Good morning, ladies and gentlemen. Welcome to JPMorgan Chase's First Quarter 2011 Earnings Call. [Operator Instructions] At this time, I would like to turn the call over to JPMorgan Chase's Chairman and CEO, Jamie Dimon; and Chief Financial Officer, Doug Braunstein. Mr. Braunstein, please go ahead.

Douglas Braunstein

Thanks, operator. It's Doug here. I'm going to be taking you through the earnings presentation. It's available on our website as you know. We'll take questions after walking through the presentation.

And with that, let's turn to Page 1. For the quarter, we generated net income of $5.6 billion, $1.28 a share, and that was on revenues of $25.8 billion. As we've done historically, we're highlighting several significant items in the quarter right up front. I'm going to try and cover them in some detail here, but they are included in the numbers for the lines of business.

First item is a $0.29 per share increase in earnings and that comes from a reduction in the Credit Card services allowance for loan losses. I'll talk you through the specifics of net charge-offs and our delinquency rates when we get to Credit Card later on.

Second item is a $0.16 per share decrease in earnings. That's from a fair value adjustment to our MSR servicing asset. And this adjustment really represents the impact of the actual and our anticipated increases in servicing costs, including the compliance with our anticipated requirements that are going to be imposed through the OCC and Fed through a consent order that we anticipate receiving later today.

The third item is a $0.10 per share decrease in earnings and expected cost for foreclosure-related matters, and these costs are really our best current estimate for affidavit-related delays as well as certain legal expenses. We don't view these costs as one-rate expenses, but to be clear, there could be further costs around this matter before we're finished.

We ended the quarter with Tier 1 Common of $120 billion, strong Basel I and Basel III ratios of 10% and 7.3%, respectively. You see those on the page, an increase of about 20 basis points quarter-over-quarter. You'll also see on the next page, ROE of 13%, ROTCE of 18%, also strong results. And broadly speaking, we had solid performance across our businesses, but I'll dive into those.

I've covered all the items on Page 2, so if you skip to Page 3, we'll start talking about the Investment Bank. Circled net income here on the page of $2.4 billion, that's on revenues of $8.2 billion. Investment banking fees in the quarter were $1.8 billion, up 23% year-on-year. We continue to be ranked #1, but it remains a very highly competitive market. Results this quarter reflect record debt underwriting fees, and if you go to Page 19, you can see our League table results.

Markets revenues this quarter, $6.6 billion. That really reflects very strong client-based revenues, and we've generated, in part, through the volatility that we experienced in the first quarter in the markets and us helping our clients manage through that volatility. While these numbers are slightly down from a record first quarter 2010, still very strong results.

$5.2 billion of revenue, you see on the page in fixed income. There was strong performance across all of our asset classes there: rates, FX, credit, securitized products and strong performance in commodities; $1.4 billion in revenues and equities this year, and that also represented strong performance across cash derivatives and prime services. DVA for the quarter relate to the structured notes both in fixed income and equities, it was not a material number, it was a positive $20 million. And it really didn't change quarter-on-quarter performance.

You'll see here, CPG reported a revenue loss of $190 million. And just a reminder, there's three items in that number. Typically, NII and fees on retained loans are going to be about $200 million, plus or minus on a quarter. And then you have the market impact of hedges on the loan book, which were negative this quarter and the impact of CVA and DVA, which were also negative in the quarter, and that led to the result.

Credit cost $429 million benefit and that really reflects the reduction in loan loss allowances, largely related to loan sales and net repayments. And just a reminder again here, as we approach a more normalized credit environment, this item is going to return to being an expense item on an ongoing basis.

Expenses in the quarter, you see, were $5 billion, up 4% year-on-year. That's really due to higher performance-based compensation, and that's partially been offset by lower non-comp expense.

Comp to revenue ratio, you'll see on the page, is 40% this quarter. And just a reminder, it's going to vary slightly quarter-on-quarter based on business mix, but we continue to expect our full year guidance to be consistent with what we shared with you at the end of the fourth quarter, which is 35% to 40%.

One final note here, you see the loan balances in the Investment Bank up 2% modestly, and you'll see that uptick to the extent that we continue to have active participation in the investment banking market, particularly the

Strategic Advisory business, and you'll see that in an uptick in our loan balances.

With that, I'll turn to Page 4. RFS, just a moment on this page, this is a consolidated view. RFS for the quarter lost $208 million on $6.3 billion worth of revenue. And let me jump into the details really on Page 5.

At the top, retail banking had solid performance. Net income of a little under $900 million on revenues of $4.4 billion. Revenue was up modestly year-over-year, and that was net of an impact of lower deposit-related fees. There were some key drivers on the prior page. I'd highlight the positive growth of 4% year-over-year.

Investment sales revenues, up 11%. We built 33 new branches in the quarter. Expenses in the quarter were up 9% year-over-year, and that's really the continuing theme in investment. Our branch builds or sales force build out were up a little under 4,000 sales force year-over-year in the branches.

Mortgage Banking, Auto and Consumer Lending, there was a net loss of $937 million here on revenues of a little under $700 million. And the results here were impacted both on the revenue line and the expense line by the two significant items that I covered on the first page. I'm not going to talk about those.

Revenues of $1.9 billion, excluding the MSR risk management results, really reflect $36 billion in mortgage loan originations this quarter, higher volumes, wider margins in the first quarter of last year, but lower volumes and lower margins than the fourth quarter of last year. Revenues here also reflected solid performance in the quarter for our Auto business.

The other number that's included in that $1.9 billion, you'll see is repurchase losses of $420 million for the quarter. That's a contra-revenue item. The repurchase losses here are really slightly above the trend line this quarter, and it's primarily related to some refinement of certain of our repurchase estimates, but I would say going forward, we continue to expect repurchase losses to be on a quarterly run rate consistent with our $1.2 billion, plus or minus for the year.

I've covered really the significant issues in MSR risk and expense and other than those highlighted issues, the other line items for costs and servicing really reflect our production and volumes in the quarter.

With that, I really want to turn our attention on Page 6 to the Real Estate portfolios, talk briefly on this page. Net income loss of $162 million. That's on revenues of $1.2 billion. That's down a little under $400 million year-over-year. The lower revenue number is really a decline in NII. And it's a result of the portfolio runoff. Balances declined year-over-year a little under $32 billion, $7.5 billion quarter-on-quarter, and we told you about that. Consistent with that, you'd expect full year NII to be down around $700 million. NII was also down on some spread compression.

