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HOLDING MEGABANKS ACCOUNTABLE: A REVIEW OF GLOBAL SYSTEMICALLY IMPORTANT BANKS 10 YEARS AFTER THE FINANCIAL CRISIS

HEARING

BEFORE THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

APRIL 10, 2019

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HOLDING MEGABANKS ACCOUNTABLE: A REVIEW OF GLOBAL SYSTEMICALLY IMPORTANT BANKS 10 YEARS AFTER THE FINANCIAL CRISIS

Wednesday, April 10, 2019

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON FINANCIAL SERVICES,
WASHINGTON, D.C.

The committee met, pursuant to notice, at 9:01 a.m., in room 2128, Rayburn House Office Building, Hon. Maxine Waters [chairwoman of the committee] presiding.

Members present: Representatives Waters, Maloney, Velazquez, Sherman, Meeks, Clay, Scott, Green, Cleaver, Perlmutter, Himes, Foster, Beatty, Heck, Vargas, Gottheimer, Lawson, San Nicolas, Tlaib, Porter, Axne, Casten, Pressley, McAdams, Ocasio-Cortez, Wexton, Lynch, Gabbard, Adams, Dean, Garcia of Illinois, Garcia of Texas, Phillips; McHenry, Wagner, Lucas, Posey, Luetkemeyer, Huizenga, Duffy, Stivers, Barr, Tipton, Williams, Hill, Emmer, Zeldin, Loudermilk, Mooney, Davidson, Budd, Kustoff, Hollingsworth, Gonzalez of Ohio, Rose, Steil, Gooden, and Riggleman.

Chairwoman WATERS. The Financial Services Committee will come to order. Without objection, the Chair is authorized to declare a recess of the committee at any time.

Today's hearing is entitled, "Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 Years After the Financial Crisis."

I now recognize myself for 4 minutes to give an opening statement.

But before I do, I would like to acknowledge that Bruce Marks and the Neighborhood Assistance Corporation members are here in the audience today. You are welcome.

Today, this committee convenes for a hearing on the U.S. global systemically important banks (G-SIBs). Before us today as witnesses we have the chief executives from Bank of America, Bank of New York Mellon, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley, and State Street Corporation. At a previous hearing on March 12th, we had Wells Fargo's then-CEO before the committee to testify.

Before I begin, let me urge our witnesses to speak for themselves. I understand that there is some attempt to get Mr. Dimon, per the press reports, to speak for everybody. We know that he is very smart. We know that he has been around for a long time. But this is not just his show today.

The purpose of this hearing is to review the activities of these megabanks and examine how they are operating today. Ten years ago, the CEOs appeared before this very committee to discuss the financial crisis and the massive bailout that taxpayers provided. A decade later, what have they learned? Are they helping their customers and working to benefit the communities they serve? Or are the practices of these banks still causing harm?

The U.S. G-SIBs as a group have paid at least $163 billion in fines since the financial crisis a decade ago, including because of consumer abuses and other violations of the law.

Over the course of the last 10 years, Bank of America has paid $76.1 billion in fines, JPMorgan Chase has paid $43.7 billion in fines, Citigroup has paid $19 billion in fines, Wells Fargo has paid $11.8 billion in fines, Goldman Sachs has paid $7.7 billion in fines, and Morgan Stanley has paid $5.4 billion in fines. But it appears that they have treated those fines as simply the cost of doing business.

All of the megabanks represented on the panel continue to rake in massive profits. Since the crisis, the megabanks have collectively made over $780 billion in profits, or nearly 5 times the amount they paid in fines.

And despite all of the compliance failures under their watch, no one has made out better than the CEOs. One made as much as $30 million a year, and another made 486 times the amount a median employee at their bank is paid.

It will always be profitable for the banks to swindle consumers, investors, and small businesses if no one is going to hold them accountable. And so, as policymakers, we must evaluate what it will take to rein in chronic lawbreaking by the biggest banks.

What we should not do is to reward them for this behavior. Unfortunately, that is precisely what Trump and his allies in Congress did with the passage of the tax scam.

While an estimated 4.6 million hardworking Americans are seeing their refunds reduced dramatically, and another 4.6 million find themselves now owing money to the IRS when they file their 2018 taxes, the largest banks have seen a tax windfall of $14 billion.

In addition, Trump's regulators are deregulating the megabanks by reducing bank capital standards, easing stress-testing requirements, and weakening the Volcker Rule. These misguided actions come at the expense of financial stability, while leaving hardworking Americans to shoulder the tax burden.

So I am concerned that several of these institutions are simply too big to manage their own operations, too big to serve our communities, and too big to care about the harm they have caused.

The Chair now recognizes the ranking member of the committee, the gentleman from North Carolina, Mr. McHenry, for 4 minutes for an opening statement.

Mr. McHenry. This is a hearing in search of a headline.

Just weeks ago, we had the CEO of Wells Fargo—then-CEO of Wells Fargo before this committee to testify on the bank's pattern of abusive action towards customers. Every one of their regulators had fined them and fined them in the last 2 years. Now that organization has been through 2 chief executives in just over 2 year's time.

I supported that hearing. It had legislative intent. It was important. Perhaps we are here today, though, simply based upon your size. But, as my Democrat friends well know, your size is in some ways the product of their legislating. The Dodd-Frank Act imposed a massive new regulatory regime. The last document I read put thenumber of new regulations at around 400, so it is certainly growing your compliance departments.

Size helps some banks survive, even thrive. Some banks could not bear the cost, so they consolidated; others closed their doors. In fact, we have over 2,000 banks that are not here since the pre-crisis. At the time, that didn't seem to be a big concern for some of my friends on the other side of the aisle.

Perhaps we are here today to talk about the health of the U.S. banking sector. I can tell you this: the economy has grown. And as we know, bank profitability, bank revenue tends to track GDP growth. That has been the case, and so they are up, too. Banks hold more capital than pre-crisis. That is positive. The labor market is strong. That, too, is positive. The U.S. added nearly 200,000 jobs in March, a move the New York Times recognized as a return to solid growth.

So why are we here? I fear my colleagues on the other side of the aisle are here to attack our economic system, attack the nature of our market. I fear my friends want to dictate social and environmental policy through government mandates on banks. That is not the right approach.

Earlier this year, I sent a letter to Chairwoman Waters asking for a series of hearings on critical issues that could pose systemic risk to our economy and the health of our financial markets, and thereby, the health of American families and their communities. One of the issues I included in my letter is Brexit. That is in the headlines today. That shares some of the headlines that you all, you seven, are sharing.

Today, the U.K. prime minister, Theresa May, is attending the E.U. summit to present her country's path, or attempted path forward in light of their referendum almost 3 years ago. I think a more productive use of our time might be to question our banking regulators on whether or not they are prepared for a hard Brexit on Friday.

We know approximately $450 trillion in nominal swaps and futures flow through the United Kingdom. We should be reviewing the implications of a shift of the derivatives market to continental Europe and the challenges that poses. What impact on derivatives and users here in the United States? What effects on the global banking system? We should be using this hearing to work together to ensure the proper preparation, and ensure that those things are being done for our economy, our institutions, and our consumers. That is a bigger issue here.

And Brexit is not the only issue. Chinese debt and the slowing nature of the global economy is a significant issue for the American people and for financial institutions. We should be focused on that today. And instead, we have seven of you with three different business models here before us because you are big.

So I don't think the Majority called this hearing to talk about those systemic risk issues. I think that is a failure. Now, instead of focusing on these real issues, some of my colleagues will use their time to focus on a law they enacted 9 years ago. They will use their time to talk about how big you are, despite the fact it was their policies that spurned, even insisted upon your growth. But I would say to our witnesses, my focus is going to be on systemic risk, to make sure we are focused upon those key issues that matter in the short term and the long term.

Thank you.

Chairwoman WATERS. The Chair now recognizes the subcommittee chair, Mr. Green, for 1 minute.

Mr. GREEN. Thank you, Madam Chairwoman. Madam Chairwoman, we are here today to make headway, not headlines. We are here today to protect the American economy. We are here today to do the hard work that my friends on the other side declined to do in 2008, when we took the hard votes to save the American economy.

We will continue to do this. We were here to see Long Term Capital go under. We saw Lehman Brothers become the largest bankruptcy in history. We saw Bear Stearns sold. Our global systemically important banks (G-SIBs) have combined assets of over $11 trillion. Yes, they are said to be too-big-to-fail, which does beg the question, are they the right size to regulate or are they the right size to downsize? They, indeed, have the right to do business, but we have the duty to provide oversight. Both can be done, and the American people will benefit.

I yield back.

Chairwoman WATERS. The Chair now recognizes Mr. Barr for 1 minute.

Mr. BARR. Gentlemen, this hearing is a unique opportunity for each of you to describe the contributions your institutions make to the American and global economies. It is also an opportunity for you to identify what you consider to be the most significant risks to the financial system and how your firms are proactively mitigating those risks.

While there are many threats to our financial system, I do not believe that your size alone is one of them. Chairman Powell recently stated that our financial system is so much better capitalized and has so much more liquidity, it has a better sense of its risks and a better ability to manage those risks. I hope to hear how you are responding to the risks actually identified by FSOC, including cyber security, Brexit, and the need for continued efforts to evaluate regulatory overlap.

Finally, I hope to hear about how your firms are resisting calls to de-risk or choke off banking services to law-abiding businesses, including businesses that are important sources of jobs in my home State of Kentucky, including coal mining, advance deposit wagering on horse racing, industrial hemp, and firearm manufacturing, just because these activities may not be politically correct or fashionable among liberal protest groups.

I look forward to your testimony and I yield back.

Chairwoman WATERS. I want to welcome today's panel: Mr. Michael L. Corbat, chief executive officer of Citigroup, who has been at Citigroup since 1983, and has served as CEO since 2012; Mr. James Dimon, chairman and chief executive officer of JPMorgan Chase & Company, who has been at JPMorgan Chase since 2004, and has served in his current capacity since 2006; Mr. James P. Gorman, chairman and chief executive officer of Morgan Stanley, who has been at Morgan Stanley since 2006, and has served in his current capacity since 2012; Mr. Brian Moynihan, chairman and chief executive officer of Bank of America, who has been at Bank of America since 2004, and has served as CEO since 2010, and as chairman since 2014; Mr. Ronald P. O'Hanley, president and chief executive officer of the State Street Corporation, who has been at State Street since 2015, becoming president in 2017, and CEO in January, 2019; Mr. Charles W. Scharf, chairman and chief executive officer of the Bank of New York Mellon, who joined the bank and was appointed CEO in 2017, and chairman in 2018; and Mr. David M. Solomon, chairman and chief executive officer of Goldman Sachs, who has been at Goldman Sachs since 1999, becoming CEO in October 2018, and chairman in 2019.

Without objection, your written statements will be made a part of the record.

Before we begin, I would like to swear in the witnesses. Would the witnesses please stand and each raise your right hand? Do you solemnly swear or affirm that the testimony you will give before this committee in the matters now under consideration will be the truth, the whole truth, and nothing but the truth, so help you God? If you will respond by saying—thank you very much.

Let the record show that the witnesses answered in the affirmative.

Please be seated. Each of you will have 5 minutes to summarize your testimony. When you have 1 minute remaining, a yellow light will appear. At that time, I would ask you to wrap up your testimony so we can be respectful of both the witnesses' and the committee members' time.

Mr. Corbat, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF MICHAEL L. CORBAT, CEO, CITIGROUP

Mr. CORBAT. Chairwoman Waters, Ranking Member McHenry, and members of the committee, I would like to thank you for this opportunity today to talk about Citi's transformation since the financial crisis.

As it was for many Americans in many institutions, the crisis was a searing experience for our firm. We greatly appreciated the assistance from the U.S. taxpayers and were fortunate to be able to repay those debts with significant return for our taxpayers. And that experience has made it a mission for us to never be in that position again.

Since the crisis, Citi has become a smaller, safer, stronger, and far less complex institution. We have transformed our institution not just in terms of capital and balance sheet and earnings, but also in terms of control, risk, audit, and compliance.

We also renewed our commitment to the communities that we serve. We have gone back to our roots today as a bank. And we have two primary lines of business: our consumer bank; and our institutional clients group. We are not a financial supermarket, we are not an insurance company, and we are not a hedge fund.

As the most global of the banks here today, Citi is rightly scaled to serve its clients, many of them U.S. multinational corporations, wherever they do business. Whether it is Ford, Proctor & Gamble, Colgate, or the United States Government, our global network provides our clients with an American institution to help them compete in a rapidly changing world rather than having to rely on a mix of foreign banks.

And while we take pride in our work with some of America's best-known companies, we also invest in small business. And last year, we lent them $12 billion.

To some extent, our restructuring was the easy part. And as we have learned, rebuilding trust is much harder than rebuilding your balance sheet.

That is why we have invested in our culture and made ethics the foundation of our firm. In fact, in 2014, our board of directors became the first to establish an ethics and culture committee. And while we have had issues to overcome since the crisis, we have continued to make steady progress at strengthening our culture.

We have also focused on building a truly diverse and inclusive culture at Citi. We have made our representation goals public, and we have been very transparent about our gender pay gap.

One of our strengths is putting our balance sheet to work to improve the communities we serve across the country in tangible ways. Last year, we catalyzed more than $26 billion in infrastructure investment, including housing and community development projects. We often do this when smaller financial firms don't have the resources to tackle those difficult problems.

This includes financing the new MLK Hospital in South Central Los Angeles, and helping the City of Detroit rebuild its street lighting grid. We are especially proud of our role as the country's leading affordable housing lender, a title that we have held for 9 straight years.

In 2018 alone, we provided $6 billion to finance more than 36,000 affordable housing units. We financed the renovation of the New England Home for Veterans in Boston. And we have helped restore the Ocean Bay Apartments in Far Rockaway, New York, a public housing complex which was severely damaged by Superstorm Sandy.

We are also acutely aware of the challenges that the approximately 25 percent of Americans who are unbanked or underbanked face, and we have been a leader in financial inclusion.

In 2014, Citibank launched the Access Account, an account which has low or avoidable monthly charges, no overdraft fees, and is one of our fastest growing products. And we now provide the 440,000 customers of 25 minority-owned banks, community banks, and credit unions with cost-free access to our ATMs.

Thank you again for the opportunity to speak with the committee about the progress we have made as a company. And I look forward to your questions.

[The prepared statement of Mr. Corbat can be found on page 116 of the appendix.]

Chairwoman WATERS. Thank you, Mr. Corbat.

Mr. Dimon, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF JAMIE DIMON, CHAIRMAN & CEO, JPMORGAN CHASE & CO.

Mr. DIMON. Chairwoman Waters, Ranking Member McHenry, and distinguished members of the committee, we work every day to earn the trust and confidence of our customers in the communities we serve. It is essential to how we run a healthy and vibrant company.

But we never lose sight—or we will never lose sight of the lessons learned. Post-crisis reforms have addressed key concerns.

During the 2008 financial crisis, the U.S. Government took extraordinary and unprecedented actions to stabilize the system, and we all owe a debt of gratitude to the policymakers who stepped in on behalf of Americans.

We are proud of what we did to help. With markets in complete turmoil, we were able to lend to California, New Jersey, and Illinois, and additionally loaned or raised for our clients $1.3 trillion at consistent and fair rates, in many cases far below what the market would have allowed.

And we provided more than $100 billion to local governments, municipalities, schools, hospitals, and not-for-profits over the course of 2009.

At the request of the United States Government, and in an effort to stabilize the system, we bought the collapsed Bear Stearns and later purchased the severely distressed Washington Mutual. JPMorgan was there for our clients and customers through good times and bad. We didn't cut and run. And I want to pause for a moment to thank the 250,000 employees of JPMorgan Chase for their extraordinary efforts during these difficult circumstances.

Since the crisis, reforms have made banks much safer and sounder in three important areas: capital; liquidity; and resolution recovery. Large banks almost doubled the highest quality capital to protect against losses. Under the Fed's most extreme stress-testing scenario, the combined losses of all 34 banks was only 6 percent of total capital.

Large banks have tripled their liquid assets to protect against unexpected cash flows, and resolution planning has created a credible framework for unwinding a large bank. Lehman simply would not happen again. Legislators and regulators deserve credit for putting these basic rules in place.

We all now must look forward for emerging threats to the stability of our system. Unregulated non-bank mortgage and leveraged lending is growing rapidly and needs to be monitored. We need to spend more time on critical issues like AML, BSA, cyber, privacy and global competitiveness.

At JPMorgan, we relentlessly invest in our businesses, our people, and the communities in which we operate. In the United States, we have raised wages and expanded benefits for 22,000 entry-level employees, to $16.50 to $18.00 per hour. We subsidize more than 90 percent of the medical plan costs for employees making less than $60,000 a year.

In 2016, we introduced Advancing Black Leaders and an expanded diversity strategy focused on increased hiring, retention, and development of talent within the black community. Within the last 2 years, our company has increased the number of senior black executives by 40 to 50 percent, and last month, JPMorgan unveiled our Advancing Black Pathways initiative and brought our Entrepreneurs of Color Fund model to greater Washington, D.C., among others.

At the local level, in more than 30 cities we have sat down with diverse groups to identify ways to meaningfully address issues, skills, investment, and how to collectively help the people of communities. JPMorgan Chase's $150 million investment in Detroit was generated by a meeting between myself and Lee Saunders, a leader of the labor movement. This has led us to develop an investment model, now known as AdvancingCities, to help more people move up the economic ladder, and it is working.

America is still the most prosperous nation in the world. We are blessed with natural gifts of land and all the food, water, and energy we need. We have the most dynamic economy in the world, with vibrant businesses large and small, exceptional universities, and unparalleled innovation.

However, there are too many people who are not sharing in the prosperity. There are urgent priorities that are holding us back. Our education system is driving inequality and lack of opportunity. Inner-city school graduates—often less than 60 percent graduate. Our healthcare costs now represent almost 20 percent of GDP.

The U.S. no longer ranks in the top 20 of infrastructure spending in the world, and there are many other issues that must be addressed. Government and business can work together to solve these problems, and if we don't, our moral, economic, and military dominance will cease to exist.

While I have a deep and abiding faith in the United States of America and its extraordinary resiliency and capabilities, we do not have a divine right to success. The oversight and work of this committee is a critical responsibility, and I will respond to any questions you have. Thank you.

[The prepared statement of Mr. Dimon can be found on page 122 of the appendix.]

Chairwoman WATERS. Thank you, Mr. Dimon.

Mr. Gorman, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF JAMES P. GORMAN, CHAIRMAN & CEO, MORGAN STANLEY

Mr. GORMAN. Thank you, Chairwoman Waters, Ranking Member McHenry, and members of the committee. Thank you for having me here today.

This committee has an important responsibility to our nation to ensure we have a regulatory framework for the financial system that focuses on maintaining the safety and soundness of our financial institutions. I share your commitment to this goal.

The financial crisis in 2008 was devastating to our country, and unquestionably the most significant event in Morgan Stanley's 84-year history. As a result, our management and board of directors has spent the better part of the past decade working hard to ensure that our firm never experiences what we went through then. We also acknowledge that had it not been for the support of this Congress and the U.S. taxpayers, we as a firm may not have survived.

Ten years ago, we embarked upon a very aggressive plan to remodel Morgan Stanley to ensure its stability in the harshest of times and its ongoing financial strength to support our clients, our employees, our shareholders, and our communities. We made these business changes at the same time that Congress designated a new regulatory architecture through the Dodd-Frank legislation, which included stress testing, known as CCAR, resolution planning, and the living will process, among other changes.

On the whole, we have embraced these regulatory changes, and the United States financial system, and Morgan Stanley in particular, is stronger as a result.

With the strategic transformation of our business, we are safer, sounder, and more resilient than we were before the financial crisis. Our capital has increased every year, rising from $34 billion in 2006 to $72 billion at last year-end. We have increased our liquidity from less than $50 billion to approximately $250 billion, while at the same time shrinking our balance sheet and our leverage.

However, a sound strategy is just the beginning. Employees acting with the right values and managing risk appropriately will ultimately drive the ongoing strength of our firm. Our current focus is to make sure all 60,000 employees operate with the right values—a sense of responsibility and professionalism, which is what ultimately drives our culture. Our employees are deeply committed to that mission.

We further believe a diverse employee base and leadership pipeline are critical to delivering the best of the firm to our clients. We recognize that we have significant work to do to achieve our diversity goals, and it requires efforts at every level of the firm in order to deliver results over the long term. We have numerous initiatives aimed at providing our employees opportunities for leadership roles and empowering them to achieve the visibility and recognition they deserve.

