people said. It could also consider other options including a sale or combination with a blank-check company, some of the people said. There are no guarantees Toast will ultimately go public or pursue another of the options.

In going public, Toast, a 10-year-old company whose valuation has leapt several fold in the past year, would join a red-hot IPO market fueled lately by the high-profile debuts of companies including Affirm Holdings Inc. and Bumble Inc. Shares of both are trading far above their IPO prices, as are those of 2020 predecessors including Airbnb Inc. and DoorDash Inc.

Also powering the record IPO market is a wave of so-called special-purpose acquisition companies, which go public without a business and then hunt for one to merge with.

Founded in 2011 by Aman Narang, Jon Grimm and Steve Fredette, Toast provides payment-processing hardware and cloud-based software for restaurants. Aside from core point-of-sale offerings, its products include payroll processing and email marketing, and it lends to restaurants through Toast Capital. Competitors include Square Inc. and PayPal Holdings Inc.

The Boston company was valued at around $4.9 billion in a $400 million fundraising round roughly a year ago that included Bessemer Venture Partners, TPG, Greenoaks Capital and Tiger Global Management LLC.

The company last week added American Express Co. executive Susan Chapman-Hughes to its board of directors.

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Banking & Finance: Exchange Poaches JPMorgan For New Chief

By Joanne Chiu
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English

The operator of Hong Kong's stock exchange named JPMorgan Chase & Co. veteran Nicolas Aguzin as its next chief executive, appointing an international banker to the top job as the city's status as a global finance hub is at a crossroads.

The hire comes as Hong Kong Exchanges and Clearing Ltd. enjoys a China-fueled boom in trading and new listings. Mr. Aguzin, 52 years old, will take the helm of what is now the world's most valuable exchange group, according to S&P Global Market Intelligence data, with a rally in its own shares lifting its market capitalization to around $85 billion.

Mr. Aguzin is an Argentine national who also holds a Croatian passport and has permanent residence in Hong Kong. He doesn't speak Mandarin -- unlike his Beijing-born predecessor Charles Li, who led HKEX from 2010 to the end of last year.

The appointment of a foreigner underscores the exchange's global ambitions and its independence, amid concerns about Beijing's growing influence on the city, said Paul Pong, managing director at Pegasus Fund Managers Ltd.

"It helps strengthen the image of Hong Kong as an international financial center," said Mr. Pong.

He said Mr. Aguzin's strengths would be complemented by those of HKEX Chairman Laura Cha, who has strong connections in mainland China as a former vice chairman of China's securities watchdog.

HKEX said Mr. Aguzin was appointed to a three-year term, effective May 24. He takes over from Calvin Tai, who had been interim CEO after Mr. Li, also a former JPMorgan banker, stepped down.

HKEX has benefited from a rush of capital-raising by Chinese **technology** startups and U.S.-listed Chinese companies seeking a secondary listing in the city. Trading turnover has also surged, thanks in part to growing inflows from mainland Chinese investors. HKEX shares have risen 92% in the past 12 months, according to S&P.

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Commodities
Banks Reward Green Borrowers

By Julia-Ambra Verlaine
853 words
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English

Corrections & Amplifications

Rabobank is based in Utrecht, the Netherlands. An article in the Business & Finance section on Wednesday about banks rewarding commodities producers for carbon curbs incorrectly said it is based in Amsterdam.

(WSJ January 28, 2021)

(END)

Wall Street is offering bargains to the commodities industry for going green.

Two of the world's largest commodity traders, Trafigura Group Pte. Ltd. and Gunvor Group, have lines of credit from banks that give them cheaper rates to finance reduced-carbon production of everything from oil to aluminum. JPMorgan Chase & Co. has a deal with European energy giant Enel SpA that offers incentives for the company to meet environmental targets by the end of 2022 -- and a penalty if those targets aren't met.

Those discounts help produce and deliver the raw materials that power the global economy more sustainably, some bankers and traders said.

Green assets are already trendy on Wall Street, which is selling more products aimed at improving the world and producing higher returns through environmental, social and governance investing.

The lending also helps banks, increasingly under pressure from shareholders and regulators, meet their own green-investing targets.