On the credit side, what I'd like to do is go through the details on Page 7. So if you turn to Page 7 and the Home Lending update, you see circled net charge-offs on this page for the quarter were $1.1 billion. They're modestly improved from our prior quarter, but they're certainly in line with the delinquency trends that we saw in Q3 and Q4. If you exclude the one-time adjustment that we talked about in the fourth quarter, you look at Home Equity and subprime net charge-offs are relatively flat. And you see the prime mortgage net charge-offs actually improved quarter-on-quarter.

And then if you took a look at that graph we put on Page 16 in the Appendix, what you'll see is delinquency rates have really declined modestly across all of our portfolios. And all other things being equal, that should have a positive impact two quarters out on our future charge-offs.

The other comments I'd make on this page is you'll see we didn't make any changes at all to our reserves in either our noncredit-impaired or our purchased credit-impaired portfolio in the quarter. And we continue, given some of the uncertainties in the market, to maintain our net charge-off guidance of $1.2 billion, plus or minus, in the quarter.

Page 8, let's shift focus to Card Services. Circled net income on this page was $1.3 billion. Revenues of approximately $4 billion. Credit costs, really the focus in this quarter, they were down significantly to $226 million. And if you look first at the bottom two circled numbers on the page, you see 6.20% is the charge-off rate for our Chase portfolios. That's an improvement of 88 basis points, quarter-on-quarter. That follows a 98-basis point improvement from Q3 to Q4. And then you see the 30-plus day delinquencies declined to 3.25% in this quarter. That's down 41 basis points quarter-on-quarter, and we'd expect to see modest improvement there in the second quarter.

The results of that improvement is the reduction in our future estimated losses and as a result of that, the $2 billion pretax loan loss reserve release that I covered on Page 1. Just one other moment here on our guidance for the second quarter, we'd expect the charge-off rate for the Chase portfolio to be 5.5% plus or minus, and we do hope there's some modest upside at the ultimate rate for the second quarter.

On the revenue line of $4 billion, it's down 10% year-on-year, 6% quarter-on-quarter. And again, there's a consistent theme here on revenues that lower revenues are driven by a $23 billion lower average balances outstanding year-over-year. And also we had 100% run rate impact for the CARD Act in this quarter relative to the first quarter of last year.

Positive note here, you look at sales volumes, Chase volume was up 12% year-over-year, a little over $75 billion of spend from Chase cards. And as I mentioned last quarter, we really believe we continue to outpace the industry sales growth data, and that reflects itself ultimately in improved market share, which means when customers are going to stores, they are taking out their Chase cards more often than any other. It also does reflect some underlying positive sales trends for consumers in general.

One other quick note before I move on, on January 1, you'll see on this page and in the supplement, we transferred our Commercial Card business from TSS to Card Services, modest increase in revenues, increase in loan balances and actually a reduction in margin as a result of all of that.

Page 9, Commercial Bank. You see circled net income of $546 million, that's on revenues of $1.5 billion. Revenues are up 7% year-on-year, that's a function of growth in loan balances, growth in liability balances, actually some wider spreads year-over-year, higher investment banking fees year-over-year. And that's offset by a continued spread compression in our Deposit-Taking businesses.

Credit costs in the quarter, $47 million, you see that on the middle of the page. That really reflects stable to improving credit trends in this business. Losses really continue to be weighted towards our Real Estate portfolio, but the losses in Real Estate also declined in the quarter. And again, I just caution that we will expect this portfolio over time to trend towards the normal through the cycle net charge-off rate of about 50 basis points that we talked about at Investor Day.

Circled EOP loan balances, you see on the page of $100.2 billion. That's up modestly again this quarter, but I want to dig a little deeper. Loan volumes for the C&I portfolio have increased now for four consecutive quarters. Middle-market loan balances, the average balances are up $4.3 billion or 13% year-over-year, which is quite substantial. And balances have been up now for 12 consecutive months. And while we know that our loan growth in that area is a mix of market share gains and demand, this type of trend speaks more in part to what we believe is increasing demand in the space. Utilization rates in the first quarter have begun also to show the first signs of modest improvement, and it's the first time we've seen uptick in several quarters there.

And one last comment, you see the growth in liability balances, 17% year-over-year growth. We've had $156 billion of balances. And clients continue to generate cash, and we hold that cash for them. And I think that speaks again to the quality of the customer base.

Treasury & Securities Services on Page 10. Circled net income of $316 million in the quarter, that's up 13% year-on-year, 23% quarter-on-quarter. Revenue was $1.8 billion, that's up 5% year-on-year. And if you dive into WSS, revenue was up 9%. That's really driven by net inflows and higher market values of assets under custody. You see the other circled number on this page, $16.6 trillion of assets under custody. That's a record number.

TS revenues were up 1%, but if you exclude the move of Commercial Card to Card Services, revenues were actually up 7% in the quarter. And you'll see in our supplement, the build out as we've talked about of our international businesses, it's really reflected in trade loan balances. Those are $25.5 billion in the quarter, that's up 86% year-over-year. It's up 21% quarter-on-quarter, and we hope to continue to grow that business. Expenses continue to be up 4% year-on-year, and that is a function of the discussion we've talked about in terms of investment, particularly around international. Although this quarter, it was offset by the transfer out of the Commercial Card business.

And then one other quick item here, you see this credit allocation income expense. The details are in the footnote, but we're basically trying to capture the sharing of the economics associated with the corporate bank credit book. That's actually a net benefit this quarter of $27 million. And this line item is going to be a little more volatile than what we've done historically, which is charge through the credit cycle charge to Treasury & Securities Services.

Page 11, Asset Management. You see circled net income of $466 million in the quarter, that's up 19% year-on-year. Circled revenues, $2.4 billion, that's up 13% year-on-year. And revenue growth was really based on a few factors. We continued to have strong net inflows into products with higher margins. Record asset under management inflows actually into long term products this quarter of $27 billion. That's the eighth consecutive quarter of long term flows, and that was offset by outflows in liquidity products of about $9 billion. We also had the benefit of higher market levels this quarter. And on a quarter-on-quarter basis, lower mortgage production, but higher year-over-year. Expense growth, the same theme we've talked about, up 15%, largely reflecting higher headcount. We've added a little over 1,100 people to our front office in the last year.

Page 11 – I'm sorry, Page 12 now, Corporate and Private Equity. You see the top number $383 million worth of net income from Private Equity in the quarter. That's really reflecting gains in the number of realizations, also improvements in the market value and our positions in the quarter. And just remember here, financial results are going to vary based on the timing of those realizations, market valuations. But you should expect to see an appropriate return over time for this portfolio.