Our employees have a strong commitment to supporting the needs of our clients, while at the same time giving back to the communities where they live and work. As an example, we have supported the Morgan Stanley Children's Hospital since 1973, and our employees regularly give of their time and resources to volunteer organizations across this country and the globe.

At Morgan Stanley, we serve the schools and hospitals in our communities, we advise individual families, and we help finance institutions, governments, local and global corporations. We help them raise capital and manage their own financial positions so they, too, remain stable and can grow and provide employment opportunities for many others. This focus on executing a clear strategy, ensuring sound financial footing, and living a culture committed to the right values is at the heart of what Morgan Stanley is today.

Thank you, Chairwoman Waters, Ranking Member McHenry, and members of the committee. I look forward to your questions.

[The prepared statement of Mr. Gorman can be found on page 129 of the appendix.]

Chairwoman WATERS. Thank you, Mr. Gorman.

Mr. Moynihan, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF BRIAN MOYNIHAN, CHAIRMAN & CEO, BANK OF AMERICA

Mr. MOYNIHAN. Chairwoman Waters, Ranking Member McHenry, you asked us to reflect on our company over the 10 years since the financial crisis.

I became CEO on January 1, 2010, and early on, I made 2 broad points. First, I acknowledged the damage done by decisions in the company and in our industry made pre-crisis and that we needed to transform our industry and our company.

Second, I expressed support for the impending work that Congress and regulators would do to address reforms. So 10 years later, through the Dodd-Frank Act and its attendant regulations, and importantly, what we have done to clean up and transform our company, the industry and Bank of America are better prepared for whatever the future may bring.

In 2010, we put together a team committed to change our company. We had three areas of simultaneous focus. First, we had to clean up the mess from my predecessor's 2008 acquisition of Countrywide. Second, we transformed and simplified the company. We made these changes ultimately in line with Dodd-Frank. Third, we created a straightforward model to serve clients, manage risk well, and focus on stability, transparency, and fairness.

To clean up Countrywide, we dedicated 50,000 teammates who helped 2 million customers through modifications and other alternatives to foreclosure. We also settled many lawsuits. That was largely done by 2015.

To simplify the company, we divested or closed down more than 80 operating units and other activities. We also shrank—our balance sheet is 20 percent smaller than it was before the crisis. We added $100 billion more in capital, and $300 billion more in liquidity. During these fixes, we also increased our core lending. Today, we have outstanding 35 percent more loans to consumers, small businesses, and middle-market companies.

We also recommitted to our purpose—to serve our clients to help make their financial lives better. We do that through responsible growth. It has four tenets. First, we have to grow to be successful. Second, we have to be customer-focused. This focus has led to all-time high customer service scores in our company. Along the way, we had to make some policy decisions that would help. For example, we ended overdraft at the point of sale for debit card transactions in 2010.

We also focused on small businesses. For example, in 2018 alone, we originated over $8 billion in small business loans.

The third tenet of responsible growth is to grow within our risk parameters. First off, that requires a strong, engaged board of directors that set a clear risk appetite. Couple that with an independent risk function of size and scale to govern our company. And then it takes a culture of teammates, 200,000 strong, inspired to live our purpose and do it the right way.

So today, we have record earnings. And we produce those earnings with lower risk. Our market risk is 30 percent lower. Our credit risk is at all-time lows and continues to get better.

And finally, responsible growth has to be sustainable. That has three elements. We have to drive operational excellence, share our success with our communities, and be the best place to work for our team.

Operational excellence allows us to invest, whether it is the $3 billion we invest in technology every year, or increasing our branches to cover 90 percent of the U.S. population over the next 3 years, by adding 350 financial centers and 5,000 jobs.

Second, we share our success with our communities through our environmental, social, and governance priorities. Examples include: our 10-year, $300 billion environmental business initiative for a clean renewable energy future; our corporate charity, which now exceeds $250 million a year; our employees who volunteer 2 million hours in our communities every year; and our $4.7 billion last year in community development lending supporting affordable housing and other community priorities.

And as to governance, our diverse independent board of directors brings a range of skills and background, with 44 percent composition of women and people of color.

We also have to be a great place to work. And what does that mean? In February of 2017, we raised our starting wage to $15 an hour. It has gone up since. It will rise to $20 an hour over the next 2 years.

Given the tax reform of 2017, we awarded not one but two special bonuses of cash and stock to our teammates for all but the top 5 percent—190,000 teammates received over $1 billion in additional compensation.

Last year, we hired more than 27,000 teammates, including 4,000 from colleges. We have a plan to hire 10,000 teammates from our LMI neighborhoods, and we are well ahead of the pace in that plan.

We have a diverse and inclusive team. More than half of our global workforce and more than 40 percent of our managers are women. People of color make up 45 percent of our U.S. workforce and 37 percent of our managers.

We also provide great cost-effective health benefits, with graduated costs for all teammates. For example, we reduced by half the employee-paid portion of health benefits 8 years ago for our lower compensated teammates. It has not increased a dollar since that time.

With our presence and scale comes a responsibility for safety, for soundness, and a responsibility that we be fair, accessible, and safe in serving our clients. We are a great place to work for our teammates, with a responsibility that we serve our communities. We call that responsible growth, and we are committed to that. Thank you.

Chairwoman WATERS. Thank you. Will audience members please refrain from making any comments in the committee? Order, order. The chairwoman is responsible, under the Rules of the House and the Rules of the Committee, to maintain order and preserve decorum in the room. Members of the audience are reminded that disruption— [Disturbance in hearing room.]

Would you please remove this gentleman from my committee? Come on, officers. I don't have a lot of time. Get him out of here. I was nice to him.

Thank you, Mr. Moynihan.

[The prepared statement of Mr. Moynihan can be found on page 143 of the appendix.]

Chairwoman WATERS. Mr. O'Hanley, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF RONALD P. O'HANLEY, PRESIDENT & CEO, THE STATE STREET CORPORATION

Mr. O'HANLEY. Chairwoman Waters, Ranking Member McHenry, and members of the committee, thank you for inviting me to testify today. Your work is important to the country.

I was honored to be entrusted to become State Street CEO on January 1st of this year. State Street has been headquartered in Boston, Massachusetts, since 1792, and today has two main lines of business: investment servicing; and investment management.

Our clients are large global institutional investors such as pension funds, mutual funds, central banks, sovereign wealth funds, endowments and foundations, and insurance companies. We operate in 29 countries with over 40,000 employees, 16,000 of them in the United States. Last year, more than 40 percent of our revenues came from outside the United States.

Our purpose is to create better outcomes for the world's investors and the people they serve. Unlike many other major banks, State Street does not serve retail customers directly with traditional commercial or retail banking, or provide services like mortgages, credit cards, or other consumer credit. We also do not engage in investment banking activities.

Still, we never lose sight of the people we are ultimately helping: those saving for retirement, a house or a college education; researchers trying to find answers to society's biggest challenges; or governments looking to build or improve their country's infrastructure.

Our servicing business includes keeping track of investments, often referred to as back office operations. We play an important role in the overall infrastructure of financial markets, for example, the safekeeping and custody of assets.

We also provide those same institutional investors related services, such as foreign exchange, brokerage, and other agency trading services, securities finance, and deposit and short-term investment facilities.

Within our investment management business, we provide pension funds and other institutional investors with a full range of investment strategies, including index-based and exchange traded funds.

More than 10 years after the financial crisis, I believe the financial system in the United States is safer and more resilient. This is largely due to strengthened regulations and greater transparency overall. And it is also due to the bold action taken by the Congress to stabilize the financial system, for which I and State Street are very grateful.

In 2011, State Street was designated as one of the eight U.S. global systemically important banks by the Financial Stability Board, because of our role in the financial infrastructure that I described earlier. As a G-SIB, we are subject to the highest levels of supervision regulation, and we take our compliance responsibilities very seriously.

Since the crisis, our capital and holdings of high-quality liquid assets have more than doubled. And we have been subject to the Federal Reserve Board's most stringent stress-testing and resolution and recovery regimes.

Along with the rest of the industry, I believe that State Street has learned a number of important lessons from the financial crisis. One of the most important of them was the need to strengthen our top-down risk management systems so that we have better transparency around enterprise-wide risks. We now have stronger independent control functions and higher quality risk analytics.

The crisis also cast a bright light on the dangers of groupthink in corporate leadership. That is one of the reasons why our asset management business stepped up its focus on board quality and diversity, to promote better business and investment outcomes.

Many of you may be aware of the Fearless Girl statue we placed near Wall Street to emphasize the importance of diversity on boards and in senior management.

The crisis also exemplified the risks of short-term incentives at the expense of long-term value creation. As investors and as a business, State Street has been advocating for a greater focus on the long term.

That includes asking ourselves and the boards of the companies in which we are long-term investors whether environmental, social, and governance risks have been considered. However, we know that we need to do more as an industry to regain trust following the crisis.

We also know that State Street can only be as successful as the larger society in which it operates. And we are committed to engaging on those issues that will generate shared value for all of our stakeholders, including our shareholders, our employees, our clients, and our communities.

Thank you, again, for providing me the opportunity to testify today, and I am pleased to answer any questions from the committee.

[The prepared statement of Mr. O'Hanley can be found on page 160 of the appendix.]

Chairwoman WATERS. Thank you, Mr. O'Hanley.

Mr. Scharf, you are now recognized for 5 minutes to present your testimony.

STATEMENT OF CHARLES W. SCHARF, CHAIRMAN & CEO, THE BANK OF NEW YORK MELLON CORPORATION

Mr. SCHARF. Chairwoman Waters, Ranking Member McHenry, members of the committee, good morning, and thank you for the opportunity to be here today. I appreciate this committee's focus on accountability. I work hard to create a culture of accountability and compliance at BNY Mellon to ensure we are the best we can be.

I would like to provide a bit of background about the bank and our business model before speaking to the financial crisis and the advancements we have made over the last decade. In 2007, the Bank of New York merged with Mellon Financial to create BNY Mellon, and today, we are the longest running bank in America and a leader in the provision of global custody services.

We operate in more than 35 countries with over 50,000 employees. We provide investment services and infrastructure support for financial markets that help institutions and individuals succeed in markets all over the world.

At BNY Mellon, we are primarily a custody bank, and in that capacity, we perform the nuts and bolts administrative functions of the financial system. We are not engaged in retail banking, nor do we provide financial products such as credit cards and auto loans.

We operate instead as a processing company and a record keeper, helping market participants around the world. Our businesses include providing custody and other financial operational services to government entities, pensions, municipal and mutual funds, unions, endowments, corporations, and other institutional customers.

These are simple, straightforward, but important services, and we take our responsibilities to our customers and our commitment to financial stability very seriously. Our specialized role in the global financial system and our position as a leading U.S. financial institution allows our clients and the U.S. Government to benefit from our unique vantage point.

We work constructively with all stakeholders, including our regulators and U.S. policymakers, to provide transparency into global asset flows and the state of financial markets. Looking back at the financial crisis, BNY Mellon understood then and it understands now the gravity of the situation our economy faced.

Though BNY Mellon's capital position remained strong throughout the crisis, we believe the capital investments and other efforts undertaken by Congress, Treasury, and the Federal Reserve greatly helped stabilize markets and allowed us to do more than we otherwise could have to help support and improve U.S. financial markets at that time.

We believe that the global financial system is stronger today because of the significant regulatory reforms that have been implemented since the financial crisis, but we also believe that we should continually re-examine and re-calibrate our financial regulations to reflect emerging risks.

I can say with confidence that BNY Mellon is an even more resilient organization today than it was a decade ago. Our bank is financially sound, and we work each day to make sure that continues. We have simplified our operations and enhanced our compliance and ethics processes.

We are constantly investing in our controls and risks systems, and we regularly assess and upgrade our cybersecurity infrastructure to meet the challenges posed by new and evolving threats. While we don't have direct contact with individual consumers, we are committed to supporting our communities through our work with unions, retirees, and community partners.

We also invest in our employees, who are our most important asset, and we are proud of our diverse workforce's ability to deliver creative insights and solutions that lead to our continued success. We believe deeply that diversity, at all levels, makes us stronger and contributes to our success.

Likewise, we understand the importance of serving our community. We are proud to be an important part of the history and future of New York and Pennsylvania, and we are continually making significant local investments.

We believe it is important that those investments support all members of our community, whether it be our educational and small business efforts in Pittsburgh, or financing and supporting the construction and preservation of approximately 5,700 affordable housing units in New York City.

We recognize that we play an important role in the nation's financial systems, and we do not take that responsibility lightly. We remain committed to retaining your trust, as well as that of our regulators and the American public.

Again, thank you for the opportunity to testify today. I look forward to answering your questions.

[The prepared statement of Mr. Scharf can be found on page 168 of the appendix.]

Chairwoman WATERS. Thank you, Mr. Scharf.

And Mr. Solomon, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF DAVID M. SOLOMON, CHAIRMAN & CEO, GOLDMAN SACHS

Mr. SOLOMON. Chairwoman Waters, Ranking Member McHenry, and members of the committee, I appreciate the opportunity to discuss with you the changes our firm and the industry have put in place in the 10 years since the financial crisis.

I appreciate this committee's focus on accountability. As the new chairman and CEO of Goldman Sachs, on behalf of the 36,000 employees of the firm, I am proud to tell you we just celebrated our 150th anniversary.

Our clients from around the world range from pension funds and retirement funds, endowments, foundations, large and small businesses, State and local governments, start-ups and individuals, and what remains true today is that our employees work every day to provide these clients with best-in-class service and to work hard to earn their trust.

Today, the U.S. financial system is substantially safer and more resilient. Financial institutions hold significantly more capital and they have materially reduced their leverage and their holdings into liquid assets. Since the end of 2007, Goldman Sachs equity has more than doubled, our leverage has decreased by more than 60 percent, and our liquidity has more than tripled.

We are confident that we can withstand very substantial market shocks, and the Federal Reserve's rigorous stress test affirms that. Dodd-Frank has made the system safer and we have made important progress in adapting to that regulatory environment.

However, after 10 years of experience, it seems appropriate to assess whether improvements can be made to avoid duplication, inconsistency, and undue costs, in particular on our customers and our clients.

In addition to the Dodd-Frank reforms, we have made a number of important enhancements that relate to our business at Goldman Sachs. We undertook a 3-year review of the firm's business standards and practices, the most extensive review in the firm's history, and implemented a number of important recommendations, ranging from conflicts of interest to transparency and disclosure.

The changes we made are part of a much longer, much larger ongoing commitment by our firm to be more self aware, open to change, and to learn the right lessons from experience. We know that we will inevitably make mistakes, but we commit to learn from them and respond in a way that meets the high expectations of our clients and our customers, shareholders, employees, regulators, Congress, as well as the broader public.

As it relates to our business strategy since the crisis, Goldman Sachs has recently entered the consumer finance market. In 2016, we launched our digital consumer platform called Marcus. In designing Marcus, we spoke with more than 10,000 people across the country to understand their banking needs.

As a result, we value simplicity and transparency, and these are at the core of our consumer products. Marcus is evolving into a suite of products and services that can help millions of people save, borrow, and spend. We offer online savings accounts and certificates of deposit and we currently have a savings account rate of 2.25 percent with no monthly fees, no transaction fees, and no overdraft fees.

We also provide customizable, no fee, fixed-rate personal loans, which are generally used to consolidate higher interest rate debt, or as an alternative to credit cards or other higher rate debt.

One central issue to our broader ability to compete is diversity, and I am motivated personally to make real, lasting change to improve the diversity of Goldman Sachs. We are committed to long-term goals and to increasing the representation of diverse communities across all levels of our firm, and we hold managers accountable in advancing these goals.

Lastly, I believe we have built a highly impactful set of programs that have created opportunities for thousands of women entrepreneurs and small businesses. In the last 10 years, we have committed more than $2.5 billion to initiatives that provide more access to capital, training, and broader community support.

Through our 10,000 small business initiative, we provide education by partnering with community colleges, business support services, and greater access to capital to thousands of small businesses across all 50 States, Puerto Rico, and the District of Columbia.

I am particularly proud that Goldman Sachs is one of the largest private contributors to community colleges in the United States. Since 2001, we have also committed approximately $7.8 billion to our Urban Investment Group to benefit low- to moderate-income communities.

Approximately 80 percent of the Urban Investment Group's investments are located in or serve minority communities, and last year we announced Launch with GS, a $500 million initiative to invest in women-led companies and investment managers, which we will expand to include businesses founded, owned, or led by people of color.

Looking ahead, we see tremendous opportunities to deploy our investing capital and expertise around core themes that define our country's success and progress, including the environment, health care, education, infrastructure, and many other areas.

Thank you for the privilege of being here today. I am happy to answer any questions that you have.

[The prepared statement of Mr. Solomon can be found on page 175 of the appendix.]

Chairwoman WATERS. Thank you very much.

Before I begin my questions, I would like to take a moment to recognize a very special guest in the audience, Reverend Jesse Jackson, founder and president of the Rainbow PUSH Coalition, who has been involved in fighting for access to capital, small business loans, and community development.

Reverend Jackson?

[Applause.]

Thank you very much.

Let me begin—and I am going to take 5 minutes for questioning. Much has been reported about how Deutsche Bank has been a pathway for criminals, kleptocrats, and allies of Mr. Putin, to move illicit funds out of Russia, but recent information shows that some of your institutions have also been providing services for Russian individuals or entities that may be engaging in questionable transactions.

In particular, I would like to ask Bank of America, Citibank, JPMorgan, and Morgan Stanley to answer the following question: Has your respective bank conducted any reviews to identify and assess Russian-related accounts?

Bank of America? Mr. Moynihan?

Mr. MOYNIHAN. Yes, Chairwoman Waters, we obviously comply with all sanctions as required by law and the Federal Government, and so we review that on a constant basis, whether it is Russian accounts or not.

Chairwoman WATERS. Thank you very much. If so, did you identify any suspicious accounts or transactions?

Mr. MOYNIHAN. Not to my knowledge, but we do regularly investigate all accounts.

Chairwoman WATERS. So you have no reason to have taken any actions as a result of your findings, is that right?

Mr. MOYNIHAN. Not that I am aware of.

Chairwoman WATERS. Thank you. Let me ask Citibank next?

Mr. CORBAT. Thank you, Madam Chairwoman. We take our responsibilities around AML very seriously—

Chairwoman WATERS. Yes. But has your respective bank conducted any reviews to identify and assess Russian-related accounts?

Mr. CORBAT. We have conducted thorough investigations and can't comment on an ongoing investigation—

Chairwoman WATERS. Okay. So did you identify—you are saying that as a result of your investigation, you did identify, maybe, some suspicious accounts or transactions?

Mr. CORBAT. I can't comment on an ongoing—

Chairwoman WATERS. You can't comment on that. So you have not taken any action as a result of your findings because you can't comment, is that right?

Mr. CORBAT. We take it very seriously and we are always—

Chairwoman WATERS. Okay, Morgan Stanley, what about you? Has your respective bank conducted any reviews to identify and assess Russian-related accounts?

Mr. GORMAN. We conduct regular reviews consistent with U.S. sanctions.

Chairwoman WATERS. Very good. Did you identify any suspicious accounts or transactions?

Mr. GORMAN. Not to my knowledge, Chairwoman Waters.

Chairwoman WATERS. And so you have not taken any action, is that right?

Mr. GORMAN. That is correct.

Chairwoman WATERS. Thank you very much. Mr. Corbat, you mentioned that you had downsized somewhat, you have eliminated some business lines. Have you determined that that helped to make management easier in your bank?

Mr. CORBAT. In our bank, we have downsized considerably since the financial—

Chairwoman WATERS. How many business lines did you downsize?

Mr. CORBAT. Seventy.

Chairwoman WATERS. And has it made management easier?

Mr. CORBAT. Yes, it has.

Chairwoman WATERS. Mr. Dimon, what about you? Have you eliminated any business lines?

Mr. DIMON. We, every year, look at all of what we call hobbies and small businesses and things that cause problems and close them down, so the answer is yes.

Chairwoman WATERS. How many business lines have you eliminated?

Mr. DIMON. If I remember correctly, 17.

Chairwoman WATERS. Has it made management better?

Mr. DIMON. Sure.

Chairwoman WATERS. Thank you. What about you, Mr. Gorman?

Mr. GORMAN. Yes, we have downsized a number of different businesses.

Chairwoman WATERS. Has it made management better?

Mr. GORMAN. It certainly makes it organized—

Chairwoman WATERS. Thank you. Mr. Moynihan, have you downsized any business lines and stuck to your core business?

Mr. MOYNIHAN. Yes, we have, as I said in my opening statement—

Chairwoman WATERS. Has it made management easier and better?