"There is an incredible hunger for clean assets," said Neha Coulon, global head of ESG solutions at JPMorgan Chase. "At the end of every year, I saw ESG investing becoming more mainstream, but I wasn't prepared for 2020 to be such a big year."

The push for sustainability has prompted shifts throughout the commodities industry. Trafigura built a desk dedicated to trading low-carbon aluminum to keep up with demand for a cleaner version of the metal.

Lightweight, recyclable and used in everything from electric cars to solar panels, aluminum still requires a large carbon footprint to produce, mostly because smelting processes have remained little changed for more than a century, industry experts said.

As **technology** evolves, "low-carbon" aluminum has been flying off the shelves. Companies ranging from German auto makers to Nestle SA's coffee unit, which includes Nespresso, and Coca-Cola Co. are snapping up the metal to meet their own new environmental standards. Trafigura was able to obtain cheaper financing on approximately $500 million from Amsterdam-based Rabobank and Paris-based Natixis to buy low-carbon aluminum from producers before reselling it.

Producers Rio Tinto PLC and Alcoa Corp. announced a new smelting method in 2018 that is entirely carbon free. Apple Inc. is using this aluminum in some of its laptops as part of its pledge to become carbon neutral by 2030.

"Decarbonization is becoming a vital issue for the aluminum market," said Philippe Mueller, head of aluminum trading at Trafigura. "We're in regular discussions with customers in the automotive, construction and packaging sectors who are increasingly focused on delivering sustainable and low-carbon products to their consumers."

Gunvor teamed up with syndicates of mostly European lenders, including UniCredit SpA and Germany's DZ Bank, to receive discounted rates for credit backing the operations and capital expenditures of its oil refinery in Ingolstadt, Germany, and others.

The discounted interest rates are linked to 15 ESG goals -- ranging from emissions reduction to transparency -- evaluated yearly by external auditor PricewaterhouseCoopers.

Muriel Schwab, Gunvor's chief financial officer, said most banks have sustainability trading and finance teams now, a big change from the handful a few years ago when the commodity broker began linking its borrowing to ESG commitments.

"There was a clear acceleration of that trend in 2020," said Ms. Schwab. "Both banks and traders have come under pressure from shareholders, regulators, employees and society as consensus grows that climate change is a critical issue. If you don't do anything about it, you are an irresponsible company."

Banks like JPMorgan Chase have been structuring derivatives and issuing bonds linked to everything from reforestation efforts to clean energy. The bank offered Enel a discount to swap the proceeds of a bond fitted with ESG standards from pounds into euros.

Johannes Banner, head of European corporate foreign exchange and rates sales at JPMorgan, said Enel receives the discount as long as it achieves certain goals and hits stipulated targets by the end of 2022. If not, Enel is penalized and pays a premium.

Some analysts said that while ESG investing is trendy, with billions flowing into the largest exchange-traded funds, it remains hard to tell how much it affects corporate behavior.

Most companies and banks are adhering to self-made rules or standards drawn up in bilateral contracts. The discounts afforded to clients vary depending on several factors. So can verification procedures.

"It is hard for banks to prove companies are doing these things," said Josh Sherman, head of the financial-reporting group at energy-market consulting firm Opportune.

Still, the growing influx of investor cash and political and social pressure, particularly in Europe, are likely to accelerate green finance world-wide. Bankers said the trend is gaining traction in the U.S., prompting more green desks to pop up.

"If you put on an ESG or net carbon 2050 label, people will throw money at it," said Mr. Sherman.

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THE WALL STREET JOURNAL.

Heard on the Street

Banks Still Have Cards To Play In Payments --- JPMorgan Chase deal suggests view on travel

By Telis Demos
338 words
8 January 2021
The Wall Street Journal
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B12
English

[Financial Analysis and Commentary]

With people traveling less and spending more on digital platforms, banks with big credit-card units have lost some luster with investors. But they still have cards to play.

JPMorgan Chase recently acquired the global loyalty division of Loyalty Group Holdings, which serves credit-card rewards programs and helps connect them to ways that rewards can be used.