Corporate net income reported $339 million. This line item is also going to be lumpy, but over time, trending to $300 million, plus or minus. CIO Treasury will contribute to that. It's consistent with the guidance that we gave you this quarter, but it's going to be volatile based on timing of our investments and gains in our positioning. As you'll see when we release our Q, we continue to be positioned with a portfolio to take advantage of a rising rate environment, and that's reflected in our NII in this quarter.

Also, there are going to be a number of onetime items in the quarter. This quarter, we had litigation expense of $350 million in corporate.

Page 13, Fortress balance sheet. I think I've really covered most of the points on this slide. What I will remind everyone that hasn't focused on it is, we did, as you know, increase our annual dividend to $1 a share, up from $0.20 a share. And we also authorized this $15 billion multi-year share repurchase program, $8 billion of which we can repurchase in 2011.

Page 14 is the outlook page. I think I've covered all of this in the discussion, and so what I'd like to do, operator, is open up the line and have Jamie and I available to answer questions.

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from the line of Guy Moszkowski with Bank of America.

Guy Moszkowski - BofA Merrill Lynch

Just a quick question on the Investment Bank first of all. Obviously, revenue was very strong relative to, I think, probably what a lot of people might have expected. But you had a little bit of negative operating leverage in that your expenses moved up more than your revenue. And in fact, revenue was down ever so slightly. And your comp ratio in particular was 40% as an accrual, I guess, from this quarter versus 35% a year ago. Can you give us a little color. Is that a mix shift? Is that you're trying to be a little bit more conservative on bonus accruals? What's driving that?

James Dimon

A little of each.

Guy Moszkowski - BofA Merrill Lynch

And to the extent that it is a mix shift, can you describe it to us a little bit?

James Dimon

It's just more client-related business. We accrue higher in client-related business.

Guy Moszkowski - BofA Merrill Lynch

Got it. And there has been some concern, I think, over the last few months in the marketplace that large dealers like yourselves, given some of the uncertainty about capital costs, Basel III, et cetera, are a little bit reluctant to put long-tail derivative positions on? Is that being reflected at all in your results and might that have something to do with the decline in the margin?

James Dimon

No. So first of all, the capital and the risk weight, that already represent, in effect, Basel, very close to -- or at least, our best estimates at Basel III. And while it's possible that some people are doing less long-tail derivative stuff, I would not put it in the material category. There's a lot of client volume, a lot of clients, a lot of activity.

Guy Moszkowski - BofA Merrill Lynch

Thanks for that. Your balance sheet shows a really significant increase in your deposits both year-over-year and sequentially, $65 billion, $70 billion. Can you give us a sense for what the big drivers are there?

James Dimon

Yes, I'll answer this question, but you got to let someone else ask a question, okay, Guy? So first of all, if you look at the deposits, commercial bank deposits are way up, TSS deposits are way up, private bank deposits are way up, retail deposits are up. The clients have a lot of money, and they're investing a lot. And as you know, we keep on saying, there's a lot of money wash around the world and obviously, we're a beneficiary of some of that. You can see it by business if you go in deeper into the supplement.

Operator

Your next question comes from the line of Jason Goldberg with Barclays Capital.

Jason Goldberg - Barclays Capital

In respect to -- you gave the Credit Card guidance of improved losses going out, I guess the 5½%. Yet you're still carrying a 7¼% reserve. I guess ultimately where, I guess, should we see that number go to, and I guess, how much does it lag the improvement in NCOs?

James Dimon

Well the reserve, look, obviously, the reserves are coming down over time precisely because of what you mentioned. The reserves are based on a forward-looking view of charge-offs. As charge-offs come down, the reserve will come down. And eventually, they'll be the same. If you're reserving effectively for 12 months of losses and things are steady, eventually they'll be the same. A normalized charge-off ratio will eventually be 4½%. That's through the cycle. It'd be obviously lower than that or higher than that.

Jason Goldberg - Barclays Capital

Got it. And then, Doug, on just one of the comments you made when going through the, first on the onetime items, you mentioned that some of those foreclosure costs should continue. With respect to the MSR adjustment, is that, I guess one-time and we shouldn't expect any other change go forward once we get this consent order?

Douglas Braunstein

Yes, Jason. The $1.1 billion is both our existing and our anticipated costs, right? That's the net present value of those changes. And that's a one-time item. That's not to say, the MSR asset, we're going to constantly revalue. The $650 million, we don't believe is a run rate item, but what I did say is there can clearly be further costs associated with the foreclosure and affidavit issues before we're finished.

Jason Goldberg - Barclays Capital

And it does not include any related penalties?

Douglas Braunstein

Right.

Jason Goldberg - Barclays Capital

And then just lastly, in looking at, you gave the Basel I and Basel III Tier 1 Common ratios. It looks like the spread between the risk-weighted assets on both those numbers is up $400 billion this quarter, but it was also about

$400 billion in the year ago quarter. I guess through mitigation and the like, would we expect, I guess, a further reduction or further – for that spread to narrow? Or how should we just think about it in terms of -- it doesn't look like there's been much mitigation on the RWAs for Basel III?

James Dimon

Yes, because a lot of things run through RWA. But I think what we said last time is that mitigation, most of which, not all of which, most of which will happen by the end of this year was $150 billion of risk-weighted assets.

Douglas Braunstein

And I would say it's towards -- in fairness, Jason, you'd expect to see more of that towards the back end of the year as we get closer to the sort of market-based, market risk rules.

James Dimon

And that's all things being equal, which they're not.

Douglas Braunstein

We're going to be very -- look, we've got ample capital and we're going to be very careful to the extent that we choose to mitigate. It's got to make sense for us over the long term as an economic matter.

James Dimon

We're not going to do it and lose money.

Operator

Your next question comes from the line of Ed Najarian with ISI Group.

Ed Najarian - ISI Group Inc.

Question really regarding capital again. You talk in the release about managing, at least, in the near term to perhaps a 9% Basel I-based Tier 1 Common Equity Ratio versus your 10% level currently. And obviously, the Basel III base ratio of 7.3% continues to build. So I'm sort of wondering if you can give perspective on what that means in terms of how you're thinking about driving excess capital into buybacks each quarter. It looks like you could literally drive all of your retained earnings into buybacks and still be very adequately capitalized. Are you thinking that you could do that much? If you're not willing to buy back that aggressively, how else would you consider soaking up excess capital or would you indeed let those ratios just continue to build? Just trying to get some perspective because capital seems to...