Mr. MOYNIHAN. It has made it more focused, yes.

Chairwoman WATERS. Thank you. Mr. O'Hanley, what about you?

Mr. O'HANLEY. Yes, we have.

Chairwoman WATERS. Has it made management better?

Mr. O'HANLEY. Yes, it has.

Chairwoman WATERS. Mr. Scharf, what about you?

Mr. SCHARF. I am not aware of that.

Chairwoman WATERS. You are not aware of what is happening in your bank?

Mr. SCHARF. I am not aware that we have downsized or eliminated businesses.

Chairwoman WATERS. So you have not reviewed, and you don't know, is this something you think you need to take a look at?

Mr. SCHARF. Chairwoman Waters, I have reviewed the businesses that we are in and I don't think that we should be eliminating businesses that we are in, and to the best of my knowledge, we didn't exit businesses since the crisis.

Chairwoman WATERS. Mr. Solomon? I can't hear you.

Mr. SOLOMON. I apologize. We have eliminated a handful of businesses since the crisis.

Chairwoman WATERS. Thank you. Today, there are more than 44 million Americans who owe—this is the student loan crisis—$1.56 trillion in student loan debt. Last month, this committee received testimony that last year, one million student loan borrowers defaulted, which is on top of the one million borrowers who defaulted the year before.

What are you guys doing to help us with this student loan debt? Who would like to answer first? Mr. Moynihan?

Mr. MOYNIHAN. We stopped making student loans in 2007.

Chairwoman WATERS. Oh, so you don't do it anymore. Mr. Corbat?

Mr. CORBAT. We exited student lending in 2010.

Chairwoman WATERS. Mr. Dimon?

Mr. DIMON. When the government took over student lending in 2010 or so, we stopped doing all student lending.

Chairwoman WATERS. Thank you. What about small business? You mentioned that you were making loans to small businesses. Small business operators can't walk into your bank and get accounts. You kind of shoved that off to community development organizations.

Who can say that you have made an important business line lending to small businesses?

Mr. MOYNIHAN. Chairwoman Waters, as I said earlier, we made $8 billion in loans up to $100 million size last year, and we have operating accounts for about 9 million small businesses.

Chairwoman WATERS. Thank you. My time is up.

The gentleman from North Carolina, Ranking Member McHenry, is recognized for 5 minutes.

Mr. MCHENRY. Well, about that, small business lending, Mr. Moynihan, does Bank of America lend to small businesses?

Mr. MOYNIHAN. As I said, we made $8 billion in new small business—

Mr. MCHENRY. The answer is yes or no.

Mr. MOYNIHAN. Yes.

Mr. MCHENRY. You lend to small businesses. Mr. Corbat, do you lend to small businesses?

Mr. CORBAT. Yes, we do, we—

Mr. MCHENRY. Mr. Dimon, do you lend to small businesses?

Mr. DIMON. We do business with 4 million small businesses.

Mr. MCHENRY. All right, fantastic.

So let me get back to systemic risk here. Let's get back to this fundamental question. We see what is happening in China's slowing pace of the Chinese economy. We see the slowing pace of the E.U. economy, and we see the debate going on between the U.K. and the E.U. in their relationship and the potential of a no-deal Brexit on Friday.

So let's talk about systemic risk, and I just want to ask the panel—and I hate to do this, but there are seven of you. Just simple, you can give me an affirmative or a negative, however you see fit. But in the event of a hard Brexit, a no-deal Brexit on Friday, does that pose a challenge to the international financial system?

Mr. CORBAT. A challenge, but we don't see systemic risk.

Mr. MCHENRY. You don't see systemic risk, but a challenge, right? Distinction?

Mr. DIMON. It is a challenge. We are prepared for it, but we don't know all of the potential outcomes from it.

Mr. GORMAN. I would agree with my colleagues. I think it is a challenge, but it is certainly not—rises to systemic.

Mr. MOYNIHAN. I would agree. It is a challenge. We spent—the industry spent a lot of time preparing for it, and I also agree that it is not entirely certain exactly what will happen, but it is a challenge.

Mr. O'HANLEY. We have spent a great deal of time preparing for it on our own behalf and for our clients. I think it will be a challenge for the world economy.

Mr. SCHARF. I also believe it will be a challenge. I think we and our clients are prepared for it, but I don't believe we understand all of the potential ramifications.

Mr. SOLOMON. I believe it will be a challenge. We have spent a lot of time preparing for ourselves and our clients, but I think it is hard to see some of the second or third derivative risks that could come out of that outcome.

Mr. MCHENRY. Okay. So according to your public filings, Mr. Corbat and Mr. Scharf, your two institutions have the greatest exposure to the U.K. of any institution on the panel, so let me ask you this question—do you have contingency plans for a no-deal Brexit on Friday?

Mr. CORBAT. Since Article 50 was filed, we have prepared with a mindset and an eye towards a hard exit. So, yes, we have plans in place.

Mr. SCHARF. We also have been planning for a hard Brexit.

Mr. MCHENRY. Okay, so in light of that, what is the nature of your plans? Mr. Corbat?

Mr. CORBAT. We have relocated our bank out of the U.K. to Ireland, which passports, and so it is fully compliant with E.U. banking. We have moved our broker-dealer, or a portion of our broker-dealer from the U.K. to Germany, to Frankfurt, and it is licensed and it is operational, and we have moved the necessary people—front office, middle office and back office—to support those.

Mr. McHENRY. And has this taken a portion of your time over the last 3 years for this contingency planning?

Mr. CORBAT. It certainly has.

Mr. McHENRY. Okay. And it is an important issue for you.

Mr. CORBAT. It is.

Mr. McHENRY. Okay.

Mr. Scharf?

Mr. SCHARF. We have a bank that is headquartered in Belgium, and we have moved a series of the activities of the company from the U.K. to Belgium. We also have built up control functions and moved individuals onto the continent and away from the United Kingdom. Probably most importantly, we have worked very closely with our clients on moving their transactions into different entities and all of the required paperwork that goes along with that.

Mr. McHENRY. Okay, and so let me segue to China, another issue of systemic risk for the Federal Reserve, in the latest disclosure of their meeting minutes. Along those lines, Mr. Solomon, your institution recently divested or sold off your investment, the Commercial Bank of China. Previously, Mr. Moynihan, Bank of America had investments along the same lines in China, I believe, prior to your ascent to CEO and chairman of your organization.

So in light of that, Mr. Solomon, is this an eye towards the challenges of the Chinese economy, or was this about simplifying your business? Was this about systemic risk, or the regulation of Chinese banks, the intervention of Chinese banks?

Mr. SOLOMON. We had made that investment years ago—at the time, that bank was going public in the international markets, in partnership with them. It was a financial investment, and there came a point in time when the financial investment had seasoned, and so we sold it. It wasn't related to the broader issues of the economic relationship between the U.S. and China.

Mr. McHENRY. All right, thank you all for your testimony. I think systemic risk is an important discussion and topic today, as well as overall regulation.

I yield back.

Chairwoman WATERS. Thank you very much.

The gentlewoman from New York, Ms. Maloney, who is the Chair of our Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets, is recognized for 5 minutes.

Mrs. MALONEY. Welcome.

After the Parkland shooting last year, where a lone gunman killed 17 students and staff with a military-style semiautomatic rifle, two of the banks on this panel, Citibank and Bank of America, stepped up to the plate and adopted formal policies limiting their business with certain gun industry clients, and I want to publicly thank them.

Now, Mr. Dimon, last week you published your letter to shareholders. In the section on responsible banking, you wrote the paragraph that is up on the screen right now. You said that turning down clients with low character is "often the only way to be a responsible bank."

Well, actions speak louder than words on guns, Mr. Dimon, and from what I can tell, these are just words to you. Let's talk about some of the actions on your bank's activities. Even after the horrific massacres at Sandy Hook, Las Vegas, and Parkland, JPMorgan has arranged about $273 million of loans for the manufacturers of military-style firearms, the same weapons that are being used in mass shootings all over our country.

Even worse, last year JPMorgan took partial ownership of Remington, the manufacturer of the exact gun that was used to kill 20 children in the Sandy Hook shooting, and JPMorgan has refused to adopt a policy to ensure responsible lending to the gun industry, even though you claim that client selection is important, and even though two of your competitors have already adopted these policies.

So my question is, will you live up to your own rhetoric? Will you commit to adopting a formal policy that ensures responsible lending in your bank's business with the gun industry?

Mr. DIMON. Everything we do with clients goes through a severe process of review, reputational risk, et cetera. We have very small relations with gun manufacturers. They are the same gun manufacturers who make military equipment for the United States military and for the United States police force, which we hold in the highest regard.

Regarding sellers of guns, there are over 100,000 retailers out there who sell guns. Every single one that we do business with, we do a thorough review. They are audited by the ATF, in spite of the fact, only 6 percent a year. They are regulated by State and Federal Government, and if we think they are doing something wrong, our Risk Committee stops doing business with them.

Mrs. MALONEY. Well, that is not what I was asking. I was asking you to adopt a formal policy for your bank on responsible business like your competitors have with the gun industry.

Mr. DIMON. We can certainly consider that, yes.

Mrs. MALONEY. Going on to the next question, in 2009, I passed the Credit Card Act, which the Consumer Financial Protection Bureau (CFPB) says has saved consumers $16 billion a year. And by the way, all of you on this panel opposed that legislation, even though it has not hurt your bottom line at all.

And now I am trying to do the same thing for overdraft, because unfair overdraft fees cost consumers $15 billion a year. So I was looking at CFPB's Consumer Complaint Database, and there are over 1,500 complaints about abusive overdraft fees.

A surprising number of your customers, Mr. Dimon, complained about Chase engaging in one of the worst overdraft practices, recording transactions so that the largest transaction, such as a rent payment, is processed first, which maximizes the number of overdraft fees you can charge the customer.

A typical complaint from one of your customers is up on the screen right now. My bill, the Overdraft Protection Act, would make this practice illegal because you are essentially gouging your most vulnerable clients, the ones who are living paycheck to paycheck.

So let me ask you, given that your bank clearly won't end this practice voluntarily, do you think it is time to simply prohibit these kinds of abusive overdraft practices by laws? That is what my bill would do, and I welcome your comments, Mr. Dimon and others, on overdraft.

Would you accept a law banning this practice? Would you support such a law?

Mr. DIMON. The overdraft policy as it stands today, which was changed, by the way, in 2009, is that the client has to opt in. They are given a choice on opening the account, about whether they want to have overdraft features or not. Remember, those overdrafts very often stop—

Mrs. MALONEY. What about reordering transactions?

Mr. DIMON. They often stop from paying far worse fees elsewhere.

Mrs. MALONEY. My time has expired. May I ask for a response in writing from the panelists who have retail business?

Chairwoman WATERS. The gentlewoman from Missouri, Ms. Wagner, is recognized for 5 minutes.

Mrs. WAGNER. Thank you, Madam Chairwoman.

And welcome to all of you. One of the questions that I always like to ask, when considering action or inaction as a Member of Congress, is how does this hearing, this bill, or this regulation create jobs and grow the economy in my district of St. Louis, Missouri, and across the nation? My constituents want good-paying jobs and opportunities for themselves and their children, their families.

Mr. Solomon, can you discuss how your institution supports access to capital for consumers to buy a home, start a business, or send their kids to college?

Mr. SOLOMON. Sure. We generally have not been a consumer bank, but we have just started a very, very small consumer business. At this point in time, we take deposits and we make small unsecured loans for consumers that amount from $3,500 to $40,000. But it is a very, very small business. We are not currently in the business where we make mortgages for consumers, but we might at some point in the future.

Mrs. WAGNER. Mr. Moynihan, could you answer that question? How are you helping my constituents get capital to buy homes and start a business and send their kids to college?

Mr. MOYNIHAN. Sure. We provide, obviously, mortgage loans to about 3 or 4 percent of the American population. We do it directly. Last year, that was $50 billion in mortgage loans.

But recently, we recognized that the time to save for a down payment has become longer under the current rules and regulations. So we built a $5 billion program to speed up the time, to help people who may not be advantaged by having parents or someone who could give them the money. It is down payment assistance. It is 3 percent down. And that goes on our balance sheet. Good credit quality. And we do programs like that.

And last year, we did $4.7 billion in low- and moderate-income affordable housing. Not only homes to own, but homes to rent and a good place to live, which we think—

Mrs. WAGNER. How much in low- and moderate-income housing?

Mr. MOYNIHAN. $4.7 billion last year. Since the crisis, probably $35 billion, $40 billion.

Mrs. WAGNER. Right. You all are not just banks that provide credit and loans. You are also providing hundreds of thousands of good-paying American jobs. Could we quickly go down the line? And I would ask each one of you—if you are able—to quickly answer, how many people do your institutions employ here in the United States of America?

We will start at the end here, Mr. Corbat, with you.

Mr. CORBAT. 67,000.

Mr. DIMON. Over 150,000.

Mr. GORMAN. I believe 45,000.

Mr. MOYNIHAN. In the U.S., 190,000—or 180,000.

Mr. O'HANLEY. 16,000 in the United States.

Mr. SCHARF. 26,000.

Mr. SOLOMON. A little less than 20,000 in the United States.

Mrs. WAGNER. Great. Thank you. Large financial institutions play an important role in the broader banking ecosystem.

Mr. Gorman—or anyone, actually, who can answer best—can you talk about your relationship with banks of other sizes, like community banks and regional banks? While I am sure you compete with other banks for some services, do you not also provide critical services to many of the smaller banks and institutions?

Mr. GORMAN. Yes, we do. We engage in a number of activities for them, whether it is raising capital, helping them manage their liquidity, providing various forms of financial advice, and being there as a participant in the markets, with other financial institutions.

A lot of the smaller financial institutions don't have the technology, some of the capability that the larger institutions are blessed to have, simply because of their scale.

Mrs. WAGNER. Anyone else? Mr. Corbat?

Mr. CORBAT. Yes. We provide financial services for banks of all shapes and sizes, community banks, regional banks, national banks. And every bank sitting at this table with me is a client of our bank.

Mrs. WAGNER. Very good point.

I also serve as the ranking member on our Diversity and Inclusion Subcommittee. Mr. Moynihan, who drives diversity and inclusion at Bank of America?

Mr. MOYNIHAN. I do. And the other management team members drive it.

Mrs. WAGNER. You know, it is interesting. Most people talk about diversity and inclusion as kind of an H.R. issue. Why is it important to you as a CEO, and to the business?

Mr. MOYNIHAN. We want to have a company that would be the best place to work. We want every teammate to come to us and simply be able to say, "No matter who I am when I come in the door, I can be all I want to be while I am here."

Mrs. WAGNER. Do you have pathways to more senior positions that are filled with qualified people who have successfully added diversity to your company?

Mr. MOYNIHAN. Sure. We are 50 percent women, 40-plus percent women managers. Just in the last 3 years, the top 3 layers in the company went from about 35 percent women to 45 percent women. In terms of people of color, we are 45 percent overall, people of color, and 37 percent people of color managers.

And we continue to watch that in every unit, in every business review. We are making progress to the goal of having our company reflect society at large. But importantly, we want to make sure that people can go from an entry job to our jobs. And that is what we are striving for.

Mrs. WAGNER. Great. Thank you very, very much. My time has expired.

I yield back, Madam Chairwoman.

Chairwoman WATERS. Thank you.

The gentlewoman from New York, Ms. Velazquez, is recognized for 5 minutes.

Ms. VELAZQUEZ. Thank you, Madam Chairwoman.

Mr. Corbat, the Citigroup board awarded you more than $24 million in compensation for 2018. According to the bank's 2019 proxy statement, the median compensation for employees at Citi was $49,766.

As a result, Citigroup has the dubious distinction of having the largest discrepancy between CEO compensation and median employee salary of any of the institutions present here today, a remarkable 486 to 1 ratio. Does this ratio seem fair to you? I cannot hear you, please.

Mr. CORBAT. Congresswoman, I don't think that is fair to me, to judge. I would say that I completely acknowledge that I am very fortunate. I started at our firm 36—

Ms. VELAZQUEZ. I am just asking if that seems fair to you, the ratio of the amount of money that you are making compared to the $49,000 that the average employee is making.

Mr. CORBAT. My compensation is decided by our board and voted on by our shareholders every—

Ms. VELAZQUEZ. Okay. I understand, you don't set your own salary. Few people do. But we do set salaries for the people who work underneath of us.

So if you are not happy with the pay ratio at your firm, there are two ways to correct it, because believe me, it doesn't look good. Lower your salary or raise the salary of others.

So let me ask you this question, if you were an employee and you saw your boss making $486 for every dollar you made, how would you feel about that situation?

Mr. CORBAT. I would be hopeful that there is opportunity to continue to advance within the firm.

Ms. VELAZQUEZ. Well, that's just unbelievable. And this is why people who live in a bubble or ivory towers cannot understand why there is so much anger out there, especially among students and millennials who graduate with student debt in one hand and a diploma in the other.

Mr. Dimon, last week in your annual letter to shareholders, you stated that, "Simply put, the social needs of far too many of our citizens are not being met." You also noted that, "Income inequality is getting worse."

However, in that same note to shareholders, you observe that Congressional Republicans' tax cut helped raise your bank's profits by $3.7 billion last year alone. In fact, it has been estimated by the FDIC that major banks made an additional $28.8 billion in profit last year through the Republicans' tax cut.

One reason so many financially struggling Americans like those referenced in your note view these cuts as unfair is that while the individual tax cuts expire, the majority of corporate tax cuts were made permanent.

So I would like to ask you a simple yes-or-no question. Given your acknowledgement of worsening income inequality, and given banks' record profits, would you at minimum support unsetting the corporate tax cut?

Mr. DIMON. No.

Ms. VELAZQUEZ. Mr. Dimon, when working families see that their tax cut is set to expire but your company's is made permanent and is posting a record $32.5 billion in a single year as a result, can't you see why so many Americans find your income inequality comments disingenuous? Can you see why that position strains credibility?

Mr. DIMON. Yes, but it is incorrect. The American Government reduced tax rates on businesses to make America competitive. We have been sending trillions of dollars of capital overseas—

Ms. VELAZQUEZ. How can we make America—

Mr. DIMON. —because we were competitive—

Ms. VELAZQUEZ. Reclaiming my time, how can we make America competitive when there is a large number of young people who are graduating and they see no future?

Mr. DIMON. Right. So this group pays all of their employees quite well, including medical, retirement. Minimum wage is usually at $18, $37,000 a year, something like that.

Competitive business will drive wages and jobs over time. What we do on the individual side is separate. So in that same letter, I supported expanding the earned income tax credit to help people—

Ms. VELAZQUEZ. I yield back my time.

Mr. DIMON. —who are making less money—

Chairwoman WATERS. Thank you. The gentlelady yields back.

The gentleman from Oklahoma, Mr. Lucas, is recognized for 5 minutes.

Mr. LUCAS. Thank you, Madam Chairwoman.

And I would just offer an observation to our panel, as I begin my questions. I come from a multigeneration—a group of debtors. So understand my perspective as a customer to the financial institutions.

In addition to my responsibilities on this committee, though, I also serve as ranking member of the House Science Committee. And for just a moment, let's talk about the issues that impact your customers, the safety and security of their information and, for that matter, their money.

On the Science Committee, among other things, we have jurisdiction over a portion of the cybersecurity regulatory regime. And your institutions bear a lot of responsibility for cybersecurity, due to the business that you are engaged in.

But the regulatory structure for cybersecurity is, in many ways, just as complex as the financial regulations. The sheer number of agencies involved in the issue is astounding.

The White House, OMB, DHS, NIST, FDIC, the Fed, OCC, SEC, and CFTC are just some of the Federal agencies with cybersecurity policies applicable to your institutions. And this says nothing of the State-based or international regulations that are also in place, for you all to depend on in dealing with your customer base.

We can all agree that cybersecurity is of the utmost importance. But I find myself wondering about the cost of implementing this large web of regulations.

Could you elaborate further on how you comply with these various cybersecurity rules, since this is critically important to your customers and my fellow citizens?

Mr. DIMON. I think—

Mr. LUCAS. Be brave, Mr. Dimon.

Mr. DIMON. We spend $600 million a year in cyber. All of us spend huge amounts of money to protect privacy, the system. I agree with you, cyber risk is probably the biggest risk the financial system faces in the world. It is a global risk.

And you are absolutely correct. All of those folks get involved, and it makes it very complicated. But on a good and happy note, after this meeting, most of us are going over and meeting with a bunch of those agencies and our top security officers, to try to get it a little more coordinated so we can do a better job of protecting the United States of America.