The move suggests in part that JPMorgan Chase sees travel and cards continuing a long-running association, and the deal includes travel services. Americans may have started using different cards or looking to find other uses for points in 2020. Lenders have responded by increasing rewards for grocery shopping and streaming. But many firms are betting that a pent-up desire for escape still exists, and spenders soon will be eager to use points again.

The deal is also notable for coming during the emergence of many **technology** players in payments and rewards. PayPal has been beefing up its platform that gives its users ways to use their card points, and investing in other inducements to shop, such as digital coupon-clipping service Honey. Meanwhile, part of **buy**-**now**-**pay**-**later** platform Afterpay's success is that shoppers can find merchants through Afterpay, rather than just the other way around. The company said this week that referrals to partner merchants this holiday season more than doubled versus the prior year through its Shop Directory service.

A risk of this emerging payments ecosystem to card issuers is that they become somewhat secondary to the e-commerce value chain. Even if people travel again, they might be shopping for that travel quite differently. By buying a rewards business, JPMorgan Chase can have a broader role.

The pandemic has shaken up spending and travel, and investors have bet that digital upstarts will be big winners. JPMorgan Chase's deal is a reminder that the card giants won't stay in lockdown.

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THE WALL STREET JOURNAL.

Data, Costs Tested JPMorgan, Amazon, Berkshire Venture

By Sebastian Herrera and David Benoit
1,251 words
8 January 2021
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J
B1
English

Amazon.com Inc., JPMorgan Chase & Co. and Berkshire Hathaway Inc. set out three years ago to join and transform health care. Instead, they struggled to solve even fundamental challenges, such as understanding what some kinds of care actually cost.

Haven, the joint venture they set up together in 2018 to use **technology** and find new ways to reduce costs for their combined 1.5 million employees, will end operations next month. The project cost the three companies roughly $100 million combined, people familiar with its budget said.

From its inception, Haven faced challenges obtaining data, staff turnover, fuzzy goals and unexpected competition, according to current and former employees and executives at Haven and the partner companies. Those factors doomed the partnership from early on, those people said.

Data was a central challenge. Haven struggled to aggregate and analyze information on health-care costs for the three companies employees. Data concerns from the partners and resistance from insurers stymied Haven's efforts to determine how much the companies paid for medical care and why, the people said.

Haven isn't the first venture to struggle with the lack of transparency in health-care costs and data, an issue that has long complicated government reform efforts and **technology** solutions. A new Trump administration rule, effective this year, is supposed to force greater disclosure of the rates negotiated between hospitals and insurers.

As of Jan. 1, hospitals are required to publish the prices negotiated privately with each payer for 300 common services for easy use by consumers and make public the same information for all their procedures in a format that can be read and analyzed by computers.

"You can't solve the problem when you can't see it," one of the people involved in the venture said. "We were all doing our own thing and health care was too big a problem for us to solve."

A Haven spokeswoman said the founding companies "were committed and engaged from day one through to the decision to end Haven's operations" and will continue to collaborate informally.

While leaders of the founding companies were initially optimistic about Haven's potential, the challenge of applying its work across three sprawling corporations slowed progress and added complexity, the people close to the venture said. Eventually, the companies realized they could implement many projects more efficiently on their own, they said.

Despite Amazon, JPMorgan and Berkshire's collective size, they lacked scale to garner enough negotiating power with care providers. To achieve their big aims, they would have needed more partner companies to join, or cooperation with government, said health-care specialists familiar with Haven's work.

"They did not have enough bargaining power with the insurance industry or with providers," said Lyndean Brick, CEO of health-care consulting firm Advis. Sweeping changes "will take massive governmental and business reform, and we have yet to see that cooperation."

Haven, which had about 75 employees at its peak, took on more projects than staffers said they felt it was equipped to handle. Much of its work had to be approved by the three founding companies, slowing progress.

Atul Gawande, a writer, surgeon and Harvard University professor who was tapped to lead Haven, stepped down in May, saying he planned to focus on the Covid-19 pandemic. He didn't respond to requests made to his press office for comment. In November, he was named to President-elect Joe Biden's coronavirus task force.