James Dimon

Okay, so it’s amazingly simple. We can only buy back $8 billion of stock according to the guidelines from the Fed. We are going to buy back regardless of price, $3 billion, which is what we issue or approximately what we issue every year for stock-related compensation. And the other part's discretionary. We're not going to automatically do it. It will be price sensitive and if we build up excess capital, so be it.

Douglas Braunstein

Ed, the other thing I'd just remind you, we've got a lot of growth opportunities. And we're really actually focused on investing that excess capital in those growth opportunities, and that's where our priority is going to be.

James Dimon

We also know the final Basel III guideline is where we're going to have to hold to. I mean, we think 7% is plenty, but that may not be the final guideline.

Ed Najarian - ISI Group Inc.

Okay. So I guess the answer is you're willing to let those ratios continue to build in the near term?

James Dimon

I would assume that, that's going to happen because there's obviously very little we can do to stop it.

Operator

Your next question comes from the line of Glenn Schorr with Nomura.

Glenn Schorr - Nomura Securities Co. Ltd.

Doug, just a quickie on the average rates on the balance sheet on Page 6. Looking at the trading assets and it went up like 45 basis points. That's a pretty big jump on a one-quarter basis. Is that just duration extension on the mortgage assets or hedging related?

Douglas Braunstein

Is this investment banking or the whole company?

James Dimon

Is this investment banking, the whole company? I think is the whole company?

Glenn Schorr - Nomura Securities Co. Ltd.

The whole company. Whole company.

Douglas Braunstein

Yes, I think that's really just a function of some better cost in dollar-roll financing, but I'll get back to you specifically on it.

Glenn Schorr - Nomura Securities Co. Ltd.

No problem. And sometimes this next line is just an allocation thing, but leverage at the IB, if you just look at average assets to the equity allocated is creeping up a little bit. And I just didn't know if the high teens to 20 range is an okay resting range if regulators have any commentary on that lately?

James Dimon

Well, I think we’ve said the $40 billion anticipates the IB being at 8%. We're assuming some mitigation here in the IB, kind of by the end of the year on a stand-alone basis. So remember, of that balance sheet, the $250 billion or so is very, very short-term liquids. So the adjusted assets are like $600 million and the equity is $40 billion.

Glenn Schorr - Nomura Securities Co. Ltd.

Okay. That’s cool. Last one is, Jamie, you made your points well in your shareholder letter on why the 7% is enough and your thoughts around the SIFI buffer. But I guess my question is with Switzerland going at 10-plus and now the U.K. coming out this week at 10-plus, how much if any impact do those markets have on -- to your understanding, with our regulators and do our regulators take into account, say, risk-weighted assets? Tangible assets or total assets or bank assets to GDP, other metrics that might not make this an apples-to-apples comparison?

James Dimon

So I think the baseline Basel stuff is attempting to be a global agreement to have a level playing field for everybody. There are some flaws with that, which are also in my letter because there are different laws now in the

United States regarding derivatives, Volcker, the uses of preferred dividends, et cetera. But I think it's an attempt by regs to have a global agreement. Each country is going to set its own, they call this SIFI or global SIFI surcharge. So each country can do something in addition to the 7%. But I personally don't think that because the U.K. and Switzerland does it, that the United States should feel like it has to do it. I mean, each country is a slightly different thing. In Switzerland, their banks dwarfed at the size of their economy. That's not true here. I also have a chart in my shell letter about that. So there are other reasons why other countries might go to higher ratios.

Glenn Schorr - Nomura Securities Co. Ltd.

Do you have any idea of timing?

James Dimon

I think the United States [indiscernible] should do what's good for United States, not what's good for Europe.

Glenn Schorr - Nomura Securities Co. Ltd.

Understood. Do you have any idea on timing, Jamie?

James Dimon

I believe we'll get more guidance maybe sometime late this summer.

Operator

Your next question comes from the line of Betsy Graseck with Morgan Stanley.

Betsy Graseck - Morgan Stanley

Two questions; one, just a follow-up on the SIFI question. Does the size of the SIFI charge change how you think about allocating capital or how you would think about doing M&A?

James Dimon

Well, honestly, if it's just a little bit more, no. If it's a lot more, probably. And we're going to have to wait and see. I also think it's very important -- if you think about it a little bit, the market is going to price things. Just because the bank holds 10%, doesn't mean the market's going in effect use 10% to price something. So your competitive market is going to be based upon something different, so it's hard to figure out exactly what that means.

My attitude would be, we'd run the businesses at a 7% or 8% Basel III and hold the excess at corporate.

Betsy Graseck - Morgan Stanley

Okay. And then on -- separate question just on mortgage. There's some discussion from the FHFA on changing the servicing fees for the conventional Fannie, Freddie loans. Can you just give us a sense as to how you're thinking about how that would impact your business model and what you would do differently if this fee change were to occur?

James Dimon

I actually think it's an intelligent thought about having different for performing versus defaulted loans. It's far more expensive to default a loan. So look, the devil’s in the detail, but it’s a good thought, a good concept. And in general, it would eventually reduce the size of the MSR, which would be fine with us too.

Betsy Graseck - Morgan Stanley

But you've been under-invested in mortgage relative to your peers. I mean, would you be looking to take more share if this were to go through?

James Dimon

It really depends how the home Mortgage business turns out. I mean we really got to wait and see what the future liabilities are for future mortgage origination, et cetera, before you decide to do something like that.

Betsy Graseck - Morgan Stanley

Okay. And then lastly, on QRM and other risk retention, proposals that came out a couple of weeks ago?

James Dimon

We think it's the skin in the game concept’s a good idea. We think that it would be fine with us. It has a lot of consequences, but we'd be fine with that. And the QRM, either way can work as long as it's all properly designed. So we really have an ax in this fight about how it's going to take place. But we just hope that however it takes place, it's really well thought through. And we'd be happy to work with people to help -- to try to make sure that it’s done.

Betsy Graseck - Morgan Stanley

Okay. Does it become more balance sheet intensive though, right?

James Dimon

Yes, but balance sheet intensive wouldn't bother us if they're good assets.

Operator

Your next question comes from the line of John McDonald with Sanford Bernstein.

John McDonald - Sanford C. Bernstein & Co., Inc.

Trying to get a handle on what might be a normalized expense run rate relative to the $6 billion base this quarter. So you pointed to the $650 million provision, Doug, for foreclosure issues. And I think you said $350 million for litigation expense this quarter? I guess...

Douglas Braunstein

That was only in Corporate.

John McDonald - Sanford C. Bernstein & Co., Inc.