Mr. MOYNIHAN. I think that I would add to that, in that working with these colleagues plus the broader groups of colleagues in our industry, you will find that the financial services industry, despite all the things you talked about, has, like many things, just taken it upon themselves to drive successful implementation.

And so we all spend a lot of money, as Jamie said. But the important thing is, we make available, through FSARC and FS-ISAC and the various groups, all the information we can glean all the way through the system.

So if we find an issue, we make sure everybody in the financial system knows it, as fast as humanly possible, whether it is big banks, small banks or everything in between.

And that is something, I think, that we have driven in our industry, irrespective of the number of regulators and the amounts of different people looking at it. We believe it is incumbent upon us to protect ourselves.

Mr. LUCAS. Clearly, and the impact not on just your operations, but even my smallest financial institutions in Oklahoma, they stress and strain even more trying to address those issues, and as a society, as we moved away from checks and cash to all the electronic transactions, it is a bit unnerving to the folks.

Again, anyone else care to touch on this, how you are trying to address this issue?

Mr. O'HANLEY. What I would add to this is that I do believe that cyber is a clear and present danger to the financial system, and I think that we have to move from an adversarial-based system into one where there is real cooperation between and among the institutions, which exists now, but between and among the institutions and regulators.

Mr. GORMAN. Congressman, just to give a sense of scale, Morgan Stanley, 5 years ago, we spent approximately $50 million on cybersecurity. This year, we are spending in excess of $400 million on it, building so-called fusion centers in Baltimore, New York, Singapore, and Glasgow, all designed and working hand in hand with the government agencies.

This is the single most existential threat to the financial system, in my opinion.

Mr. CORBAT. And Congressman, I would close by saying that it is not just the interest of what we do in America to protect America's interests, it is what these institutions also do around the world in terms of cyber, in terms of protecting our American clients' information.

Mr. LUCAS. With that, Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you very much. The gentleman from California, Mr. Sherman, is recognized for 5 minutes.

Mr. SHERMAN. We are here because of what happened 10 years ago, but due to post-traumatic stress, we forgot what happened 10 years ago. Ten years ago, Hank Paulson, in your industry, came to Congress with their TARP program, the Toxic Asset Recovery Program. The plan was for the Federal Government to buy toxic assets from you, that is to say to buy the worst mortgages in the back of your vault.

If we had spent $700 billion on toxic assets, we would have lost the lion's share of the $700 billion, and the effect on our social structure, if we were having this hearing, and the Federal Government had lost the lion's share of $700 billion, would be that everybody in this room would be a socialist. That is the effect it would have had on our social fabric.

Instead, this House stood strong, this House demanded changes. They jettisoned the idea of buying toxic assets and instead bought preferred stock, and the only reason we got our money back and the only reason that capitalism continues to be the majority view in this country is because we didn't buy toxic assets, but instead, by buying preferred stock, we got our money back with interest.

Real capitalism is that every bank of every size competes fairly, but too-big-to-fail is too big to exist. For 10 years, Senator Bernie Sanders and I—and I invite more co-sponsors this year—have been putting forward our bill to say too-big-to-fail is too big to exist; the giant institutions need to be broken up.

Why? I will give you the capitalist reason why. The IMF study says that you derive an 0.8 percent cheaper cost of funds because Wall Street knows, big money knows that if you are going down, you will be here and they believe we will bail you out, whereas a medium or small bank, if they go down, their creditors are not getting bailed out, to the extent they are over the FDIC limit.

Let's talk about consumer protection. I would like you to raise your hand if you don't impose forced arbitration provisions on your regular middle-class customers. Everyone is—let the record show that, with the exception of Mr. Gorman, every hand went up.

So, Mr. Dimon, that means if one of your customers, say, had a phony account opened by an overzealous one of your employees and they already had one account with you, but all of a sudden, the different account got opened, they would be free to go to court?

Mr. DIMON. We prefer arbitration, but we give them $500 to take us to a small claims court, so they are free to go to court.

Mr. SHERMAN. Wait a minute. You get a phony account, your credit rating goes down, you miss an opportunity to buy a house, 2 years later, that house is worth $100,000 more and you get to go to a small claims court about that?

So you are saying that you will not allow the regular court system to be available to them. Is that correct, Mr. Dimon?

Mr. DIMON. I think that is the regular court system.

Mr. SHERMAN. The small claims court is a separate court system. You will not allow them to go to Federal court, you will not allow them to go into a court of general jurisdiction. Is there anyone—well, I will do it again, is there anyone here who would allow a regular, middle-class customer to, if they had a dispute, go to a regular court of general jurisdiction? I see one hand went up—Mr. Corbat's hand went up.

I want to focus on Ms. Maloney's bill. For one, it would prohibit manipulating the order in which you debit an account in order to maximize overdraft protection.

How many—please raise your hand if I can count on your lobbyists here in Washington, and you all have them, to support a bill that will prevent manipulating the order in which accounts are debited? Not a single hand—oh—ah. Thank you.

Mr. DIMON. I would need to see the whole bill.

Mr. SHERMAN. What?

Mr. DIMON. The whole bill.

Mr. SHERMAN. Okay, but this one provision you would support?

Chairwoman WATERS. Thank you. The gentleman from Florida, Mr. Posey, is recognized for 5 minutes.

Mr. POSEY. Thank you, Madam Chairwoman, and thank you, witnesses, for appearing today. I have noticed a recent trend to withhold or withdraw banking services from completely legal businesses, which seem to have found disfavor with the media or in some political groups.

And so my question is exactly what your bank's policy is on that matter and your rationale behind that policy, and we will start with Mr. Corbat.

Mr. CORBAT. Our bank's policy is that we have a screening process that has taken on any significant business decision through our business practices committee, and when that committee can't come to a decision, it is ultimately escalated to the board.

We then have the creation of a policy which we then publish and enforce with our clients as we go forward.

Mr. POSEY. Okay. Do you do that on every single account that is opened at your bank?

Mr. CORBAT. No, this is not necessarily account-specific. This would be more issue-specific.

Mr. POSEY. Well, can you give me an example of some of the businesses that you don't think you should do business with?

Mr. CORBAT. Well, I think we have taken stances, as was earlier talked about, in terms of our interaction with retailers in the United States around the best practices of—

Mr. POSEY. No, just give me some examples of people you don't like to do business with, or you are not doing business with, or that you refuse to do business with.

Mr. CORBAT. Well, people we don't like or are not doing business with, I would say would be sanctioned individuals in the United States today.

Mr. POSEY. Okay. Any industries you don't particularly care for?

Mr. CORBAT. I'm sorry?

Mr. POSEY. Any industries you don't particularly care to do business with?

Mr. CORBAT. None in particular.

Mr. POSEY. Okay.

Mr. Moynihan, same question?

Mr. MOYNIHAN. We have an ESG committee that is a group of businesspeople and various members from our senior team who make a decision on what we do. And so these are based on us taking a look at what we think the right thing for our teammates and the communities we serve are.

Mr. POSEY. So are there any completely legal businesses in this country that you don't do business with, or that you will not do business with?

Mr. MOYNIHAN. Sir, I assume you are referring to this decision we made after having over 100 teammates who were directly affected by these horrible situations and people in places like Las Vegas, the Parkland shooting—100-plus of our teammates, the Pulse Nightclub, 5 were in there, that group came to the conclusion that we ought to continue to work with manufacturers of certain firearms, et cetera, but for people who wouldn't modify their practices for a limited gun type, we made a decision that we would ask them to change. If they didn't, we wouldn't do business with them, but it was based on our teammates pushing the issue.

Mr. POSEY. Any other businesses besides the weapons industry?

Mr. MOYNIHAN. Many years ago, one of my predecessors made a decision about the way we would work with tobacco companies in the United States, and I think these come up one at a time, and we make a decision. Our relationship with various energy companies is determined by—we have oil companies we do business with. We have some coal companies we don't do as much business with. But it is all based on our determination based on our committees and our teammates making a decision.

Mr. POSEY. Okay.

Mr. Dimon, you already said that you are okay with making loans to people who manufacture weapons for our military and stuff, and I appreciate your comment.

Mr. Solomon, same question to you.

Mr. SOLOMON. We have a process of vetting.

Mr. POSEY. Okay. Anybody that you have found objectionable?

Mr. SOLOMON. There are no industries, but there are certain companies in certain industries based on practices that we won't specifically deal with.

Mr. POSEY. Okay. Such as?

Mr. SOLOMON. We don't do business with companies that manufacture assault weapons, bump stocks or high-capacity magazines.

Mr. POSEY. Okay.

Mr. Scharf?

Mr. SCHARF. Our clients are predominantly financial institutions and asset managers.

Mr. POSEY. Speak up a little bit.

Mr. SCHARF. Our clients are predominantly financial institutions and asset managers, and we do a series of suitability reviews on those clients and make individual determinations.

Mr. POSEY. Are there any you have found objectionable and you don't want to do business with?

Mr. SCHARF. No.

Mr. POSEY. Okay.

Mr. SCHARF. Not as an industry.

Mr. POSEY. Okay.

Mr. SCHARF. As individuals, yes.

Mr. POSEY. Mr. Gorman?

Mr. GORMAN. Yes, sir. We have a franchise committee which evaluates different transactions for companies. Obviously, we don't—

Mr. POSEY. Okay, I am running out of time. Have you found any you don't want to do business with?

Mr. GORMAN. We have restricted our activities for those having retail sales of automatic and semiautomatic weapons.

Mr. POSEY. Okay.

Mr. O'Hanley, you are the only one left here.

Mr. O'HANLEY. We serve investors, so—

Mr. POSEY. I understand that. Any investors you have refused to do business with because political groups don't like them?

Mr. O'HANLEY. No.

Mr. POSEY. Okay, thank you.

Thank you, Madam Chairwoman. My time has expired.

Chairwoman WATERS. The gentleman from New York, Mr. Meeks, who is the Chair of our Subcommittee on Consumer Protection and Financial Institutions, is recognized for 5 minutes.

Mr. MEEKS. Thank you, Madam Chairwoman.

And let me just also emphasize another reason why we are here is the lack of trust that the American people, the average American people are having now in our financial institutions. We have to fix that trust.

And one of the reasons why we have that lack of trust is what Ms. Maloney has said when you talked about overdraft checking. People feel they are getting ripped off with overdraft checking. So that is why I urge you to make sure that your policies change, because that then gives the American public an idea that they are getting a fair deal.

The other reason why we are here is—and I know you have stated in your testimony that most of you have recovered fully. Well, when I look at individuals in my district who lost their homes, they have not recovered fully. They are still suffering. Many who had owned homes and now are permanent renters, and they are in financial decline.

It prevented them from allowing their children to go to school, like my parents, who bought their home and were able to utilize that investment so that I could get educated. That is part of what the problem is here. And so the societal ills of foreclosure are tremendous.

So I will ask Mr. Moynihan, I guess, Bank of America had a lot. Are you and your company looking at any alternatives to a foreclosure that can keep a borrower in their home even in the face of financial shock? I never hear—I mean, this is something that the American people want, something that is given to them. So have you looked at any alternatives that we could do to keep someone—and particularly, if they are a responsible borrower—in their home?

Mr. MOYNIHAN. Yes. We work with borrowers who are having difficulty possibly leading to foreclosure, as we have said consistently, even in cleaning up the Countrywide situation. It is the last resort for the borrower and the last resort for the lender and investor in the security.

And so we do everything we can to do modifications in all different types, and we have done many, many of them. The good news is for the portfolio, because of all the work we did to clean up the Countrywide mess, we just don't have as much delinquency as we had at that point.

But we have spent a lot of time working with those borrowers. We opened 26 centers around the United States to talk to them face-to-face after the start of our team taking over. Fifty thousand teammates to work on them. So we have done lots of—

Mr. MEEKS. Let me just say, because I have had tremendous problems in having certain mortgages modified or refinanced, and a lot of them, and that is why I asked you the question, Mr. Moynihan, were with the Bank of America. And so it is—and it is a continuing basis, and these folks have never, never recovered.

Let me move quickly—I'm running out of time. Let me ask Mr. Gorman of Morgan Stanley, because you mentioned in your testimony, you were talking about diversity. And I want more than just a comment.

I want to know exactly what is being done to accomplish your diversity goals? And that question is not only diversity goals within the firm, but with vendors, external investment managers that work on various Morgan Stanley platforms. Please be specific to what the "goals" are, and please define what success is, and how accountability is measured and tracked.

Mr. GORMAN. Congressman, diversity and belonging—and I use that word explicitly, rather than inclusion—is critical to our institution. The sense of inclusion is, somebody chose to include you. A sense of belonging is, it is your place. You belong there, whatever your gender, whatever your color, whatever your preference, whatever your difference from the majority, you belong. So that is—

Mr. MEEKS. Yes, but that is why I was asking for some specificity. Because access to your platforms for example, for minority firms. I want to know specifically what you are doing, what your goals are and how you intend to accomplish those goals? How do you measure it?

Mr. GORMAN. Well, yes, Congressman. We have a number of initiatives, working with diverse and minority-owned businesses, but with our minority-owned vendor management program, working with different asset managers that are run by and owned by minorities and women. We have employee programs to bring women back to work—

Mr. MEEKS. And when you use—I am almost out of time—the word "minority," I want to know, do you break it down so that we know whether you are talking about women, whether you are talking about African-Americans, whether you are talking about LGB, do you break it down in that?

Mr. GORMAN. Absolutely. And we have—

Mr. MEEKS. I am out of time. So let me just ask you, I would like to get a detailed report on exactly what it is and how you market and who you are doing business with, so that I would know.

And I would ask—

Chairwoman WATERS. Thank you very much.

Mr. MEEKS. You know, something that everybody—

Chairwoman WATERS. Thank you very much. Your time is up.

The gentleman from Missouri, Mr. Luetkemeyer, is recognized for 5 minutes.

Mr. LUETKEMEYER. Thank you, Madam Chairwoman.

Gentlemen, the Fed is proposing something called the enhanced supplementary leverage ratio (ESLR). And there are those who contend that the ESLR proposal would lower capital levels at your banks by $121 billion.

Three questions. Is that figure accurate? Does it take into account capital at the holding company level? And if so, how much capital would actually leave the organization if the proposed modification to the SLR is made?

Who would like to take that one? Anybody? Nobody?

Mr. SCHARF. I am fine to start. The figure is not accurate because there are other capital restrictions under which we would operate. We estimate that it would probably reduce the capital we would have to hold by less than 5 percent.

Mr. LUETKEMEYER. Okay.

Mr. Corbat, you were indicating you want to say something?

Mr. CORBAT. In the case of Citi, it is not accurate. I think by the Federal Reserve's own calculation, there are 23 or 24 different types of capital being calculated.

And the enhanced supplemental leverage ratio for our institution is not the binding constraint. Stress-testing or CCAR capital is. So that leverage can move wherever it may move, and it is not going to be a reduction to our capital.

Mr. LUETKEMEYER. Mr. Solomon, I think you want to say something?

Mr. SOLOMON. No, I was going to repeat what you said. It doesn't take into account holding capital—holding company capital—

Mr. LUETKEMEYER. Right.

Mr. SOLOMON. Goldman Sachs, it doesn't reduce our binding constraint for capital.

Mr. LUETKEMEYER. Okay. Perfect. Thank you.

Mr. Dimon, as you know, I have been raising alarms with regard to CECL. I believe it can have a really detrimental effect on our economy. I have heard from industries, and from banks in particular, insurance companies, credit card companies, the housing industry, that they will suffer because of an ill-advised accounting standard that it is.

Do you have any concerns about CECL? And how would you believe it would affect the economy as a whole, in particular financial institutions?

Mr. DIMON. So CECL is where a bank puts up loan loss reserves for the full life of the loan, upfront. And for JPMorgan, I don't have concerns. We have announced the number. It would be something like $6 to $8 billion, depending on what environment we are in.

I do think you should all be looking at what it is going to do to smaller banks. I think it would put smaller banks in a position that when a crisis hits, they will virtually have to stop lending because putting up those reserves would be too much at precisely the wrong time. So I do think this becomes an issue for you all to reconsider.

Mr. LUETKEMEYER. One of the concerns I have is, I don't think that FASB has actually looked at and studied the effects of this, and the cyclicality of this such that they didn't look at mark-to-market and look what happened there when we had a downturn. It exacerbated the situation. I think the same thing could happen with CECL. Do you agree with that?

Mr. DIMON. I think CECL will constrain banks at precisely the wrong time. Yes.

Mr. LUETKEMEYER. Okay. Do you see an effect on the GSEs, on Freddie Mac and Fannie Mae?

Mr. DIMON. I have not—

Mr. LUETKEMEYER. Because they are going to have to reserve just like—

Mr. DIMON. It is a very good question. I have just not studied it.

Mr. LUETKEMEYER. Okay. Very good.

Anybody else have an opinion on the effect on Freddie and Fannie?

Mr. Moynihan? No?

Mr. MOYNIHAN. Not on Freddie and Fannie.

Mr. LUETKEMEYER. Okay. Moving on. I have a lot of financial services companies that are very concerned about the cost of compliance, especially smaller banks. All of you are big enough. You can probably absorb the costs. But the problem is that at some point, you have to pass this all along.

But the Bank Secrecy Act is something—I think a couple of you mentioned in your testimony—that is very difficult to pass on. Can you give me a cost of what it takes to comply with the Bank Secrecy Act with regard to SARs, CTRs, and how many do you send to FinCEN a month?

We will just go down the line here. Mr. Corbat?

Mr. CORBAT. For Citi, we have between 13,000 and 14,000 people who spend full-time working on BSA, KYC, and AML. And we spend in excess of a billion dollars a year to be compliant.

Mr. DIMON. Our number is a little bit higher than that. And we file something like 200,000 SARs a year to the Federal Government.

Mr. GORMAN. It is a much smaller issue for our company, given the nature of the business. So, hundreds of millions.

Mr. LUETKEMEYER. Mr. Moynihan?

Mr. MOYNIHAN. It is a little hard to isolate because it is a part of everybody's job. But there are hundreds of thousands of SARs filings. And the question that we have raised—and we talk to various authorities is—is there value in those? Do they provide value? So the question isn't how much you spend, it is whether it is giving the value that it should.

Mr. LUETKEMEYER. Right. You have to go to FinCEN to get the number there.

One last question here. Mr. Corbat and Mr. Dimon, you had an opportunity to bring a big company to your neighborhood there, Amazon. Were either one of you involved in financing that, potentially financing the relocation of the headquarters?

Mr. CORBAT. Sorry, funding?

Mr. LUETKEMEYER. Yes. To funding the move there.

Mr. CORBAT. We were not involved with funding.

Mr. LUETKEMEYER. Okay. Do you know, economically, what kind of impact it is going to have on your city to not have that business locate there?

Mr. CORBAT. I don't know the specific numbers.

Mr. LUETKEMEYER. I understand it was 25,000 jobs initially. I am sure there are more ancillary jobs, as well. Is that what you have heard?

Mr. CORBAT. That is what I read. Correct.

Mr. LUETKEMEYER. Okay. Thank you very much.

I yield back.

Chairwoman WATERS. Thank you very much.

The Chair wishes to inform Members that votes are currently pending on the Floor. We will briefly recess for votes and resume the hearing immediately after. The committee stands in recess.

[recess]

Chairwoman WATERS. I want to thank our witnesses for their patience. We just finished with the votes on the Floor, and we are going to resume our questions from the members of the committee.

The gentleman from Missouri, Mr. Clay, who is the Chair of our Subcommittee on Housing, Community Development, and Insurance, is recognized for 5 minutes.

Mr. CLAY. Thank you, Madam Chairwoman.

According to recent data, 42 million Americans are employed at small businesses with less than 100 employees, and there are 30 million small businesses which employ almost half of the country's private workforce.

According to the Federal Reserve Bank of New York, community banks and community development financial institutions achieve net lender satisfaction scores of 73 percent and 76 percent respectively, which measures the overall experience small businesses have with their lenders. That compares with only 49 percent satisfaction rate for large banks.

Reasons for this discrepancy include unfavorable repayment terms, higher interest rates, and issues related to consumer complaints. While you have modestly been increasing your small business lending, last year your banks accounted for only 25 percent of all loans to small businesses, which frankly is not good enough.

As drivers of our economy, we must promote small businesses, and any impediments in access to credit can undermine their business, leading to job loss. Mr. Moynihan, the CFPB has not collected the small business lending data that it is supposed to do under Section 1071 of Dodd-Frank.

Unlike the mortgage market, we have far less information about what is happening in the small business space, including potential discrimination. To ensure we have a fair marketplace, shouldn't policymakers have access to that kind of data?