The three founding companies showed varying interest in the venture, the people said. JPMorgan Chief Executive Jamie Dimon, who had come up with the venture idea, was the only CEO out of the three companies to actively participate in meetings and help push forward pilot projects, these people said.

Employees at Boston-based Haven found themselves working on projects similar to ones the individual partners were also developing, particularly with Amazon, which has focused on a number of health-care expansions in recent years. Those include a virtual primary care for Washington state employees and an online pharmacy business launched in November.

About two years ago, Haven began work on a project nicknamed "Starfield," a virtual primary-care service geared in part toward improving and reducing the cost of care for employees with chronic conditions. The program would also offer employees online doctor visits, the people said. Workers on the Haven project were caught off guard in the fall of 2019 when Amazon publicly launched "Amazon Care" for its Seattle employees, a telehealth service with similar capabilities, although it focused on a broader segment of workers, the people familiar with the matter said.

Amazon Care had been in the works before Starfield, but Haven employees were unaware of Amazon's work until the company announced it, people familiar with the matter said. A pilot project for Starfield in Columbus, Ohio, involving JPMorgan employees got underwhelming engagement, the people said. Soon after, Haven executives began to deprioritize the project and eventually shut it down around last May, they said. By then, the pandemic was driving doctors to virtual visits anyway.

An Amazon spokeswoman said Amazon Care and Starfield "are entirely separate projects and programs and do not have anything to do with one another."

"Amazon has been working in lockstep with Haven and the founding partners on a number of pilots and tests within our benefits programs," she said. Beth Galetti, Amazon's senior vice president of human resources, "was fully engaged as a member of Haven's board and was empowered to move things forward in real time."

A spokeswoman for Berkshire acknowledged CEO Warren Buffett's absence in Haven meetings, saying that Berkshire investment manager and Geico CEO Todd Combs has represented the company.

Mr. Dimon told bank employees in a memo Monday that the three companies would continue working together, just not on a formal basis. He said Haven worked best as an "incubator" of ideas.

Dr. Gawande's departure left a leadership void that was never filled, leading some Haven employees to leave, people familiar with the matter said. Some staff who had joined from the founding companies went back. Hiring slowed in 2020, and Haven had at least one round of layoffs. The venture employs around 60, and its staff is expected to be split among the three companies.

The companies, while powerful, were an odd fit, former staff members and health-care experts said. Their vastly different workforces sprawled across many locations, making it difficult to implement health-care initiatives in an industry that is largely dependent on local providers. Amazon's workforce includes not just corporate employees but hundreds of thousands of warehouse workers, while Berkshire Hathaway has a swath of subsidiaries.

Data-sharing provided some of the thorniest challenges, according to people familiar with its struggles. Initially, the leaders of the joint venture imagined that if they could see what the three companies were spending on health care and why, the data would show them what to fix, those people said.

Getting a hold of those figures proved difficult. Haven employees built a platform to allow them to compile cost and claims data from all three companies, but the companies were unhappy with how it worked, people familiar with the matter said. Due to those concerns, Haven had to rebuild aspects of the system, further delaying the goal of understanding, analyzing and reducing costs, the people said.

Anna Wilde Mathews and Dana Mattioli contributed to this article.

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Big Firms Disband Health Partnership

By Sebastian Herrera and Kimberly Chin
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A health-care venture launched with great fanfare by three of the world's most prominent companies -- Amazon.com Inc., Berkshire Hathaway Inc. and JPMorgan Chase & Co. -- and their chief executives is folding about three years after its founding.

Haven Health, originally sparked by an idea from JPMorgan Chief Executive James Dimon and supported by Amazon's Jeff Bezos and Berkshire's Warren Buffett, sought to "transform health care" and reduce costs for hundreds of thousands of workers at the three companies by pooling resources and **technology**.

The joint venture, which was made public in 2018 with expectations high enough to push down the shares of major insurers, will cease operations in February without having achieved those aims.

For all its ambitious goals, the hoped-for health-care transformation proved too difficult to achieve, according to people familiar with the matter. The shutdown attests to challenges of making sweeping changes to the U.S. health-care system and of bringing innovations to hundreds of thousands of employees around the country working at different companies, the people said.