Just in Corporate? Okay. Were there litigation expenses elsewhere that you...

James Dimon

Yes, we'll have across all the businesses.

John McDonald - Sanford C. Bernstein & Co., Inc.

Okay. But that's the only one you highlighted, correct?

James Dimon

Yes.

John McDonald - Sanford C. Bernstein & Co., Inc.

And then maybe just broader, Jamie or Doug, you can give some thoughts about where expenses are cyclically elevated today throughout the company and might come down over time as we start to think about what a normalized expense base is relative to what we see today?

James Dimon

We really do this by business, but you had a chart, Doug, that you showed me that showed...

Douglas Braunstein

You look at IB comp, back that out. And you look at the overhead. Overhead is largely, consisted as a percentage of revenue. The nature of those expenses are different, right? Because we're investing a lot in various businesses to grow them over time. You're going to see some of that in the revenue items. But if you back out all this one-time types of items and you sort of separate out the IB comp, expenses are largely consistent as a percentage of revenue for the last several quarters.

James Dimon

But a little elevated this quarter, than a normal…

Douglas Braunstein

A little elevated because of largely IB comp.

James Dimon

But backing that out is other expenses are modestly.

John McDonald - Sanford C. Bernstein & Co., Inc.

But then from a broader perspective, I assume in RFS, you're carrying a lot more people related to mortgage workouts and mods?

Douglas Braunstein

That's going to stay at an elevated level for a period of time.

John McDonald - Sanford C. Bernstein & Co., Inc.

Okay. But that would be the main area for thinking about a few years out where expenses might be cyclically [indiscernible]?

James Dimon

Eventually. Overhead expenses from default and foreclosure will probably drop $300 million or $400 million a quarter. And that's not included in the repurchased stock, which is another couple of million a quarter.

Douglas Braunstein

And John, I think one of the charts just to be helpful, if you go back to one of the charts, Charlie did it at Investor Day, I think he tried to quantify over time what those expenses ought to come down by. That's a good place to look.

John McDonald - Sanford C. Bernstein & Co., Inc.

And any thoughts for this year, more near-term on the size of higher FDIC expenses that you might see when that kicks in later this year?

James Dimon

Yes, you're talking about the number for us, that's now going to be north of $1 billion. And I think last year it was $800 million. So I think it may be $500 million more than it used to be. I kind of object to how they went about that, and so there'll be more conversations about how those charges go through. The FDIC was supposed to be deposit insurance. And remember, we pay for the deposit insurance, JPMorgan paid -- it's a government program paid for by banks, so we’ll have paid through this crisis about $5 billion in FDIC. But this is going to increase that for us.

Douglas Braunstein

And John, just as a technical matter, you won't actually be able to see -- even though we know there's an increase on the way, you won't actually see that in our numbers until the actual increase is implemented, which is third quarter.

John McDonald - Sanford C. Bernstein & Co., Inc.

Okay. And then just one other separate question, what factors are driving your outlook on card balance growth for kind of a stabilization midyear and maybe a little growth in the back half?

James Dimon

Well, because we had two books of business that are kind of running off, running down; WaMu and some of this balance transfer stuff. And we actually had broken that out in an earlier presentation, too. And those predominantly will be completed by the third quarter, so there we just know we're getting to stable kind of balances.

John McDonald - Sanford C. Bernstein & Co., Inc.

Okay. And the card NIM, net interest margin, was up even as the balances shrank. I’m just wondering how is that happening. Is that less suppression going on or is there some repricing benefits also in there?

James Dimon

It's a lot of different things, but remember, there was some repricing, but it's also a runoff of low return balance transfers, so there are a lot of things in there.

Douglas Braunstein

And remember also, John, in the NIM, you get the reversals from declining charge-offs, and so you're going to see that benefit. We're going to -- that number is going to move around a bunch.

James Dimon

It'll generally head up a little bit.

Operator

Your next question comes from the line of Moshe Orenbuch with Credit Suisse.

Moshe Orenbuch - Crédit Suisse AG

I was just wondering, Doug, you had alluded to the fact that the trading profits had been kind of driven by the facilitating client activity. Was that activity kind of uniform during the quarter? Was it lumpier? And if you would, did it continue into April?

James Dimon

Fairly uniform.

Moshe Orenbuch - Crédit Suisse AG

Okay. And just maybe a little more broadly, as it relates to the Mortgage, as it relates to the Mortgage business and all of the related issues that you're going through with the servicing, can you relate that to the administration's plans for Fannie and Freddie and could there be -- are they talking to one another, in terms of those two sets of issues? And is there some way that this could be kind of -- the banking industry could kind of help out and perhaps get either assets or assets and revenues out of this, over some period of time?

James Dimon

I wrote about this a little bit in my Chairman's letter. The government laid out three kind of baseline ways to set up the GSCs in the mortgage markets.

And one of the points we've made is that whichever one happens is, we all agree, it should protect the taxpayer, that we want a healthy mortgage market, but it has to be designed properly. Any one of the three can actually work to do those things. And I think that's one of the reasons the charge related [ph] – so you can have a conversation and respond and think through the effect on the markets, how quickly you can do it. Obviously, there's a lot of politics around the GSC, so hopefully we'll have a really good healthy mortgage market when it's said and done. But the healthy mortgage market means it's got to be good for consumers and it's got to be good for investors. Otherwise, you will not have a healthy mortgage market.

Operator

And moving on to the next question, your next question comes from the line of Gerard Cassidy with RBC Capital.

Gerard Cassidy - RBC Capital Markets, LLC

Could you guys share with us -- you had great success in your market share numbers on the merger and advisory role in the investment bank in the U.S. I think it was over a 40% market share. How'd you guys get such a great market share?

Douglas Braunstein

Those market share numbers are going to move around. Large deals are going to move it. We really do focus on longer-term trends, and we also focus on the revenue line because folks can be involved in things, and they're not making a lot of money. So I would focus really on the revenue line. Generally speaking, we had a number one share in fees. That's because we've got a great client franchise across the investment banking platform.

James Dimon

We're like in most big transactions.

Douglas Braunstein

Yes, we're in most of the big transactions this quarter, but that will move quarter-over-quarter.

Gerard Cassidy - RBC Capital Markets, LLC

Does your strength of the balance sheet help with that M&A work as well?

Douglas Braunstein

We look at our total relationship with clients and the ability to actually provide them financing is clearly one of the benefits that we bring to a client. And it works in significant transactions. The AT&T transaction's a good example of that.

James Dimon

And some of the smaller [indiscernible] not having a balance sheet is helping them. Sometimes it's both.