Mr. MOYNIHAN. Well, I think just on small business lending generally, as I said earlier, we did $8 billion of originations last year. Our portfolio is over $36 billion to small loans defined by the FDIC data, which is public loans to under a million dollars in size.

So it is a major business for us and I would say that our satisfaction level runs 84 percent by our surveys. So we are heavily involved in small business and not all of that data is perfect—that data is publicly available, so I am not sure what the CFPB is going to collect, but I think the data at the FDIC has been delivered for years to give them all loans outstanding under a million dollars that you made, we can supply that data, and that is what I was citing to you, sir.

Mr. CLAY. And how much consideration is given to the bottom line of your bank when you make these decisions on how much you invest in small businesses?

Mr. MOYNIHAN. Well, it is a major part of our franchise, it is 9 million small businesses directly, 3 million customers who also have small business we do through the consumer side. And so we do it, it is a competitive business with all of the participants—the 7,000 banks that are out there.

Forty percent of our small businesses are women-owned businesses. It is a robust, disciplined practice for us all over the country and the team that leads that, Sharon Miller leads it for us, and does a fantastic job.

Mr. CLAY. Thank you for that response. Since the financial crisis, Citigroup has had a troubling pattern. In March of 2019, the OCC fined Citibank $25 million for violating the Fair Housing Act. The bank had a program to provide discounts on closing costs or reductions in interest rates to certain eligible customers seeking a mortgage.

The bank failed to offer these benefits to all eligible customers. Some customers were adversely affected because of their race, color, national origin or sex. The bank agreed to provide 24,000 customers, impacted by the bank's discrimination, approximately $24 million in redrafts.

Why didn't Citibank have appropriate policies and procedures in place to ensure that it did not illegally discriminate when it implemented a program to provide benefits to certain customers seeking a mortgage? Mr. Corbat?

Mr. CORBAT. Congressman, first off, I would like to apologize to those of our clients who were affected and didn't receive that, as we would call it, relationship pricing benefit. It was an incident or an episode that we self-identified and self-reported to our regulators and came up with our remediation to go back because it is our full intention and it is in our interest to make sure that our customers receive the benefits to which they are entitled.

Our own work would say that of those 24,000 people, there weren't race, ethnicity, or gender biases in the data that we compiled and we would say that in there, our shortcoming or our error really was one of not having our employees properly trained—

Chairwoman WATERS. The gentleman's time has expired. The gentleman from Michigan, Mr. Huizenga, is recognized for 5 minutes.

Mr. HUIZENGA. Very quickly, Mr. Corbat, I will let you finish your sentence, at least, so finish that.

Mr. CORBAT. Thank you. It was that we hadn't trained our employees properly to actually execute and implement the relationship program that we had in place. We have now remedied that and look forward to the opportunity to do better.

Mr. HUIZENGA. And reclaiming my time on that, I am going to try and move quickly, gentlemen. Sorry, it is a very large panel, and I would note to one of my colleagues earlier who talked about the tax relief that you all corporately have received and that America has received to try to make us more competitive, there was some lamenting about that not being permanent for personal income tax rates.

All we needed to do was actually get the Democrats to engage on that and they could have voted to make those permanent, I might add, so that is—now I don't expect a comment on that, but as someone who was publicly opposed to the bailouts that had happened under Dodd-Frank, I was not in Congress at the time, but I am dealing with the echo effects of it yet today, I was very frustrated to see that and having to explain to colleagues—or I am sorry, to constituents about why that had gone on.

And I have had a chance to express, to at least a couple of you personally, that you cannot count on this Congressman to ever allow that to happen again or to vote for a situation like that again, but part of the action here in what we are trying to do is make sure that it never happens again on anybody's watch.

But I do have one main line of questioning in this, and I would like to have all of you answer very quickly. It can be yes or no or just briefly. Are you properly capitalized, properly sized and stable so that you can survive without hardworking Americans' taxpayer dollars having to be put back into the system and having the taxpayer on the hook?

So, Mr. Corbat, are you properly sized, capitalized and stable?

Mr. CORBAT. We are properly sized, we are scaled to serve our clients.

Mr. HUIZENGA. Okay, great. Mr. Dimon?

Mr. DIMON. Yes.

Mr. HUIZENGA. Mr. Gorman?

Mr. GORMAN. Absolutely.

Mr. MOYNIHAN. Yes.

Mr. O'HANLEY. Yes, we are.

Mr. HUIZENGA. Mr. Scharf?

Mr. SCHARF. Yes, we are.

Mr. HUIZENGA. All right. Mr. Solomon?

Mr. SOLOMON. Yes, we are.

Mr. HUIZENGA. Okay. Well, I appreciate that. There had been a lot of discussion about whether you were too big to manage and whether you really were stable and whether you were properly capitalized, and I think the numbers do speak for themselves on that.

I want to quickly move to Brexit, because this is of some real significance. We are 2 days away from a hard exit. London is the center of the derivatives market, there are nearly two billion contracts that were written there in 2018 alone, hundreds of trillions of dollars that flow through there.

The U.K. has been dominant in this space, and because of the regulatory regime imposed by the Bank of England and the Financial Conduct Authority, and in fact every globally active financial firm maintains a presence in London, I assume you all do. Does anybody not? Everybody does, okay.

Well, Chairman Giancarlo highlighted—he has a quote here that, "London is and will remain a global center for derivatives trading and clearing," and he also added that, "The package of measures will provide a bridge over Brexit through a durable regulatory framework upon which the thriving derivatives market between the U.K. and the United States may continue and endure."

And so I am very concerned about why the—regardless of whether the Brexit outcome is—whatever that is—are your institutions going to be needing to do more direct trading with continental banks through those regulated by the Bank of England, or how are you planning on having this happen?

I will take—Mr. Corbat, you—

Mr. CORBAT. As I stated earlier, we have set up a vehicle now that encompasses our U.K. operation. We have separated our European operation from that. We have banks, we have brokerages in both jurisdictions and at this point, our—

Mr. HUIZENGA. Are you going to have to be dealing more with the main—with the continental banks then, directly?

Mr. CORBAT. I don't believe so.

Mr. HUIZENGA. No? Okay. All right, anybody else care to weigh in on that? But you feel prepared—and I think Mr. Dimon or somebody earlier had said uncertainties, but we have put the planning in place, correct?

Is this actually—is this area an area that you need to be in? What are you doing for the world economy? Mr. Gorman? Mr. Dimon?

Mr. GORMAN. We need to be in Europe, absolutely. Listen, we collectively finance the largest institutions in the world, a predominant number of which are in the U.S., so we absolutely need to serve them globally.

Mr. HUIZENGA. All right, thank you, and I will be submitting some questions for the record, and I do want to say thank you to Mr. Dimon and Mr. Corbat for your involvement in Detroit. Coming from Michigan, it's very important work that you have been doing.

Chairwoman WATERS. The gentleman from Texas, Mr. Green, who is also the Chair of our Subcommittee on Oversight and Investigations, is recognized for 5 minutes.

Mr. GREEN. Thank you, Madam Chairwoman. I especially thank you for your courage in standing up for consumers. As I look at the panel, and I am grateful for your attendance, the eye would perceive that the seven of you have something in common.

You appear to be white men. I may be mistaken. If one among you happens to be something other than a white male, would you kindly extend a hand into the air? Kindly let the record reflect that there are no hands in the air and that the panel is made up of white men.

This is not a pejorative. You have all sermonized to a certain extent about diversity. If you believe that your likely successor will be a woman or a person of color, would you kindly extend a hand into the air? Let the record reflect, for fear that you may not hear me, just raise your hand now so that I will know you are there. Raise your hand, please.

All of you? Sir? Apparently, you don't hear me over on the end. Would you kindly extend a hand into the air if you can hear me? Next to the gentlemen who raised his hand, would you extend a hand, please? With the glasses? I will—perhaps I should call your name.

Mr. Scharf, would you—thank you. I know it is difficult to go on the record sometimes, but the record has to be made. All white men and none of you, not one, appears to believe that your successor will be a female or a person of color.

Is your bank likely to have a female or person of color within the next decade? Kindly extend a hand into the air. Two, three, four, five. All right, five. Without giving the commentary that I would dearly like to give, I will move on.

You know, I am sitting next to a reverend and I have heard him say that he would rather see a sermon than hear a sermon. Let us have an opportunity to see a sermon when you return.

My next question has to do with something near and dear to my heart, since my ancestors were slaves. In 2005, is it true that JPMorgan released information indicating that it directly benefited from slavery? Would the representative from JPMorgan respond?

Mr. DIMON. I do believe that in 2005, we made a report about potential transactions that involved slavery between JPMorgan or its heritage companies back in the 1800s.

Mr. GREEN. In fact, there was an indication, I believe, that you accepted loans against the slaves as collateral. True?

Mr. DIMON. I believe that to be true. Yes.

Mr. GREEN. For edification purposes, have any of the other banks compiled a study as to whether or not you have benefited from slavery? If so, raise your hand, please.

Let the record reflect that none have raised a hand. Not one has raised a hand.

Do you believe that your bank benefited from slavery in some way, in terms of its business practices? If so, raise your hand.

If you do not believe that it benefited, raise your hand.

Let the record reflect that all but Mr. Dimon raised a hand. Thank you.

Let's move on. I am concerned now about the raise that Bank of America has indicated it will accord. I think that you indicated that there will be a raise in the near future. Is this correct?

Mr. MOYNIHAN. Yes. We said that we would raise our minimum starting pay from the current level of about $15.50, $16 an hour, to $20 an hour in the next 2 years.

Mr. GREEN. Is there a bank that will have an amount that will exceed the $20 per hour within the same period? If so, would you raise your hand? Or if you currently pay more than $20 an hour, raise your hand, please.

Well, Bank of America, you are to be commended for what you are doing in terms of raising the wage.

I thank all of you. My time is up. But I do want you to know that we believe you can do better.

I yield back.

Chairwoman WATERS. Thank you.

The gentleman from Wisconsin, Mr. Duffy, is recognized for 5 minutes.

Mr. DUFFY. Thank you, Madam Chairwoman.

Mr. Moynihan, what kind of footprint do you have in the 50 States?

Mr. MOYNIHAN. We cover about 80 percent of the population today. And that is by places that, historically, we were in and we continue to build out—

Mr. DUFFY. Do you have a presence in all 50 States?

Mr. MOYNIHAN. We have commercial banking and Merrill Lynch that might—I am not sure we are quite in all 50 States now, but we are close. Not retail banking.

Mr. DUFFY. What is the name of the bank you represent?

Mr. MOYNIHAN. Bank of America.

Mr. DUFFY. The Bank of America. Do you think the policies of the Bank of America represent the values of all of America?

Mr. MOYNIHAN. I think we have a purpose. We have a company that has a great purpose. We have 200,000-plus teammates at work and we continue to build the company—

Mr. DUFFY. Where are you from?

Mr. MOYNIHAN. Southeastern Ohio.

Mr. DUFFY. And you live now where?

Mr. MOYNIHAN. In Boston.

Mr. DUFFY. Do you ever go back to Ohio?

Mr. MOYNIHAN. Yes.

Mr. DUFFY. Wisconsin, Minnesota, Oklahoma, Texas?

Mr. MOYNIHAN. Yes.

Mr. DUFFY. You go to those places? I bring that up because I look at the gun policy. And I think that there are a lot of Americans whom you serve, who would really disagree with that policy. It might play well in the East Coast, might play well in California. And maybe your bank is not the Bank of New York or California, it is the Bank of America.

And I would just point out that you can look at guns. But do you bank Hollywood, do you know? Any movie studios?

Mr. MOYNIHAN. We bank movie studios. We bank all kinds of companies.

Mr. DUFFY. Do you bank anyone that makes video games?

Mr. MOYNIHAN. I think we do.

Mr. DUFFY. I think you do, too. Have you watched any movies that come from Hollywood?

Mr. MOYNIHAN. Yes, sir.

Mr. DUFFY. Do you have an exclusion on any Hollywood movies that use guns? Because I don't think there are many Hollywood movies that come out that glorify the use of guns.

Mr. MOYNIHAN. Sir, I was being precise before, that our decision was based on teammates, a hundred-plus teammates who were in places of horror.

Mr. DUFFY. But you also have teammates, Mr. Moynihan, who abide by the law and follow the rule of law and appreciate their Second Amendment.

Mr. MOYNIHAN. The Second Amendment is the rule of law in this land. We agree with you.

Mr. DUFFY. Okay. Well, your policy doesn't necessarily agree with the Second Amendment, does it?

Mr. MOYNIHAN. The policy is about people that—we asked the companies that manufactured these type of arms, for sales to citizens, if they would amend their practices to somehow put a governor on it so our teammates wouldn't be in that position.

Believe me, with 200,000 people, we have people who represent everybody in this—every idea you could have in America.

Mr. DUFFY. Exactly. But you say, I will take a role on these guns.

Mr. MOYNIHAN. Yes.

Mr. DUFFY. But I am still going to—we have had guns in America for a long time.

Mr. MOYNIHAN. Right.

Mr. DUFFY. The things that have happened recently are horrific. Is it that guns have just come into America or has something else changed? Maybe your bank should look at what else is going on in America, that is changing people's mindset to pick up a gun and do a horrific thing or use a crockpot or use a knife or a machete or a U-Haul.

Something is happening. And to take away the rights of law-abiding American citizens where I live, I would tell you that does not comport with my view of America. And if you are not going to look at movies and families and video games, we find it somewhat problematic.

Did you also comment that you don't bank some energy companies? Is that right?

Mr. MOYNIHAN. We bank some energy companies, and there are some that we don't.

Mr. DUFFY. Which ones don't you bank?

Mr. MOYNIHAN. We had a policy to work our way out of our portfolio, people who did what we used to call, where I grew up, strip mining. But it is about mountain top removal and the—

Mr. DUFFY. How about energy? How about oil and gas?

Mr. MOYNIHAN. We do that.

Mr. DUFFY. You do? Okay. How about coal?

Mr. MOYNIHAN. We still have coal relationships—

Mr. DUFFY. Okay.

Mr. MOYNIHAN. But they are winding down.

Chairwoman WATERS. Excuse me one moment. Mr. Moynihan, would you please speak up and speak into the microphone?

Mr. DUFFY. If you would pause—if I could get my few—

Chairwoman WATERS. Thank you.

Mr. DUFFY. —seconds back on the clock? Thank you.

I just want to make a note to the panel. I appreciate what you do for America. I think Mr. Dimon says it well. If you all are a lot smaller, does your work necessarily go to—in my district, I might say, Nicolet Bank or River Valley Bank or Connexus Credit Union?

If you guys don't bank the big deals that you bank, they don't go to small banks, do they? Don't they go to the Bank of China? Doesn't your business go somewhere else, Mr. Dimon?

Mr. DIMON. It would go to other banks, larger banks overseas who could do the business.

Mr. DUFFY. Which means we have less influence in the global financial markets, right? Would you say, Mr. Dimon, that we are a leader in global finance?

Mr. DIMON. I think that America is a leader in global finance. And I hope to God that we remain that for the foreseeable future because it is a critical part of having a very healthy—

Mr. DUFFY. And when you impose—I might ask the ranking member for 10 more seconds that was taken from me.

Chairwoman WATERS. I'm sorry, Mr. Duffy, we have Members who are waiting.

Mr. DUFFY. Madam Chairwoman, you took 10 seconds from my time.

Chairwoman WATERS. Mr. Duffy, if you insist, go ahead and take another 5 seconds.

Mr. DUFFY. Thank you. I guess—maybe I will follow up, Mr. Dimon, in regard to what impact you have on global sanctions that come from America on foreign countries that are bad actors that take place through your global influence—

Chairwoman WATERS. Your time has expired. The gentleman from Missouri, Mr. Cleaver, who is the Chair of our Subcommittee on National Security, International Development, and Monetary Policy, is recognized for 5 minutes.

Mr. CLEAVER. Thank you, Madam Chairwoman.

I want to follow up just slightly on my colleague, Judge Green. I think some of you are already practicing the Rooney Rule, and others of you aren't. Those of you who are not practicing the Rooney Rule as it relates to hiring, would you just show your hands so I can see?

The Rooney Rule, where—it started in the NFL where Commissioner Rooney said when you interview for general managers and coaches, NFL teams, you must interview a diverse group of candidates. If we applied it to banking, are any of you doing that? Everybody?

I am not sure I under—okay, let's pretend the Rooney Rule applies to banks. How many of you have such a policy? All right, I am getting ahead of—that doesn't work because I am not sure we are understanding the same way.

But at any rate, everybody talked about diversity, and my colleague raised the issue, and I was just trying to find out if that was a part of the structure of your bank in terms of human resources, where you automatically made sure that all sectors of the population had access to those upper-level jobs.

I don't know if you are familiar with this consumer lending discrimination in the era of fintech report produced by Berkeley. If you are not, I would suggest you get a copy of it. I think it is quite telling.

One of the things they have found in their study was that in the fintech world, which I think is growing, they found that—everyone said we have eliminated this—any level of discrimination because algorithms are making the decisions. But the report shows that there was a subtle and unintentional discrimination actually factored into the writing of the algorithms.

Are any of you familiar with the study? It's a very good study. How many of you are involved with fintech? And so you use algorithms, obviously, to make those decisions of people. I am hoping that you will read this report, and I am very serious, because I think people may be walking around with the assumption that because we are using algorithms, there is absolutely no chance that we are going to make any decisions based on anything other than pure qualifications. And the study shows that that is exactly the opposite of what is happening.

My time is running out. I wanted to ask one other question. When we gathered in this room in 2008, I almost fainted from all of the bad news we were given about what was about to happen to the economy. We had about 7,500 banks in the country. We are down to about 5,000, and dropping, as you know. Medium to small banks are unable to survive.

What are you doing to be able to respond to the needs of the unbanked, the barely-banked, in comparison to the people who are naturally and normally catered to by your banks? Anybody?

Mr. MOYNIHAN. I think—this is following up your—for your colleagues, but before you, on small business, one of the ways that we do a lot with small business directly, but we also work with the CDFIs, who—

Mr. CLEAVER. I know, but—I hate to interrupt you. Bad manners. But I mention it because—

Mr. MOYNIHAN. This is on the consumer side, sir? Is that what you are—

Mr. CLEAVER. No, I want to know, is there any effort, any move—

Mr. MOYNIHAN. Absolutely.

Mr. CLEAVER. —toward dealing with the unbanked and the barely-banked?

Mr. MOYNIHAN. Sure. And for example, for people who—for Americans who receive benefits, a lot of us will waive the fees to change that to give them free ATM withdrawals and things like that. We continue to work on the problem. We think it is a problem with our industry, and—

Mr. CLEAVER. Thank you.

Chairwoman WATERS. The gentleman from Ohio, Mr. Stivers, is recognized for 5 minutes.

Mr. STIVERS. Thank you, Madam Chairwoman.

I would like to wish all of the witnesses a Happy New Year. It is 2019. We have a strong economy in the United States. We have low unemployment. We have 3 percent to 4 percent economic growth, and we have strong, well-capitalized banks. So rather than relitigating the Dodd-Frank Act, I would like to talk about the pressing financial issues and financial challenges and current issues of today.

My first question—and I would like to go down the line, and if you could each be brief—for each of you is, what do you think the biggest risk to our financial system is today?

Mr. CORBAT. Our ability to talk ourselves into the next recession.

Mr. DIMON. I think probably the growing—the cyber we already mentioned is the biggest. I think the growing non-bank segment. I don't think it is systemic yet, but I think it is growing very rapidly. It should be closely monitored.

Mr. GORMAN. Global growth is slowing. U.S. growth is slowing a little bit. Global growth is slowing, and ultimately, that will have an impact on ability to service credit around the world, and that impacts the financial system.

Mr. MOYNIHAN. I agree about cyber, as we spoke about earlier. Nonbanks not being under the tent is a critical issue, and ultimately, we are all going to reflect the economy, as James said, and so we will ebb and flow with it. But right now, we see America economy solid.

Mr. O'HANLEY. Cyber, as we spoke about earlier, and also the fact that growth is slowing around the world.

Mr. SCHARF. I agree with that: cyber first; and slowing growth second.

Mr. SOLOMON. Cyber, certainly, first. I would also say slowing growth around the world, but in particular, the difficulties that lie ahead in the relationship between the U.S. and China.

Mr. STIVERS. Great. So let the record reflect that cyber was a consensus item, as was slowing growth around the world. And a big tip of the hat to folks who also mentioned the nonregulated financial industries.