"The Haven team made good progress exploring a wide range of health-care solutions, as well as piloting new ways to make primary care easier to access, insurance benefits simpler to understand and easier to use and prescription drugs more affordable," a spokeswoman said.

The three founding companies plan to try to split Haven's staff, Mr. Dimon said in a memo to bank employees Monday.

"We'll collaborate less formally going forward as we each work to design programs tailored to specific needs of our individual employee populations and local markets," he wrote. "Haven worked best as an incubator of ideas, a place to pilot, test and learn -- and a way to share best practices across our companies."

Haven's foundation ultimately proved unwieldy for solving the three sprawling companies' problems, people familiar with the matter said. Different employee bases and locations led to different priorities, and each company had its own existing health-care systems that required different fixes, according to one of the people familiar with the matter. After Haven struggled to implement any changes, the three companies opted to close it down, this person said.

Writer, surgeon and Harvard University professor Atul Gawande was named Haven's chief executive, but he stepped down in May, saying he would become executive chairman and focus more on the pandemic. Dr. Gawande, who took the head role in July 2018, wanted to move away from day-to-day management of Haven, people familiar with the matter said.

Turnover at the joint venture was a problem almost from its outset, according to people familiar with the matter. Other executives who left Haven included **technology** chief Serkan Kutan and operating chief Jack Stoddard.

Haven sought to develop new ways to improve access to primary care, simplify insurance coverage and make prescription drugs more affordable, the company said. It tested providing flat-rate costs for health-care services, which all three companies piloted, according to a person familiar with the venture. One such pilot involved about 30,000 JPMorgan employees in Ohio and Arizona. Haven also worked on experiments to lower prescription drug costs and to make leading providers accessible to employees wherever they live, this person said.

It couldn't be learned how much Haven cost the three companies, as it operated largely out of public view, but the costs weren't a significant factor in its shutdown, one of the people said.

The company showed few signs of impact in the three years following its rollout. Haven spent much of its early time building data systems about employees across the three partner companies, people familiar with the matter said.

The limited public achievements contrast with Haven's ambitions, which attracted attention from leaders of several of the U.S.'s most recognized companies. Berkshire's Mr. Buffett, JPMorgan's Mr. Dimon and Amazon's Mr. Bezos all expressed hope that the effort would help reduce costs for their workers and improve care. In a March 2019 memo posted on Haven's website, Dr. Gawande promised that the startup would be "relentless," produce "high impact" work and "create new solutions and work to change systems, technologies, contracts, policy, and whatever else is in the way of better health care."

Combined, the three companies have more than 1.5 million employees, with Amazon accounting for about 1.1 million on its own. The tech giant has more than 800,000 workers in the U.S. and hired 400,000 in 2020 alone.

Even as Haven sought to improve health-care offerings for the three companies, Amazon teams worked separately to expand the company's programs for its workers, particularly in the Seattle area. In 2019, it launched a virtual primary-care clinic for employees there dubbed Amazon Care. The program, which offered Seattle-area workers at-home visits by nurses or clinicians, is now available for all Amazon employees who use company coverage in Washington state, including warehouse workers.

Amazon prizes its "fail fast" culture aimed at quick innovation, and separate teams often work on similar projects at the same time. The company often operates as a network of small teams under one umbrella rather than with centralized planning, according to current and former Amazon employees.

The tech giant has long pursued its own health-care ambitions and launched an online pharmacy in November. The pharmacy will ship insulin, asthma inhalers and other common generic or branded medications. It won't sell opioids or other drugs deemed at higher risk of theft, and customers will need prescriptions for their medications.

Amazon said its pharmacy would accept most insurance and offer discounts to uninsured Prime customers. An Amazon spokeswoman said at the time that "the same teams, **technology**, and infrastructure that support PillPack by Amazon Pharmacy have expanded to serve a wider range of customers, both in terms of needs and numbers." Amazon bought online pharmacy PillPack Inc. about two years before introducing its own service. Previously, Amazon customers had been directed to a separate site geared toward patients with complex, chronic medical conditions.

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