Gerard Cassidy - RBC Capital Markets, LLC

Can you share with us what you think the process is if you wanted to raise your dividend again later this year because your earnings are stronger than expected, do you have to go through the formal process that you just went through? Or is it less formal with the regulators to raise the dividend sooner than a year from now?

James Dimon

I wouldn't be looking for a dividend increase if I were you in a couple of quarters. But the regulators have made it clear that -- which I think is a reasonable thing that you have quarterly stress tests and stuff like that. We would have permission to do more on the dividend we wanted to, a little bit more. But at one point, we would obviously go ask them in this environment.

Gerard Cassidy - RBC Capital Markets, LLC

Sure. And then finally, recognizing your business has changed quite a bit in the last 10 years, if we get to normalized net charge-offs, possibly 75 to 100 basis points, similar to what JPMorgan had in the late 90s, do you think the loan loss reserves to total loans could come down to 200 basis points and less?

James Dimon

Sure, the answer is yes, but you also have all these new accounting laws and rules and stuff like that. So we believe in strong reserves. We think it's a good thing to have an unquestioned balance sheet.

Operator

Your next question comes from the line of Mike Mayo with CLSA.

Michael Mayo - Credit Agricole Securities (USA) Inc.

In TSS, you have record assets under custody, but revenues versus the fourth quarter were down a little bit. What's going on there? Are you cutting prices or what?

Douglas Braunstein

No, that's -- we have dividend season in WSS and that's going to have a positive impact on the second and the fourth quarter. It's nothing more than that.

Michael Mayo - Credit Agricole Securities (USA) Inc.

Okay. And then the middle market loan utilization, what is the actual number this quarter versus last?

James Dimon

This quarter's 35% and last quarter was what?

Douglas Braunstein

Of middle market?

Michael Mayo - Credit Agricole Securities (USA) Inc.

Yes.

James Dimon

It was a little bit less.

Michael Mayo - Credit Agricole Securities (USA) Inc.

And do have the same figure for large Corporate?

James Dimon

No, because it's not a relevant figure for large Corporate because large companies can access bonds, loans, bilaterals that go in and out for a whole bunch of different reasons, so we don't really actually track it.

Michael Mayo - Credit Agricole Securities (USA) Inc.

Okay. And capital markets, what's the backlog like?

James Dimon

It's fine, it's good.

Michael Mayo - Credit Agricole Securities (USA) Inc.

Is it flat, up?

Douglas Braunstein

It was about 100 basis points less.

James Dimon

Again, the backlog itself is a very volatile number, and there's a lot of things that are being worked on that are not on the backlog. The flow of business looks good and that's what it -- it looks like it's going to be fine. Companies are pretty active financing and...

Michael Mayo - Credit Agricole Securities (USA) Inc.

On that topic, in terms of syndicated lending?

James Dimon

Last quarter, the middle market utilization was 34.1%, if this number's right.

Michael Mayo - Credit Agricole Securities (USA) Inc.

So 34.1% to 35%?

Douglas Braunstein

Yes, about 100 basis points.

Michael Mayo - Credit Agricole Securities (USA) Inc.

But that's just for the $38 billion in middle market?

James Dimon

That's correct. I think it's more relevant than some of the other ones. The other ones bounce around a lot.

Michael Mayo - Credit Agricole Securities (USA) Inc.

And then lastly on syndicated lending, you've been in the news, so how much in fees did you get this quarter as acting as an arranger? And how much did the syndicated loans contribute to the $9 billion of growth in your wholesale loan balances?

Douglas Braunstein

So we had, in aggregate, for our debt underwriting businesses, it was a record quarter, and syndicated loans were a meaningful part of that. Our growth in loan balances, one of the comments I made is you saw balances up quarter-on-quarter. No, it was a $2 billion number.

Michael Mayo - Credit Agricole Securities (USA) Inc.

I was looking at on the supplement, overall wholesale loans to companies is...

Douglas Braunstein

That's across TSS, Asset Management to Commercial Bank and the Investment Bank. And that's quite frankly, trade loan, rate loans...

James Dimon

Trade loan is up $5 billion, middle market's up a couple or $3 billion, that's across the whole spectrum of businesses.

Michael Mayo - Credit Agricole Securities (USA) Inc.

So how do we measure -- how much did syndicated loans contribute to the loan balance?

James Dimon

Predominately, it's only in the IB and not a lot. Maybe, $1 billion or $2 billion, but it wouldn't be a lot.

Douglas Braunstein

Yes, not a lot.

Michael Mayo - Credit Agricole Securities (USA) Inc.

So who buys a lot of this tape or any of the -- the AT&T deal clearly was in the news, but you were able to offload it pretty well. What's the demand for buying and who's buying it?

James Dimon

It's mostly other banks, but there are other buyers in there, certain funds and investors who are also buying.

Michael Mayo - Credit Agricole Securities (USA) Inc.

And then in terms of the covenant-light deals, it seems like you're doing a lot more of those. Do you feel good about the quality since you had more covenant-light deals in the first quarter than you did all last year for the industry?

James Dimon

Yes, I wouldn't say we're doing covenant-light deals uniquely. I think deals -- the covenants have gotten lighter as lending's eased a little bit. But again, if you're looking for the countries, it's probably a pretty good thing. I don't think it's gotten to the point where you would look at it as like it was in the summer of '07. And also, covenant light is only one factor. You can have covenant light and great credit. It means the credit, the deal, the leverage, not just the covenant.

Operator

Your next question comes from the line of Jeff Harte with Sandler O'Neill.

Jeff Harte - Sandler O'Neil and Partners

A couple of things left. One, when I look at the Corporate segment and I know the guidance is to Corporate net income of plus or minus $300 million over time, one of the things that really drove that higher was the spike in the investment securities portfolio in the second quarter of a couple of years ago. We're seeing that investment portfolio start going up again sequential quarter. Is that a function of just, there's no loan demand out there on the consumer side, so that's where you're kind of putting capital? Or is there something else as far as -- I guess I was expecting the size of that portfolio to be declining, not increasing.

James Dimon

Right, but you've got to look at both sides of the balance sheet here because we have a lot of deposits, which when we get the deposit, obviously there's a -- we invest it. So I would say, it's largely related to both the deposits and then our own, how we want to manage the interest rate exposure of the company. And remember, it's costing us money how we're managing the interest rate exposure of the company. And some of that product that's in the CIO portfolio, a lot of it – I forgot the exact number. A lot of it is what I call spread product. It's like zero duration, but it's got a spread in it to protect us from rising rates.