I want to shift for just a second, to follow up on something that Mr. Duffy asked, and—because he talked mostly to you, Mr. Dimon, I will follow up. He talked about the American sanctions that we are able to levy on the rest of the world when they are bad actors or criminals. And we had Secretary Mnuchin in here yesterday. He spoke to the fact that the importance of the dollar and the large financial institutions we have are critical to our ability to enforce our sanctions.

Mr. Dimon, you already spoke to the fact that your large customers, if you didn't bank them, would be banked by foreign national banks. In the absence of U.S. banks, if we only had big foreign banks, how do you feel like big European banks or state-owned banks in China would do at helping us enforce American sanctions against bad actors and rogue regimes around the world, for example, Iran?

Mr. DIMON. The sanctions have to be executed by the banks in America, and it is because we move all of that money and because we do exactly what the OFAC and Treasury and they tell us what to do, but we have to execute it.

The second thing is you have to have a reserve currency, so the strength in America plus the strength of banking system is the reason you can effectuate sanctions.

Mr. STIVERS. So would all of you agree that having large financial institutions is good for America's national security? Can you just raise your hand if you agree with that statement? Let the record reflect that everyone raised their hand.

Because cyber was such a consensus item—I have a minute and 24 seconds to deal with that very important issue now. Would each of you agree that a static standard does not work, a government standard that sets the standard today, that tomorrow is outdated almost the day it is ineffective, you want to—Mr. Dimon, I will let you start with that one.

Mr. DIMON. Absolutely, it changes every day, it is going to be going on throughout their lives, and it is really critical.

Mr. STIVERS. Great, and while I have 55 seconds left, I want to mention anti-money-laundering, it came up in some of the comments that you made. Across the board, you all fill out suspicious activity reports.

Could you raise your hand if you do not get any feedback from the government when you fill those out? Does anybody get—let me ask it the other way. Could you raise your hand if you do get feedback on your suspicious activity reports?

Great, let the record reflect that none of these institutions get feedback from FinCEN. We have to work hard to make a better system where you actually get feedback and know that the information you are giving them is helping us catch the bad guys and keep our financial system clean.

So we all are going to work with the Treasury Department and FinCEN to improve that process. Thank you all for your time today.

Chairwoman WATERS. The gentleman from Connecticut, Mr. Himes, is recognized for 5 minutes.

Mr. HIMES. Thank you, Madam Chairwoman, and thank you to the panel for being here today. I was sworn in, in January of 2009, and joined this committee shortly thereafter, and being on this committee at that time was like walking the next day through a city that had been the subject of a nuclear explosion, and the echoes of that go on today and I think drive our politics.

The American people saw trillions of dollars of value disappear for reasons they didn't fully understand and then they saw this institution do what it had to do, which was to bail your institutions, in many instances, out.

And so what the American people saw at the time was our government is there for the large financial institutions, but it wasn't there for us, and it de-legitimized you, it de-legitimized us, it de-legitimized the regulators, and I think that is the single factor driving our politics today—well, not the single factor, but an important factor driving our politics today.

And so I don't ever want to go through that again, because I think we can maybe, maybe sustain one of those, but I don't think that this democracy can sustain another. So I just have one question for all of you, and it is actually a slightly more specific version of Mr. Stivers' question.

As you sit here today, what product, financing mechanism or market do you think is generating systemic risk that we should pay attention to? If I am doing the math right, that gives you each 30 seconds. So I am just going to ask you to name a product or a market and very quickly what you think we should do about it, starting with Mr. Corbat.

Mr. CORBAT. People have talked a lot about leveraged lending and what that has done. I don't believe to date it is systemic because most of it is being driven outside of the regulated financial system.

Mr. HIMES. Thank you. Mr. Dimon?

Mr. DIMON. Yes, I would say leveraged lending and student lending, which is also growing rapidly and deteriorating very rapidly.

Mr. GORMAN. You know, I go back to what we discussed at our risk committees. I would say right now, a lot of focus on the international markets. As I said earlier, a slowing global economy, that is going to give rise to credit risks. We have had a series of crises where—

Mr. HIMES. We probably can't do anything about the global economy. I am really looking for a product, a market or a service that we should be worried about.

Mr. GORMAN. I'm sorry, I was taking the market as geographic, I apologize. You know, obviously the amount of credit in the corporate sector is large by historical standards. I don't think it is dangerous, but it is large and something I would be watchful of.

Mr. HIMES. Thank you.

Mr. MOYNIHAN. I think, at the end of the day, one of the lessons learned from the crisis was about leverage in the places that my colleagues mentioned, and student lending is the biggest on the personal side in terms of impact right now, and on the corporate side, it is leveraged finance.

Mr. HIMES. Mr. Moynihan, if I can, if leverage worries you, does that mean we should be thinking about increasing, generally speaking, capital reserves and capital standards?

Mr. MOYNIHAN. We have capital standards that are tested under a worse scenario than the 2008 crisis, and we end up with more capital after that than we started the 2008 crisis with. That is the purpose of stress testing, and the results are published every year for you to look at.

Mr. HIMES. Okay, thank you. Mr. O'Hanley?

Mr. O'HANLEY. I would be concerned about student loans and I would also be concerned about anything that is pushing activity into the shadow banking system.

Mr. SCHARF. I would agree with both of those things.

Mr. SOLOMON. Though not systemic yet, the growth in the shadow banking system is mentioned and I would also say that there have been significant changes over the last 10 years in market structure, and none of it has been tested under stress. So more index product, ETF product, machines, not tested under stress.

Mr. HIMES. Thank you. I have another minute or so. Many of you mentioned shadow banking, so, Mr. Solomon, just to pick on you, are we talking hedge funds, private equity, what else are we talking?

Mr. SOLOMON. There has been significant credit formation as we have been talking about—people talk about leveraged lending, sometimes they think about leveraged lending on the banks of the largest institutions here, but there is more and more direct lending being done in separate vehicles that is not regulated, not scrutinized.

At the moment, I don't think it is systemic, but it is growing, it is obscured and I think it is something over time, if the cycle continued, we won't have a closer look at.

Mr. HIMES. Okay, so should this committee—since many of you mentioned shadow banking, should this committee be taking a hard look at moving these entities that are doing shadow lending into a regulated environment?

Mr. SOLOMON. I personally think that there should be a hard look at a better understanding of what is there. Potentially as it grows, if it continues to grow, that would be something to consider, but certainly it needs a harder look and more transparency.

Mr. HIMES. Okay, thank you. I yield back the balance of my time.

Chairwoman WATERS. Thank you. The gentleman from Kentucky, Mr. Barr, is recognized for 5 minutes.

Mr. BARR. Thank you, Madam Chairwoman. Mr. Corbat, let me start with you. Could you please describe the U.S. economy and the global economy without your institution? Could you press the button?

Mr. CORBAT. I think the global economy would be a different place without Citi and the banks here. You know, in the last year or so, we have actively engaged with and financed and supported over 700 U.S. companies around the world, and if we weren't there to do that, as I said in my opening statement, that would fall into the hands of foreign banks.

And as we know, in the world of cyber sanctions, competition, the playing field is not necessarily level, so I think we act as an important agent for our companies abroad.

Mr. BARR. Mr. Dimon, same question. What does the world look like without your institution? Or if your institution were forcibly broken up, and particularly in a downturn?

Mr. DIMON. Okay, a company like JPMorgan moves approximately $6 trillion around the world every single day for our clients, which a large part is obviously American corporations. A lot us finance these corporations, $2 billion, $10 billion, $15 billion, in markets around the world, multiple bond issues. That would all have to be done by other large banks not based in the United States of America.

And I don't know what the long-term effect is. I would tell you, a country that does not have a strong, healthy banking system, including the large banks—there are roles for community banks and large banks—you will not have a strong economy. And you could just go around the world and you could see that phenomenon.

Mr. BARR. Would that weaken American competitiveness?

Mr. DIMON. Absolutely.

Mr. BARR. Mr. Gorman, same question.

Mr. GORMAN. There are many parts of our business that would have an impact. But the two that are obvious are, we are the number one or two manager of wealth in the world. We manage $2.5 trillion of individuals' money for their retirement, their financial wellness. That is obviously critical to those individuals and to their families.

And secondly, we are responsible for about 21 percent, 22 percent of all equities trading around the world. So efficient and effective markets depend upon institutions like us being able to make markets. If we are not doing it, there would be a huge gap.

Mr. BARR. Mr. Moynihan, what would happen to the U.S. economy and U.S. competitiveness if Bank of America were forcibly broken up?

Mr. MOYNIHAN. I think they have talked about larger companies. But I think what the phenomenon, the success of the American business is that midsized companies operate around the world. So a manufacturer of lug bolts out of the Midwest, supplies into China to go in cars manufactured there, is a successful company.

And we have to help companies like that figure out the world. So not only is it the largest companies. As the world—the global economy is taking place, smaller midsize companies operate on a global basis. And we have to—and if we weren't there to support them, it takes global reach but done locally to make that work.

Mr. BARR. And Mr. O'Hanley and Mr. Scharf, as you all answer this question, obviously, pay particular attention to the unique custody services that you offer.

Mr. O'HANLEY. So we process 10 percent of the world's financial assets. And by operating at that scale, we are able to deliver our services at a very low cost. The American investor, pension funds, endowments, foundations would suffer dramatically without us being able to operate at that scale.

Mr. BARR. Mr. Scharf?

Mr. SCHARF. Congressman, what I would add to that is that we service institutions of all sizes, from very small ones to $300 million pension funds, to up to $6 trillion asset manager. And so those institutions are going to look for companies of size, to provide their services to them.

And so if it is not us, sitting up here today, it would likely be a big foreign bank.

Mr. BARR. And by the way, Mr. Solomon, describe the U.S. economy without your institution.

Mr. SOLOMON. Our institution provides services largely to corporations, governments and corporations, institutions around the world. We are also one of the larger money managers around the world.

If we don't provide these services, someone else will have to. That organization needs to be broad, global, multi-product. It most likely would not be a U.S. institution if these institutions here weren't providing those services.

Mr. BARR. All of you have testified about how your institutions are more resilient, you are better capitalized, there is higher liquidity, less leverage now. But what if we overdo it in terms of a G-SIB surcharge that would make American institutions less competitive to your foreign counterparts? Anyone can answer that question in the remaining time.

Mr. Dimon?

Mr. DIMON. What happens with that is it starts to slowly push business into shadow banks, non-banks, foreign banks. That is not taking place right away, but it is a risk over a decade or so.

[disturbance in hearing room]

Mr. BARR. Madam Chairwoman, I will reclaim my time.

Chairwoman WATERS. The committee will come to order. One moment, Mr. Barr. Thank you for removing the disturber from the room.

Mr. BARR. Reclaiming my time, which is only 3 seconds left.

Chairwoman WATERS. You may reclaim your time.

Mr. BARR. Thank you, gentlemen, for your testimony today. I yield back.

Chairwoman WATERS. Thank you.

The gentlewoman from Ohio, Ms. Beatty, who is the Chair of our Subcommittee on Diversity and Inclusion, is recognized for 5 minutes.

Mrs. BEATTY. Thank you, Madam Chairwoman.

Let me first start by the door that was opened by Ranking Member McHenry when he said this committee was about Democrats wanting headlines. Well, I do want headlines.

I want the headlines to read that Beatty wants business diversity in banks. I want the headlines to read that Beatty finds all-white-male CEOs with C-suites in boards lacking diversity, unacceptable. I want the headlines to read that Beatty demands change. I want the headlines to read that she is not anti-banks.

So as I sit here today, let me say to you, by your own numbers, some 504,000 employees, I have 135 employees who work in financial institutions in my bank. So I really think that you are too big not to employ African-Americans, minorities, and other forms of diversities and females in your pipeline in high positions in the bank.

So for me, it is about changing the culture. And let me just tell you. You have answered the questions, I am not so sure I understood the hand-playing game, while I appreciate my colleagues asking you the questions. So I am going to do it a little differently because I am the chairwoman of Diversity and Inclusion.

I am going to ask you to simply go down the line and say yes or no. So I want to know, would you put in writing that you will develop a diversity plan for me that includes pipeline and what you will ask your board and what will you do at the C-suites?

Mr. Corbat, yes or no?

Mr. CORBAT. We already have that plan in place.

Mrs. BEATTY. No. That—I need it. So the question is, will you put it in writing to me as the chairwoman? Yes or no?

Mr. CORBAT. Yes.

Mr. DIMON. Absolutely. We are devoted to get it done right.

Mr. GORMAN. Yes.

Mr. MOYNIHAN. Yes, we have. It is—ours is publicly disclosed.

Mrs. BEATTY. No, I want it sent to me. Let's be really clear. I want it in writing, addressed to me. Yes or no?

Mr. O'HANLEY. Yes.

Mr. SCHARF. Yes.

Mr. SOLOMON. Yes.

Mrs. BEATTY. Okay. So now the question is, we look at the some $5 to $7 trillion. So for me, business diversity. Who are you using with your assets, your international funds? So I want to know, yes or no, do you have an African-American, a minority or female company that manages your assets? Yes or no?

Mr. CORBAT. We are not in the asset management business.

Mrs. BEATTY. Or any of your funds—your bank funds, your pension, your members' funds. Your money.

Mr. CORBAT. I am not sure.

Mr. DIMON. I am pretty sure that answer is yes.

Mr. GORMAN. Yes. We have minority-owned firms that manage money.

Mr. MOYNIHAN. Yes, I think we do.

Mr. O'HANLEY. Yes, we do.

Mr. SCHARF. I believe, yes.

Mr. SOLOMON. Yes, we have minority managed firms that manage money.

Mrs. BEATTY. The next thing is, my colleague asked you about the Rooney Rule. Dan Rooney started that in 2003–2004, because he was the Diversity Committee Chair. And African-Americans were bringing all the monies in, and they didn't have any black coaches or black owners.

So I knew by your faces, most of you didn't know what that was, so let me tell you something you will remember, the Beatty Rule. I am doing it with the Federal banks, and it is House Bill 281. I suggest you read it and you have your staff and your lobbyists read it.

The last question I think I am going to ask you is, would you participate if I create—we do the same thing in government. We have the Office of Minority and Women Inclusion (OMWI), so I am going to have "BOMWI," Banks Office of Minority and Women Inclusion. In your positions as CEO will you hire a director of diversity who reports to you? Yes or no?

Mr. CORBAT. My director does.

Mrs. BEATTY. It is a yes or no for my time. I'm sorry.

Mr. DIMON. Yes. Kind of.

Mr. GORMAN. It reports to our head of H.R.

Mrs. BEATTY. No, this is a—no, I want the title to be director of the Office of Minority and Inclusion in Banks. So if you have somebody, you change the title or you hire somebody. Will you do it, yes or no?

Mr. GORMAN. We can look at changing the title if that is—

Mrs. BEATTY. Thank you.

Mr. GORMAN. We already have—

Mrs. BEATTY. Let's start with Mr. Solomon and go this way.

Mr. SOLOMON. We can look at changing the tile of the role and consider it.

Mr. SCHARF. We would be glad to do the same.

Mrs. BEATTY. Will you authorize this person to then have a meeting with me so I can do a follow up that we can be more than aspirational?

Mr. SCHARF. Yes.

Mrs. BEATTY. And let me just say three of you who were smart enough to at least meet with me before I was chairman and then came back. While none of you are where you should be, I do want to say thank you for being aspirational.

Mr. Solomon, I want to thank you for coming in and at least having people in the pipeline. Mr. Corbat, I want to thank you for coming in and telling the truth about what you had and hiring people. And Mr. Dimon, I want to thank you for also coming in and doing a program that included me. Thank you, and I yield back.

Chairwoman WATERS. The gentleman from Texas, Mr. Williams, is recognized for 5 minutes.

Mr. WILLIAMS. Thank you, Madam Chairwoman. First of all, I want to say that I am a happy guy, not an angry guy. And I want to thank all of you for keeping the American Dream alive for the small-business owners and entrepreneurs all across this great country. I am glad you make money, because when you make money, it helps Main Street America invest.

So if it weren't for the banks that all of you are here today representing, Main Street America would not exist as we know it today. Even though your banks are as well-capitalized as they have ever been, the economy is growing at the fastest pace in over a decade and unemployment is at near record lows, our country is having a serious debate about whether we need a transformative systematic change to our economic system.

Yesterday, I asked Secretary Mnuchin what would happen to the economic growth and GDP if we turn away from free-market principles and adopted a more socialist approach towards private industries. His answer was clear and it was concise. Adopting socialist policies would be disastrous for the economy, and every single country that has pursued this economic goal has deteriorated significantly.

We cannot let these false compromises or false promises that socialism would cure the ills of society become mainstream. We need to put socialism on trial and do it today.

We need to decide if we are going to be a planned, one-size-fits-all economy of guarantees for a land of opportunities. Are we going to incentivize entrepreneurs to take risk and innovate or embrace complacency and government dependence? So before we continue, I want to ask each one of you, starting with Mr. Corbat, a straightforward question. Are you a socialist or are you a capitalist?

Mr. CORBAT. Capitalist.

Mr. DIMON. Capitalist.

Mr. GORMAN. I am a capitalist.

Mr. MOYNIHAN. Capitalist.

Mr. O'HANLEY. Capitalist.

Mr. SCHARF. I am a capitalist.

Mr. WILLIAMS. Well, it is a shutout for the socialists today.

Mr. SOLOMON. I am a capitalist.

Mr. WILLIAMS. So Mr. Dimon, my question to you is, I saw the letter to your shareholders where you addressed this issue in more detail. They talked about it this morning, but can you please elaborate for everyone watching who may not have had the chance to read your letter?

Mr. DIMON. I spoke in the letter about socialism—social Democrats. Social Democrats is a market economy which has a good safety net, which is a good objective for all of society, to have a good safety net. We have here, we can always improve it.

I acknowledge that people get left behind and that we need a properly regulated free market capitalism system. But socialism—if you mean by socialism, the government owns the companies and controls them, that will inevitably lead to corruption. Okay? Those decisions will be made not what is efficient, not what people want, what gets produced, where it gets produced, who produces it, where people work, and how they work will all become driven by political actors for their own interests.

And if you don't believe it, take a tour around the world and look at some of these true socialist countries.

Mr. WILLIAMS. Well, thank you for that, and without objection, Madam Chairwoman, I would like to enter that portion of Mr. Dimon's letter to the shareholders into the record.

Chairwoman WATERS. Without objection, it is so ordered.

Mr. WILLIAMS. Thank you. An idea was brought up during a hearing last month with the previous Wells Fargo CEO that the bank should be financially liable if there is an oil spill at a project they helped finance. I have been a car dealer for almost 50 years and I have helped countless people secure financing for vehicles.

I think if the auto lenders were held financially liable for car accidents, for example, I would have a much harder time selling cars. So Mr. Moynihan, what would happen to the lending market if financial institutions were liable whenever something goes wrong, even if it is completely beyond their control, whether that be a car accident or an oil spill?

Mr. MOYNIHAN. Representative Williams, I think that the cost would go way up or the availability would go way down or both.

Mr. WILLIAMS. It would be hard to do business.

Mr. MOYNIHAN. Yes.

Mr. WILLIAMS. One of the beautiful things about capitalism is that all of us and all of you are competing for customers like me and others. The institutions represented here today are some of the largest banks in the United States, as we know.

Mr. Gorman, I have a two-part question for you. How do the sizes of the institutions here today compare to some of your largest international competitors? And do you think international competition as we talked about and you—as we discussed a little bit, will fill the void if you were forced to downsize because you were deemed too big to manage by a future President or Congress?

Mr. GORMAN. Well, the U.S. financial system is very interesting because it has at the one-time very large financial institutions represented here. It needs those because it has very large corporations. Somebody has to finance Microsoft and Google and Exxon and IBM and GE, et cetera, and if the U.S. financial institutions aren't doing it, aren't the backbone, somebody else will from overseas.

Secondly, it also has 5,000 smaller banks, which most countries don't have. This is actually the least concentrated banking sector, I believe, of any of the major developed markets in the world. I grew up in Australia, where the top 4 banks account for 80 percent of deposits.

Mr. WILLIAMS. Thank you. I yield my—

Chairwoman WATERS. The gentleman from Washington, Mr. Heck, is recognized for 5 minutes.

Mr. HECK. Thank you, Madam Chairwoman. I would like to ask a question first of all to Mr. Corbat, Mr. Dimon, and Mr. Moynihan. As the heads of banks over $10 billion, you are obviously supervised by CFPB for consumer protection, and as you no doubt know, the last director of CFPB affirmed by the current one has announced that they are going to stop checking on compliance with the Military Lending Act. They have indicated they are no longer examining for compliance. I want to confirm here now for the public record that that is the case. Mr. Corbat?

Mr. CORBAT. I believe we continue to be checked by our regulators to be in compliance and we are in compliance.

Mr. HECK. So you are saying that, notwithstanding what the Director of the CFPB has said, that they are no longer examining for compliance, they are in fact examining for compliance?

Mr. CORBAT. I should state that I believe—and we can follow up directly with your office, is that the OCC actually checks that, and we have been checked to be in compliance—

Mr. HECK. That wasn't the question, though, sir. It was whether or not the CFPB was examining you for compliance with the Military Lending Act.

Mr. Dimon?

Mr. DIMON. I am not actually aware of whether they are or aren't, but we are going to continue doing it ourselves anyway.

Mr. HECK. Mr. Moynihan?

Mr. MOYNIHAN. I am not aware of the concern of yours, but the OCC regulates us on that and does examine it.

Mr. HECK. The CFPB does as well, or did.

Mr. MOYNIHAN. They work with the OCC. So we are examined on it routinely and we continue to comply with all laws.

Mr. HECK. Did any of you object to the CFPB examining you for compliance with the Military Lending Act? Did any of you submit in writing or have any of your employees on your behalf indicated to them that you wanted them to stop examining you for compliance with the Military Lending Act?

Mr. Corbat?

Mr. CORBAT. I did not.

Mr. DIMON. Not that I am aware of.

Mr. GORMAN. Not that I am aware of, either.

Mr. HECK. A painful reminder that the night before last, three young Marines lost their lives in Afghanistan. And it is on behalf of the young men and women who put on the uniform to defend this nation that that law was passed to protect them.

Because as a matter of fact, as a point of fact, 80 percent of those who lose their security clearances do so because of financial distress. That was part of what led to the enactment of the Military Lending Act in 2006, I believe.

The question really is vague as to who is it that looks out for military families. But what I have taken from you is that none of you would object to being examined by the CFPB for compliance with the Military Lending Act. Raise your hand, of the three of you, if you would object to that.

You would object to that, sir?

Mr. MOYNIHAN. Too many negatives. No, I wouldn't object to that.

Mr. HECK. Sorry about that. Okay.

I have a second question I want to ask each of you in whatever little time we have left. I examined the recent history and the scrolling set of fines that have been levied. And I think especially about corporations that have made egregious mistakes like Wells, not represented here today, and Equifax, and the market doesn't seem to have punished them for their bad behavior, egregious behavior, didn't punish them on the stock side, didn't punish them on the revenue side.

And it begs the question of, what deters bad behavior? If the market doesn't do it, and certainly the regulatory entities are not engaged in any kind of enforcement activity that seems to be having the effect of deterring bad behavior, what is it that can be done to deter bad behavior? What is it that can conceivably align your understandable objective of making money for your shareholders and being profitable and serving your customer base? What can we do to get rid of bad behavior?

Because when I look at Wells and Equifax, you just have to ask, what in the world would work?

Why don't we start with Mr. Solomon and go this way. Each of you have 6 seconds.

Mr. SOLOMON. I think we are working to do the best we can in our organization. I think the market does hold you accountable over time—

Mr. HECK. They didn't for Wells or Equifax, sir.

Mr. SOLOMON. I can't really comment on Wells or Equifax.

Mr. HECK. Mr. Scharf? Sure. Go ahead, Mr. Solomon.

Mr. SCHARF. I would just echo that. We continue to try and do the best job we can. I will say from our perspective, the regulators—

Mr. HECK. Let me interrupt and close this way, because one of the most powerful means of enforcement of behavior is group affirmation or condemnation. And I realize that you all interact with the heads of these other organizations. But do you know what would help? Stand up and speak out, because what Wells did and continued to do is unacceptable and you ought to call it out publicly for what it is.

With that, I yield back my time.

Chairwoman WATERS. The gentleman from Colorado, Mr. Tipton, is recognized for 5 minutes.

Mr. TIPTON. Thank you, Madam Chairwoman, and witnesses, I appreciate you being here today.

I want to come at this from a little different angle. I represent a rural part of Colorado. And part of the big challenge that we have in those rural areas is that when the economy goes bad, we are typically one of the first areas to suffer. As the economy starts to recover, we are the last to be able to actually participate in that recovery.

But what is the key to success in being able to create those jobs, being mindful that 7 out of 10 jobs in this country are created by small businesses, is access to capital. One of the challenges we are really facing now—pre-crisis, we had a little better than 6,500 banks in this country. We are now down to about 4,700 banks that are providing that access to capital, just given the geographic constraints of many of the people that I represent have to be able to deal with.

Fortunately, we have seen a proliferation of online banking, advances in the financial services technology that does seem to have the potential to be able to make sure that these communities remain economically viable. And so, Mr. Moynihan, Mr. Dimon, maybe you would speak to what your institutions are doing to be able to respond to some of the unique challenges that we see, providing crucial banking services to rural customers, and especially using the advances in technology?

Mr. MOYNIHAN. Well, if you think about a couple of things, just to be clear, our loans to companies of under a million dollars as a loan to the company have grown every year since 2011. And that is a big area of business for us. Generally, that business is done where we have branches in the catchment basin, so-called.

We do have about 30 percent, 25 percent of our sales are done directly through—you know, technology through a digital presence. We continue to expand the capabilities there. We can do a small business loan directly that way. And we will continue to do it.

I always challenge a team, to answer your question, having grown up in a rural part of the country, how do we extend our reach? And how do we extend our capabilities? And that is something I have them focused on, which is not only branch-less and not only automation, but also even how you can deploy branches, these technology-based branches we have that can provide services.

Mr. TIPTON. Thank you.

Mr. Dimon?

Mr. DIMON. Yes, sir. We are one of the largest banks to community banks. We support them with FX, derivatives, equity, debt, capital markets, lending, buying their mortgages, financing their mortgages, et cetera. So we are going to continue that.

We also are one of the largest banks to small businesses, like Brian over here. We have special lending for entrepreneurs of color because we know that it is an underserved market, particularly when it comes to financing small businesses. And we are also expanding. So we are going from 23 States to 40 States and a lot of your States are now going to get JPMorgan branches.

I would love you to go to the one down here in Anacostia because every time we go to a town, we come in and start making small business loans. We do some philanthropy. We try to do some LMI lending. We try to add financial education. We try to do that pretty much wherever we do business.

Mr. TIPTON. I appreciate that, and the nexus between the big banks and the small banks to be able to provide that.

And, Mr. Dimon, would you maybe follow up just a little bit? One of the critical areas for our economy also happens to be mortgages in our rural communities and to be able to get that lending. What is the state of the mortgage lending for large banks? And are large banks meeting some of the needs in our rural communities?

Mr. DIMON. Obviously, most of the large banks here make mortgages. The issue with mortgages is highly constrained because there are 3,000 Federal and State servicing and origination requirements which make it more expensive. When the financial crisis happened, we put in much better standards, which is a very good thing. But we never finished the regulations for securitization.

Because of those things and certain risks on the legal side, banking lending has been heavily constrained to lower-income people, self-employed people, and people with prior defaults. And that could be fixed. It has to be fixed by the regulators and the legislators. They are aware of the issue.

But that would open up the mortgage markets, and some of our economists think that one thing alone could add 0.2 percent a year to GDP growth in America. That one thing.

Mr. TIPTON. Okay. Thank you very much for that.

I happen to Chair the Small Business Caucus, and we had a meeting just a month or so ago noting that business loans are down 13 percent, small business loans, since 2008. It's difficult for women-owned businesses, where they account for only 16 percent of the conventional small business loans and 3 percent of the venture capital funding.

Mr. Solomon, what initiatives has your firm taken to be able to right the discrepancy for women-owned investments in businesses?

Mr. SOLOMON. In the last year, we launched a program called Launch with G.S., where we committed $500 million to basically back businesses started by women or asset managers that are started or run by women. We are now expanding that program to also include businesses started or founded by people of color.

Mr. TIPTON. Thank you.

I yield back, Madam Chairwoman.

Chairwoman WATERS. The gentleman from California, Mr. Vargas, is recognized for 5 minutes.

Mr. VARGAS. Thank you very much, Madam Chairwoman.

And thank you, Ranking Member McHenry, for being here. I appreciate it.

And of course, I thank all of the witnesses here. Thank you for being here today. I do want to ask you about DACA recipients, Deferred Action for Childhood Arrivals. These are young people who arrived in our country before they were 16 years old, brought here by their parents or other relatives, and really by no fault of their own. Unfortunately, they don't have documents.

Because in 2012, President Obama signed an Executive Order that these young people and some children wouldn't be deported, they are allowed to work legally in our country.

So I want to ask you first—and go down the line—one, if you hire them and two, if you help them in their renewals.

Mr. Corbat, I will start with you, sir.

Mr. CORBAT. Yes, we do hire them.

Mr. VARGAS. And do you help them with their renewals? It is a $500 fee that most of them pay. Do you help them?

Mr. CORBAT. I don't know the answer to that.

Mr. VARGAS. Okay. Could you find out and tell me? I would appreciate that.

Mr. CORBAT. Certainly.

Mr. VARGAS. Mr. Dimon, sir?

Mr. DIMON. We definitely hire them, and I believe we help with the fees. We could let you know. And we completely support DACA staying here.

Mr. VARGAS. Thank you very much.

Mr. DIMON. A hundred percent.

Mr. VARGAS. I appreciate it.

Mr. Gorman?

Mr. GORMAN. Yes, we hire them. They are also already employees. And I am not aware whether we help or not on—

Mr. VARGAS. Could you find out?

Mr. GORMAN. I certainly will.

Mr. VARGAS. It would certainly be a great thing if you did.

Mr. GORMAN. I will send it in to you.

Mr. VARGAS. Mr. Moynihan?

Mr. MOYNIHAN. We hire them. When the issues came up, we retained attorneys to represent them in the process at our cost. And like my colleagues here, they are working for us, sir. Let's keep them here.

Mr. VARGAS. A very hearty thank you for you. Thank you, sir.

Mr. O'Hanley, sir?

Mr. O'HANLEY. We do hire them. I am not aware whether we help them financially.

Mr. VARGAS. I hope you do because they need to renew every 2 years.

Mr. O'HANLEY. I will get back to you.

Mr. VARGAS. Sure, sir.

Mr. SCHARF. I don't know sitting here. We will look at it.

Mr. VARGAS. Could you find out and get back to me on that? I would appreciate it.

Mr. SCHARF. Yes, sir.

Mr. VARGAS. Mr. Solomon?

Mr. SOLOMON. Yes, Congressman. I don't know the answer but I will look into it and get back to you.

Mr. VARGAS. I appreciate it. Thank you.

I would like to go down the line and ask you a question. Would your institution continue to lend to an individual who repeatedly defaulted on his or her prior loans?

Mr. Corbat, yes or no?

Mr. CORBAT. We would look at the circumstances, but likely not.

Mr. VARGAS. Likely not.

Mr. Dimon?

Mr. DIMON. We look at the circumstances. Likely not, but we do give second chances.

Mr. VARGAS. Okay.

Mr. Gorman?

Mr. GORMAN. Exactly the same answer.

Mr. VARGAS. Okay.

Mr. Moynihan?

Mr. MOYNIHAN. I agree. We would look at the circumstances but we are less than likely or not.

Mr. VARGAS. Okay.

Mr. O'Hanley?

Mr. O'HANLEY. We don't do consumer commercial lending.

Mr. VARGAS. Okay.

Mr. Scharf?

Mr. SCHARF. We don't do lending to private citizens.

Mr. VARGAS. Okay. Great.

Mr. Solomon?

Mr. SOLOMON. We would look at the circumstances, but most likely not.

Mr. VARGAS. Okay.

Second question: Would your institution lend to an individual whom you knew had inflated the value of his or her assets in order to secure a loan from your institution?

Mr. Corbat?

Mr. CORBAT. It would depend on the type of loan.

Mr. VARGAS. So you might lend to them, if you knew that they had inflated the value of their assets to secure a loan, you would do that?

Mr. CORBAT. Depending on the type of loan. If we were lending versus a personal guarantee or we were lending against a specific asset, in which case we would do our own underwriting.

Mr. VARGAS. Okay. All right.

Mr. Dimon?

Mr. DIMON. Unlikely.

Mr. VARGAS. Unlikely? Did you say unlikely?

Mr. DIMON. Unlikely, yes.

Mr. VARGAS. Unlikely. Thank you.

Mr. Gorman?

Mr. GORMAN. We don't do many of those loans because we are not in that business. But if we did, I would say very unlikely.

Mr. VARGAS. Okay.

Mr. Moynihan?

Mr. MOYNIHAN. We don't depend on—in a corporate setting, we value the assets. And so, it's unlikely.

Mr. VARGAS. Okay.

Mr. O'Hanley?

Mr. O'HANLEY. We don't do that.

Mr. VARGAS. You don't do those.

Mr. Scharf, I don't believe you do those either.

Mr. SCHARF. We do very little.

Mr. VARGAS. Mr. Solomon?

Mr. SOLOMON. We are very small on that but it would be unlikely if they made a misrepresentation.

Mr. VARGAS. Okay. Would your institution continue to maintain a banking relationship with an individual who had committed loan fraud?

Mr. Corbat?

Mr. CORBAT. No.

Mr. VARGAS. No.

Mr. Dimon?

Mr. DIMON. Unlikely.

Mr. VARGAS. Unlikely, but maybe? If they committed loan fraud, you think that might be a good idea?

Mr. DIMON. Unlikely. We do our homework. Unlikely, and the definitions of what people mean and—

Mr. VARGAS. Loan fraud.

Mr. DIMON. Unlikely.

Mr. VARGAS. Okay.

Mr. Gorman?

Mr. GORMAN. No, I don't think so.

Mr. VARGAS. Mr. Moynihan?

Mr. MOYNIHAN. Is this the person who committed loan fraud and it was—oh, no.

Mr. VARGAS. Okay.

Mr. O'HANLEY. We are not in that business.

Mr. VARGAS. You are not in the business of loaning to people who commit fraud? Good for you. I am with you on that.

Mr. Scharf, go ahead?

Mr. SCHARF. Again—

Mr. VARGAS. It sounds like some might be.

Mr. SCHARF. We are not in that business.

Mr. VARGAS. I am glad you are not.

Mr. SOLOMON. No.

Mr. VARGAS. No? Thank you.

Would your institution provide a loan to an individual in order for him or her to pay off a loan that had been extended by your bank? In other words, if one division of your bank provided a loan to an individual, would you approve the extension of a loan from a different division so that initial loan could be paid off?

Mr. Corbat?

Mr. CORBAT. It would depend on the circumstances. As an example, somebody could have credit card debt and they could come in and ask for a personal loan—

Mr. VARGAS. Okay, thank you.

Mr. Dimon, I am running out of time.

Mr. DIMON. Based on the circumstances.

Mr. VARGAS. Okay.

Mr. GORMAN. The same answer. Based on the circumstances.

Mr. VARGAS. Okay.

Mr. Moynihan?

Mr. MOYNIHAN. It is, again, based on the circumstances. What is the payoff from, where is the money from?

Mr. VARGAS. Okay.

Mr. O'HANLEY. We are not in the lending business.

Mr. VARGAS. Yes. And you don't loan to people who commit fraud. Good for you.

Mr. SCHARF. Same answer.

Mr. VARGAS. Same answer.

Mr. SOLOMON. Based on circumstances.

Mr. VARGAS. Okay. My time has—I hope you continue to help especially the DACA recipients. And I appreciate your help with them. Thank you.

Chairwoman WATERS. The gentleman from Georgia, Mr. Loudermilk, is recognized for 5 minutes.

Mr. LOUDERMILK. Thank you, Madam Chairwoman.

I know it has been a long day and I appreciate you all being here. Our economy is strong. And we have heard that from various elements of government and the banking industry.

The banking system is strong. That is not just my opinion. From what the previous Federal Reserve Chairs and other regulators are telling us, not only is it strong but it is deep. And that is very encouraging.

I don't have to tell you guys that the economy is about momentum. It is about movement. There is always the same amount of money out there. It is just whether or not it is moving.

During the recession, money was sitting stagnant. We are moving that money now. It is moving. People are trading their resources for money, and we are moving it.

And so my interest is keeping that money moving, keeping the economy strong, keeping resources moving. And I want to look at what I think are real threats to our economy, not just perceived threats or some of the other politically driven questions you may have had today.

I see, coming from an I.T. background, cyber is a serious threat not only to our banking system, to our economy, to individuals, to their personal security altogether, I see it as possibly the biggest threat to the U.S. financial system, and I think part of the problem is the patchwork of conflicting data security and breach notification laws, is one of the major issues that is exacerbating the problem we already have.

And some of us—I am one of them who thinks that we need some type of uniformed national standard. Mr. Dimon, what are your thoughts on that?

Mr. DIMON. You are absolutely correct, and I had mentioned in my opening comments early on that actually all of us—I think all of us are going to meet with Secretary Mnuchin, Homeland Security, with all of our security officers is absolutely essential to work closely with the Federal Government, that we share information faster—we already do it among ourselves—and that we have more common standards.

We don't have 24 people ordering us and doing penetration tests, et cetera, will make it riskier, not safer.

Mr. LOUDERMILK. Do you ever find yourself in a situation where if you are in compliance with one regulatory agency, you may be out of compliance with another?

Mr. DIMON. Yes.

Mr. LOUDERMILK. Quite more often than not?

Mr. DIMON. All the time, yes.

Mr. LOUDERMILK. All right, thank you. Mr. Moynihan, why is it important for the Federal financial regulators to coordinate cybersecurity standards and exams so they are consistent across the agencies?

Mr. MOYNIHAN. We are effectively in a war on cybersecurity, and any energy that is lost to people—to give information—the same information twice, mainly it slows down the process of getting the information, getting it to all institutions and we work together.

The large institutions funded a group to get that information out faster. Anything that results in time spent trying to figure out something that may not be as important as something else, those are times taken away from actually defending—the two basic principles, defending the perimeter, and then secondly, finding out who is doing it, which is critically important to the security of the infrastructure of all America and the world, frankly.

What we found out doesn't necessarily just help the banks, it helps all kinds of companies.

Mr. LOUDERMILK. Right, and thank you. I am from Georgia and we are actually home to two-thirds of the nation's payment processing, and I am also co-Chair of the Fintech Payments Caucus with my good friend and colleague, Representative Scott from Georgia.

Mr. Dimon, you said something recently that—you said you were both inspired and worried by China's strength in fintech. It was a very interesting comment. What should our policymakers be doing to make sure the United States remains competitive in this field and on a global scale?

Mr. DIMON. Yes, so I want to just go back quickly to, we also protect our clients. So we do a lot of cyber protection for our clients, which include hospitals, governments, States, et cetera. And that is all for our backbone that does a lot of that work.

We had a team of people go to China recently and they met with a lot of the large fintech companies there. They are very smart, they are probably ahead of us in AI, but I think the bottom line is the United States is not afraid of it, we are going to compete, we spend plenty of money on technology, too.

I think the bottom line is we have one of the most innovative societies in the world and it is being hampered by a lot of stuff. We are not educating enough kids in innovation, we are not building infrastructure—and I am talking about waters and grids and networks and FAA—and we have to get that going.

And allowing companies to compete more—fail a little bit, you are going to fail when you try new things, so it is a critical factor—is infrastructure.

Mr. LOUDERMILK. Well, thank you, and I appreciate that. I think I see in this chamber today a lot of partners, with whom we can partner together to make America safe, secure, and strong, because we all benefit from it, and I look forward to continuing the partnership with all of you. I yield back.

Chairwoman WATERS. Thank you. We promised our witnesses here today that we would have a break about this time for 10 minutes, so let us take a break and we will come back and complete the questioning for our witnesses this afternoon. Thank you, 10-minute break.

[brief recess]

Chairwoman WATERS. The committee will come to order. Will the photographers please cease?

The gentleman from New Jersey, Mr. Gottheimer, is recognized for 5 minutes.

Mr. GOTTHEIMER. Thank you, Madam Chairwoman. And thank you all for being here today and for your work and for what you do for New Jersey. I am very grateful. I wish we had also put up slides earlier today that looked more like this one, about how many jobs your firms have created, or slides showing how many entrepreneurs and small and minority-owned businesses have been supported by your institutions, or slides showing how many pensions and 401(k)s and homes and other finances you have helped people secure.

[slide]

Your firms currently employ more than a million people. You have doubled your small business loans in the last decade from $44 billion to $86 billion, including supporting small businesses in my district to the tune of $471 million. Making the dream of homeownership possible, your firms have originated $1.8 billion in home mortgages in my district alone, and I am grateful. But unfortunately, there is no slide up there about that, either.