Jeff Harte - Sandler O'Neil and Partners

Okay. And you talked some about -- I mean with middle -- I guess what I'm going to try and get at is the trend in kind of commercial clients' outlook or confidence, I mean, we see utilization rates up in middle market, the investment banking backlog is still pretty good, trading volumes are up. Have you noticed any change in kind of how your commercial clients are maybe looking at the world over the last six months with some of the volatility and events we've seen?

James Dimon

Corporate, I think if you look at corporate, mid-corporate, middle market and even small business, they're generally across the board stronger than they were. And that's anecdotally surveyed. It's capital, it's cash, it's deposits, it's lending conditions, financial conditions. So you're seeing confidence come back. Now obviously, laying on top of that a little bit is some of these things happening around the world from Europe to Middle East and Japan, but it's not clear that, that's going to derail these companies going about their business, hiring people and even small business demands. Small business loans were flat for our total company quarter-over-quarter. But this quarter is generally a very low quarter, so it's a very good sign in our opinion. We're starting to see real small business loan demand.

Douglas Braunstein

Yes, loan demand was up year-over-year in RFS over 50%.

James Dimon

And I assume we're going to see that with the competitors, too, by the way, that that's not just us.

Jeff Harte - Sandler O'Neil and Partners

Okay. Because I mean certainly, things are stronger across the board than they were when we were on the gates of the abyss. But just even over the last year, you've continued to see that trend it appears?

James Dimon

You almost -- most things are better than they were a year ago, even the bad things are better than they were a year ago. So we point it out, mortgage losses were -- we're losing $2 billion a quarter in charge-offs and mortgages. It's now down to $1.1 billion. And remember, the early signs of delinquencies will drive foreclosures six months, 12 months from now. Now remember, those are going to start coming down at one point later in the year, early 2012, not go up. That's a good sign, not a bad sign even though they're still very elevated right now.

Operator

Your next question comes from the line of Matt O'Connor with Deutsche Bank.

Matthew O'Connor - Deutsche Bank AG

You mentioned some of the strength in trading or the bulk of the strength in trading was client driven. And I guess specifically on the stake revenues, they held up quite nicely year-over-year. I was wondering if you could give a little more color from a product mix point of view. There's the Sempra deal in there, and I think you have maybe a little more commodities focus?

James Dimon

Before we do that, we're thinking about hiring Deutsche Bank to help us in our capital structure here in the United States.

Douglas Braunstein

Matt, it was really -- in fairness, it was across the board. Almost every asset class in fixed income had very strong performance and commodities was one of those asset classes that had very strong performance. Part of that is, we've made a number of investments in that business, that commodity revenue like all the other businesses this quarter was predominately client flow.

Matthew O'Connor - Deutsche Bank AG

And can you just remind us from a mix point of view how much of FICC is commodity driven?

Douglas Braunstein

We don't give percentages because it's going to move obviously based on quarter performance. It's had a very good first quarter, but it isn't outsized of any...

James Dimon

Emerging markets, credit, FX rates...

Douglas Braunstein

That's right. It's not outsized in any way, shape, or form relative to all those other businesses, very consistent.

Matthew O'Connor - Deutsche Bank AG

And then I was debating, we hosted a dinner the other day, and there was some debate on the FICC fee pool over the next several years. And some were debating that it would be a lot higher, some were debating it would be a lot lower. And obviously, this is something that's, it's virtually impossible to predict, but you do have to have some view as you think about staffing levels. And as you think about a continued macro recovery, higher interest rates, maybe some leveling off of commodities, what does the FICC revenue pool look like a few years down the road?

James Dimon

So if you just put aside for a second, spreads, and put aside for a second, how good you are at trading, the underlying growth is going to be pretty good. If you look at global capital flows, global network, global balance sheet, the growth of multinationals, the need for FX, the need for trade, the need for -- the underlying number is actually pretty good over a decade. You can -- any one quarter, that those -- you can be dramatically different because of spreads, how you actually trade in them. But I would say it's a pretty -- the needs of investors are going to grow a lot over the next 10 to 20 years, not a little. That includes corporations, governments, super nationals, sovereign wealth funds. Remember, if you go to my Chairman's letter, I actually talk about some of these flows over the next 10 or 15 years.

Matthew O'Connor - Deutsche Bank AG

And then just separately, it's sort of a follow-up to Glenn's question about the average rate table on Page 6. The securities yield also went up quite a bit from 2.44% to 2.89%. And I guess that's a line item that doesn't fluctuate all that much unless you reposition a securities book and trying to get a better sense of maybe what's going on there? And then obviously, we're all trying to figure out what the overall NIM might look like going forward as well.

James Dimon

The portfolio we have, we obviously move around. It's also global, okay? And I think I just mentioned we went to more spread product, and we invested more money. And we have a lot of mortgages, so 2.89%, you can go buy mortgages at far higher rates than that. We also put on some prime, like $2 billion of prime jumbos coming out of private bank at much higher rates. So we can get you a better answer than that, but I think it's just those things I just mentioned.

Matthew O'Connor - Deutsche Bank AG

Okay. And any thoughts on just the overall NIM percent? I know you don't manage that, you look business line by business line, but the NIM's relatively stable this quarter. Any thoughts going forward?

Douglas Braunstein

I think you'd expect just from some mix, a little pressure on NIM -- modest pressure on NIM overall next quarter.

Operator

Your next question comes from the line of Ron Mandle with GIC.

Ron Mandle - GIC

Just following up on the NIM. You said maybe a little pressure in the second quarter and then you also said, Jamie, that it's expensive protecting against higher interest rates. So do you think the NIM will keep going down or will it stabilize now that market rates have stabilized? What's your thinking beyond just the next three months?

James Dimon

I think Doug answered it. The underlying trend is down a little bit. But obviously we can make big decisions that change that very quickly. And if rates go up, our NIM can actually expand a little bit, which is not -- if you look at the implied curve, it's not going to happen right away. But if it does happen, our NIM will actually go up, not down.

Ron Mandle - GIC

Right. Okay. And then you also referred, Jamie, to the valuation reserve, loan loss reserve eventually matching charge-offs. But right now, the reserve was, let’s say in round numbers, about 200 basis points higher than the charge-off rate in the quarter. And with the new accounting proposals, do you -- will we really see that match? Or do you think that we’ll have provisioning and reserving over the cycle that will be less volatile and have a bigger difference than just the match that you're referring to?

James Dimon

We don't know yet because they’re all just proposals out there. And the proposals are different for consumer, for defaulted, for wholesale, but I hope when it’s said and done, you have a better matching and less pro-cyclicality. It would be more countercyclical, that would be my hope.

Ron Mandle - GIC

I think we all share that opinion. And just one other question in regard to Private Equity, you noted in the outlook comments that it's likely to be volatile. But with the Private Equity shops looking for exits and trying to monetize their investments and being pretty successful, it would seem like there's a possibility that you could stay at that high level for well into this year and maybe longer. So I'm wondering if you have any elaboration on that point?

James Dimon

Yes, so I think Doug mentions, it will be lumpy, but we like lumpy as long as it's 20% average. And I think our folks, particularly one equity partners have done more than that over time. So yes, we hope -- we're optimistic, but we don't count on it. We tell them to just run your businesses, make your investments and when you want to do what’s right for the investment, do it then, don't worry about the timing for the company. But yes, we expect profits from them over time.

Operator

Your next question comes from the line of Matt Burnell with Wells Fargo.

Matthew Burnell - Wells Fargo Securities, LLC

An administrative question, and I'm sorry if I missed this, if you said it before. But what were the amounts of CVA, DVA included in the trading results this quarter?

Douglas Braunstein

Just in fixed income and equities, $20 million. Almost nothing. I said it was nonmaterial.

Matthew Burnell - Wells Fargo Securities, LLC

Right. And then in the Investment Bank, it looks as if nonaccrual loans fell by about 24%. I'm curious as to whether or not that was driven entirely by sales or what else is going on there.

James Dimon

It was one big restructuring.

Matthew Burnell - Wells Fargo Securities, LLC

Okay. And then finally, in terms of the RFS portfolio -- and Doug, I think you talked about this earlier in the call. Core overhead ratio appear to be in the low 60s. How much of that includes some of the organic branch expansion Charlie talked about in the Analyst Day or is that largely just due to the mortgage costs that you're bearing right now?

Douglas Braunstein

In Retail itself, in that division, it's all about branch builds and the expenses associated with that, in retail banking. In aggregate, for the division, there's the two significant items we highlighted have a material impact on both the revenue and the expense line.

Matthew Burnell - Wells Fargo Securities, LLC

Okay. And in terms of the expenses, how much run rate is in there for the branch builds specifically?

Douglas Braunstein

Dollar amounts? I don't know the answer to that specifically.

James Dimon

But I think a lot of the headcount add quarter-over-quarter was because of adding sales people at our branches.

Douglas Braunstein

That's right.

Matthew Burnell - Wells Fargo Securities, LLC

Okay. So that's not necessarily branch build out per se, but it's more headcount in the current branches?

James Dimon

We built 33 branches in the quarter. But we added, over the year, we added almost 4,000 sales force to the system. So we're adding salespeople both in our existing branches and the new branch builds. And I think we're expecting to build out for the rest of the year, 200 branches.

Matthew Burnell - Wells Fargo Securities, LLC

So that build out should accelerate over the course of the year relative to the Q1 run rate?

Douglas Braunstein

That's right.

Operator

Your next question comes from the line of James Mitchell with Buckingham Research.

James Mitchell - Goldman Sachs

Just a quick question on capital allocation in the Card business. I saw that you guys cut your capital allocated to that business by $2 billion. Is that mostly because of a reduction particularly in the WaMu portfolio? Or is there some other driver of that?

James Dimon

Mostly the reduction in portfolio.

James Mitchell - Goldman Sachs

Okay. And if we think about the retail -- the RFS business, as that mortgage portfolio runs off, should we also see some similar types of declines over time in the allocated capital to that business?

Douglas Braunstein

Over time, yes.

James Dimon

A little bit because we already gave them some credit for that, the number. Basically, the baseline assumption should be to run these business 7% Basel III and I'd be a little bit higher. That's the bottom line assumption. Sometimes we get more benefit from mitigation and we know it’s going to take place or something like that, but that's the bottom.

Operator

Your next question comes from the line of Chris Kotowski with Oppenheimer.

Christoph Kotowski - Oppenheimer & Co. Inc.

Actually that last comment was what I was wondering about. You've always said that you didn't care so much about what reregulation was as long as it's an even playing field. And the SIFI buffer obviously would be targeted at companies like you and Bank of America and so on. And I'm wondering about those kind of plain vanilla, middle-market retail banking, small business, kind of lending businesses. If at the Corporate level, you're forced to have 1% or 2% extra capital, can one still price effectively in those businesses or does it really...

Douglas Braunstein

I guess you have to, right? You're not going to price to lose. You're going to price to win the business and the markets set the price. And if the market's using 7% capital to set price, then that's the capital you're going to use to set price. Regardless of whether you're holding a little bit more or not. That's really my whole point.

Operator

Your next question comes from the line of Guy Moszkowski with Bank of America.

Guy Moszkowski - BofA Merrill Lynch

Okay, I just wanted to follow up on the level playing field issue. One of the things, Jamie, that you pointed out in your shareholder letter was the less conservative calculation of RWA for some non-U.S. banks. And I was wondering if you could drill into what you think are the most harmful aspects of that? And then also maybe you could comment on what we were hearing yesterday about Deutsche Bank separating its noncommercial Banking businesses in the U.S. away from its bank?

James Dimon

I'm not going to comment on that because all I know is what I read in the paper this morning, too. The other one is I guess you've got to look at regulation. I mean we always believe in higher capital and higher liquidity. And the regulators are talking about a level playing field. And I understand that the risk-weighted asset calculations aren't done the same everywhere. So that they say that they'll make sure they incorporate that in their thinking. That's not the only -- you got to look at all of it. If American banks can’t have tax deductions for [indiscernible] and overseas banks can, well that's one thing. If American banks have to demand margin from end users, which I'm not sure is going to be the case, from nonfinancial end user derivatives, well, the business will go elsewhere. And so, we just want to make sure it's fair in total, including SIFI charges because if every country does that differently, that may not be fair either. So to me, I think the regulators and the government officials do say they want to have the level playing field. But why was MSR deducted from capital? It's a perfectly good asset. Why would that be a deduct directly from capital, but not plant and equipment or some other assets or highly liquid loans? Why is the Ex-Im Bank treated differently then super national things are treated overseas? So when you dig into it, there are a lot of things in here that just -- they need to be clarified and cleaned up. I think people want to do that and obviously, the banks have to run a good business. I would also point out, by the way, that when America was still in Basel I, when the rest of the world was in Basel II, and it didn't hurt us to be in Basel I. So you don't have to have exactly the same stuff either to be able to compete.