I really appreciate the opportunity to discuss the success America has seen as a result of the changes that have been made over the last decade, thanks to Dodd-Frank and other legislation, and investments in the last 10 years that you have made since the financial crisis, and changes you have also made. Obviously, there is always room for improvement, but I am grateful for the changes that have been made.

Prior to serving in Congress, I worked at Microsoft, where I was lucky to work on the cutting edge of technology, the Cloud and e-commerce. I know you all devote a lot of resources to innovation and technology, and as one of the co-Chairs of the Congressional Fintech Caucus, I have a quick question, and maybe I will start with Mr. Moynihan. What do you think the future of banking and fintech looks like, and how will it affect your institution in this space?

Mr. MOYNIHAN. Well, I think the question isn't what it is going to look like in the future; it is how it is affecting it literally today. And so if you look at the percentage of activity that goes through the 27 million mobile banking customers or 37 million digital bank customers we have, it is increasing. And then the interactivity of clients, the way we can help people manage their finances better with the connectivity of the smartphone, and the alerts and warnings, and your balance is low, and here, you can avoid an overdraft—these are terrific things just for the raw consumer. And then you take it across all the segments, whether it is more affluent consumers or companies.

And so it has a tremendous impact. It is the ability that makes us more efficient, makes us more secure, takes risk out of the organization. But it is going to be driven by what our consumers do.

Mr. GOTTHEIMER. Thank you, sir.

If I could turn to small business for a minute, your institutions all provide a tremendous amount of lending to consumers and businesses. I believe the number is about 40 percent of the total lending done in the industry, which is crucially important to providing credit to small businesses and consumers in New Jersey and across my district.

If I can start with Mr. Dimon, can you describe some of the work that your firm has done in the small-business-lending arena and how those loans are helping to facilitate small business growth? Thank you.

Mr. DIMON. So a lot of the services, particularly fintech, a small business, you can get loans now in a day if you need it. You can have a home line of credit that you can access right away. You can move money very quickly, very cheaply, both P2P and B2C. It will be real-time payments at one point. You can manage your investments on the phone.

So we are just adding more and more digital services, and a lot of these aren't going to need the same kind of branches and ATMs, so they actually can bank rural, small businesses, and they get almost all the services they need in their phone.

Mr. GOTTHEIMER. Mr. Solomon, you mentioned in your testimony that Goldman Sachs has a 10,000 Small Businesses initiative that is dedicated to helping entrepreneurs create jobs and economic opportunity, providing greater access to capital. Can you elaborate on the initiative's ongoing efforts and the results that you are seeing? Thank you.

Mr. SOLOMON. Sure. We created the 10,000 Small Businesses Program over a decade ago to try to find—because we are not a big platform lender, as are a number of the other companies, ways that we can help and support small businesses. We have committed over $500 million to educating business owners throughout the country.

They go through an intensive 6-month program, and we have seen real results in the context of them adding jobs in their businesses, growing their revenue, and expanding their platforms by providing basic business education, support for financial services, and broadening their educational capability.

Mr. GOTTHEIMER. Thank you, sir.

And Mr. Gorman, if I can, on Dodd-Frank, what changes have you implemented since Dodd-Frank that you believe makes your firm safer than they were before the financial crisis? If you could just give me a thumbnail in 40 seconds of just your top hits.

Mr. GORMAN. Doubled the capital, tripled the liquidity, cut the leverage by 75 percent, put in place a living will, orderly resolution, passed the annual CCAR stress tests, and fundamentally changed the organization, where we now operate with 30,000 risk limits. Pre-crisis, we had risk limits in the low hundreds.

Mr. GOTTHEIMER. Excellent, thank you, and I am going to submit several charts for the record about how much has been invested in our country in loans to small businesses, and of course, businesses of all sizes, and many in my district, which I am grateful for, and have really led to a lot of growth. And I thank you very much for being here today. Thank you.

I yield back.

Chairwoman WATERS. Thank you very much. The gentleman from Ohio, Mr. Davidson, is recognized for 5 minutes.

Mr. DAVIDSON. Thank you, Madam Chairwoman.

Witnesses, thank you very much for your testimony here today, and for the quality work you have done to strengthen our financial systems.

I want to focus on technology, particularly certain sectors. With the incredible power of modern computing and the Internet, we are entering into a new era of innovation. Currently, blockchain is transforming our financial systems, cyber security, and how entrepreneurs and startups are able to raise capital. As the rest of the world speeds ahead to take advantage of this new technology, the U.S. is now lagging behind, heavily due to regulatory certainty issues that the market needs to protect consumers, and empower innovators and entrepreneurs.

My colleagues and I, including Josh Gottheimer, Tulsi Gabbard, Ted Budd, and others who aren't on the committee—Darren Soto and Scott Perry—introduced a bill yesterday that would provide the regulatory certainty the U.S. needs in order to take advantage of this thriving sector.

Mr. Solomon, I am going to read an excerpt from an article that recently caught my attention: "Goldman Sachs plans to establish a crypto-focused unit by the end of 2018," as reported by Bloomberg in December of last year. However, on September 5th, Business Insider reported that unnamed sources said the firm is scrapping crypto trading desk plans due to an unclear regulatory environment in the crypto industry.

Mr. Solomon, why did Goldman Sachs initially choose to open a crypto trading desk?

Mr. SOLOMON. The first article wasn't correct. Like others, we are watching and exploring, and doing work in terms of trying to understand the cryptocurrency market as it develops. We have some clients that have certain functionality and we have engaged with them on clearing physical futures, but other than that, we never had plans to open a cryptocurrency trading desk.

We might at some point in time, but there is no question, when you are dealing with cryptocurrency, it is a new area. There are a lot of issues. It is unclear from a regulatory perspective, and it is not clear whether or not, in the long run, as a currency, those technologies are going to work and be viable.

Mr. DAVIDSON. Clearly, and certainly, some of those tokens that are issued are awaiting definition as to what will be a security, what is not a security, what is the appropriate trading platform. There are a number of issues that our bill goes into, and frankly, even things that will need to be addressed afterward.

Mr. Dimon, in 2017 you called cryptocurrencies, "not a real thing." But this year, your firm unveiled JPM Coin and stated, "We are supportive of cryptocurrencies as long as they are properly controlled and regulated." Why the shift?

Mr. DIMON. Well, the blockchain is real. It is technology. A lot of people are using it and testing it today, and we think it will work over time. But the part that is not real is that cryptocurrency is not supported by anything. There is no value behind it other than what the next person will pay for it, and they have serious issues about that.

The JPMorgan Coin is a token which is supported by a deposit at JPMorgan, so it can be shipped around the world real-time. It can go with a lot of data on it. You can split it into pieces and in seconds all in once, cash. We can move the cash, too.

Mr. DAVIDSON. So the settlements will happen almost instantaneously and there will be a blockchain distributed ledger. And how will that facilitate better payment systems if it works correctly?

Mr. DIMON. It will—you know, the payment systems today, they do work and they are very cheap, but the fact is this might be a faster way. It could be faster, it comes with data, and everyone would have the same data at the same time.

So instead of us having to call each other at banks—up and saying what happened to that shipment from Singapore, we just go to the same screen and see it right away.

Mr. DAVIDSON. Because of the nature of the blockchain, it is inherently more transparent?

Mr. DIMON. Yes. It has to be secure and it has to be, in this case, permissioned. Not everyone will be able to access it because we need real security around things like moving the money.

Mr. DAVIDSON. Thank you very much. Now, we can't talk about this thriving new sector without discussing how to protect consumers. As your role as banks evolve, secure custody of digital assets is essential. However, there is no regulation or guideline on who can be a qualified custodian for digital assets.

Mr. Scharf, in looking at your policy regarding cryptocurrency on your website, BNY Mellon cites lack of regulatory clarity as a barrier to providing custody for digital assets. Can you expand on this statement and highlight any other regulatory hurdles you are facing in this space?

Mr. SCHARF. Sure. I think just as the website says, there is a lack of clarity, and I think that is one thing that stands in the way. Quite honestly, it is something that—cryptocurrencies are very early in their existence. They are not significant today to speak of in terms of being used as a real currency to move value.

And so we are actively thinking about what we want to do. One of the biggest issues that we have relates to anti-money-laundering and KYC.

Mr. DAVIDSON. Thank you. My time has expired, and I yield back.

Chairwoman WATERS. Thank you very much. The gentleman from Guam, Mr. San Nicolas, is recognized for 5 minutes.

Mr. SAN NICOLAS. Thank you, Madam Chairwoman. Good afternoon, gentlemen, thank you so much for making time to be here. I was very excited to hear that the entry-level wages at Bank of America are going to be going up to $20 an hour, but it was disheartening in the fact that none of your enterprises do business on Guam.

None of your enterprises, in fact, really do business in any of our Territories in terms of business that actually employ people in our districts, and I kind of wanted to put that on the record because there is a serious disconnect in this country when it comes to job creation, and that disconnect is impacting not only my district and not only Territories, but a lot of rural America.

If we reference the chart that is put up there, you will see that post-financial crisis, non-metropolitan areas have not recovered their job markets. They are still about 2 points below the norm, while metropolitan areas are 8 points above where we were in the recession.

And a lot of this has to deal with the fact that the job creation is happening, whether it is just a lot of economic activity, but part of it also is a fact that the access to credit in these areas is just a lot more pronounced, a lot of your firms are more concentrated in metropolitan areas.

In fact, 27 percent of the country has two or fewer banks. And so, this is not just a territorial issue and it is definitely not just a Democrat issue; it is a bipartisan issue. In fact, my friends in the Colorado 3rd, the North Carolina 10th, the Oklahoma 3rd, the Tennessee 8th, the Texas 5th, and the Wisconsin 7th are mostly rural areas.

And so, I wanted to preface my question to this panel by raising all of those points and by posing a question with respect to some fiscal policy considerations that I have been working on.

When the Fed Chairman was here, I inquired as to whether or not he would be open to an evolving interest rate policy, which currently is blanketed across the board for all financial institutions, and whether or not he would consider bifurcating interest rate policy between metropolitan and non-metropolitan areas.

And the reason why that would be a good thing is if we keep interest rates low in non-metropolitan areas, we would have cheaper credit, we would have more money in the pockets of consumers, and we would be able to grow jobs there, while in the metropolitan areas, if we had a different interest rate policy, we would be able to combat inflation because of population densities in those areas.

So I wanted to ask the panel if you would be open to exploring the idea of an evolving interest rate policy to bifurcate between metropolitan and non-metropolitan areas? And if we can just go down the panel?

Mr. CORBAT. We're open to exploring.

Mr. DIMON. I would explore. To be honest, it wouldn't work.

Mr. GORMAN. I think it creates all sorts of arbitrage of people moving businesses in and out of those communities. I think I would do it though, if you wanted to, tax and other reforms to rebalance.

Mr. MOYNIHAN. I would agree that I think we will always explore anything, any idea is a good idea, we just have to figure it out, but I think if you really want to do something quickly, I think through incentives and other things, which is what my colleagues spoke about, you can accomplish it faster without the worry about the—just off the top of my head, without the corresponding worry about how it would have impacts, as James said.

Mr. O'HANLEY. Yes, of course, we would explore it, but I do think there are more direct ways to get at the issue.

Mr. SCHARF. I would absolutely explore it, and I would explore the other alternatives, as well.

Mr. SOLOMON. I would absolutely explore it and I think it is great that you are raising it because it is a real issue and it is something that I think needs focus, but I agree with my colleagues that I think the suggestion is tough, and I would look at other means to try to address an issue that is real, that you are approaching.

Mr. SAN NICOLAS. I thank you all for your feedback. The Fed has two mandates, job creation and fighting inflation, and it uses interest rates as its primary tool to do that.

And when we have the Fed raising interest rates 9 times since the financial crisis, while non-metropolitan areas continue to be in a position where they are not recovering their job markets, it just underscores the fact that we are underserving segments of our community and we are choking off their economic opportunities because we are not looking at them and we are not treating them the way we should be if we were taking everything into consideration.

But I do appreciate everyone's feedback. I look forward to working with you in trying to flesh out this kind of a policy and maybe we can create different kinds of thresholds to be able to address the lack of job growth in non-metropolitan areas.

Thank you, Madam Chairwoman. I yield back.

Chairwoman WATERS. Thank you. The gentleman from North Carolina, Mr. Budd, is recognized for 5 minutes.

Mr. BUDD. Thank you, Madam Chairwoman, for yielding, and I want to start by entering for the record, Madam Chairwoman, a document produced by the Financial Services Forum that cites publicly available data from the Federal Financial Institution's Examination Council.

This document shows that the institutions represented here today account for nearly half of all consumer lending in our economy. They also have doubled their liquidity and hold roughly 40 percent more capital than they did 10 years ago.

That is $750 billion in capital that these institutions hold right now, which significantly strengthens their resiliency. Is that okay with you, Madam Chairwoman?

Chairwoman WATERS. Are you submitting that for the record?

Mr. BUDD. I am, Madam Chairwoman.

Chairwoman WATERS. Without objection, it is so ordered.

Mr. BUDD. Thank you. To our witnesses, again, thank you for being here today. We have talked a lot today about the vast improvements that your institutions have made over the last 10 years. Although strong capital requirements are a critical element of a resilient financial system, capital is not free.

I am concerned that requiring banks to hold more capital than appropriate will unnecessarily increase costs for consumers and reduce bank investments in important areas such as cyber security.

So I will open this up to any of you who would like to comment, but can a couple of you please describe how capital requirements affect your institution's decision-making, such as how you would more effectively allocate capital if these requirements that were on you were recalibrated.

Mr. CORBAT. In our institution, our capital, our binding constraint of our capital is risk-based capital, specifically, CCAR capital. I think we are obviously very mindful when we look at the allocation and optimization of our capital, we are mindful of those risks, and that the risk-reward benefits are appropriate and I think there is a natural skew in that—in the exercise in the data that probably leads you to take less risk than you otherwise might normally do. And so that would reflect itself in terms of lending, that would reflect itself in terms of new businesses or new business ventures. So, it could act as an inhibitor to growth.

Mr. BUDD. Thank you. Mr. Dimon?

Mr. DIMON. I think there is excess capital and from operation was capital to CCAR capital, to G-SIB capital, and like Mike said, there is capital 20 different types of measuring of liquidity constraints. I think you can actually change the capital in a way that makes the system safer and gets more mortgages out there, small businesses. I think the Congressman from Guam—you can actually roll small-business loans in a lot of capital.

There are a lot of things that could be changed that will not change systemic risk, it will free up some capital to do other productive things. I would say the exact same on the liquidity side. There is trillions of dollars locked up to hold in liquidity in perpetuity. And at some point, someone is going to ask, why do you all have all that cash sitting around doing nothing? And that is a legitimate question.

Mr. BUDD. We are certainly open to those ideas and to see what we can do to help on this end as well. Any others?

Mr. GORMAN. I would just add, it is a great question because it gets at the core issue of, at what point is stable enough and at what point do you need to grow? So you can retain more capital, you just retain more earnings, and by doing that you are not necessarily investing for growth. So that is the fundamental trade-off. Have we got the system stable enough where we need to be focused on investing for growth, which is—that is what is going to create jobs.

Mr. BUDD. One more from North Carolina, Mr. Moynihan?

Mr. MOYNIHAN. Yes sir. We always struggle to explain this when you are in our position, but if you think about our company, each one hundred basis points capital, 1 percent. It is the difference between a 10 percent requirement and a 9 percent requirement, would be $140 billion of lending we could do.

And so the question is, all institutions of America at 7 percent, the question is the difference between 9 and 10 for us. Is 9 good enough or is 10 good enough? And that is the debate. We actually have 11.5, so let's even forget about that.

And that is $140 billion of loans we could do, as Jamie said, in terms of role of small business lending that we can't do today because the capital has to be held without risk. That is what the SIFI buffer means.

Mr. BUDD. Thank you. I want to shift gears a bit. So a personal interest of mine is looking at how we can use machine learning, artificial intelligence, to lower compliance costs and help banks better mitigate the risk and the financial system. Can one of all speak, and maybe even from this end over here, to the challenges or maybe even the opportunities that you have faced in deploying machine learning, and I also want to ask, how are regulators responding to A.I. and machine learning opportunities in implementations?

Mr. SOLOMON. Well, you touched on compliance and the need to continue investing in compliance and surveillance and control, which is something we have obviously been very focused on. One of the benefits of A.I. and machines is ability from a surveillance perspective to do more and create more protection in an organization, than what can be done by individuals manually.

Mr. BUDD. My time has expired, I yield back. Thank you all.

Chairwoman WATERS. The gentleman from Illinois, Mr. Foster, is recognized for 5 minutes.

Mr. FOSTER. Thank you, Madam Chairwoman, and thank you to our witnesses. I think you are going to sense a lot of difference in the nature of questions you get from Members here who were or were not present 10 years ago when Lehman fell and when your predecessors—I guess if I could get a quick show of hands, I think only one of you—how many of you were at the helm of your bank when Lehman fell and TARP came up? Mr. Dimon only, yes.

So for those of you who are new since that, I would like to let you know what it was like being a Member of Congress when the TARP vote came up. You know, our phones were ringing off the hook with—ringing with sort of a 50–50 mixture of "no" and "hell no," about whether or not we should vote to rescue the economy, we were faced with voting for $700 billion of taxpayer money, and at the time, the Congressional Budget Office estimated that half of that would be a dead loss.

Okay, that is what we have the vote for. And on your trip back, you should have your staff dig up the roll call vote on who voted to save the economy and who did not. And then look over those names carefully and many of them are still in politics and it was one of those moments where I think a lot of Members' characters were revealed.

You will see a lot of handwringing about the lack of heroes in government, but especially those Members who are holding down tough seats and voted to rescue the economy, knowing what it would cost them. The Melissa Beans, the Patrick Murphys of Pennsylvania who lost their seats—and me—lost our seats after taking a vote they knew would be politically very disruptive.

It is only once or twice in your career when you are about to take a vote and your Chief of Staff comes in and says, "You know, Bill, I know how you are going to vote on this and I am proud of how you are going to do it, but it is my job to tell you that you are putting your reelection at risk." And that is what happened as result of the collapse. And so those members who—I guess I am right at the watermark on our side of the aisle. Everyone—Ed was there, Ed Perlmutter and everyone behind me was present.

The watermark is a little different in the nature of the questions from the other side, different from the side. So go look over the list of votes and think of what it would have been, if you did not have Members, particularly Democrats who carried the vote to rescue the economy in the House, who were willing to put their careers at risk.

Now I would like to ask a little bit about the effects that you feel the most as a result of Dodd-Frank. I had a long discussion with the head of the risk counsel for one of you, and he described the first meeting when you had to come up with your orderly liquidation plan, your living will.

And the first reaction of everyone was, I can't believe we have this many thousands of business units and that one of the main results was in fact that you have simplified your organizational chart significantly as result of that. And is that something that you agree was one of the effects of this, that you have looked hard at the complexity of your business model for things like well, stress tests, the orderly liquidation? Mr. Moynihan?

Mr. MOYNIHAN. Yes, I think for a whole host of reasons, whether it is liquidation, living will so-called, whether it is—you can get capital two ways. You can earn and retain it, or you can actually get rid of things that take capital that you don't need to do, that was another reason we did it. But all of that was good for the industry and good for our company. And I think I may have said that in our earlier testimony.

So, I agree with you. The aftermath of the lessons learned in us attacking, one of them was to shrink the companies and make them more precise, and that is what we did.

Mr. FOSTER. Mr. Solomon, I believe it was your institution that sort of became famous for the policy that had the risk officer having a 51 percent vote in any major decision. I think I have that correct. And how many of you just have that as a policy, that if the risk person in the room says no, that is it, it is not going to happen? How many of you currently have that as a policy? Mr. Moynihan is indicating yes. Any of—

Mr. GORMAN. It is not a formal policy, Congressman, but it would be a most unusual situation for the operating committee or the board to go against the risk committee's recommendation.

Mr. FOSTER. Mr. Dimon?

Mr. DIMON. Yes, we don't have a policy like that, but if two very senior people disagree, it would be bounced to me.

Mr. CORBAT. Same. If the chief risk officer said no, and there was a significant disagreement, the decision would come to me.

Mr. FOSTER. Mr. Scharf?

Mr. SCHARF. That is why you have a risk officer, is to play that disinterested person and make that decision.

Mr. FOSTER. Right. And I think the other thing that is significant is whether you pay those risk officers the same as the highest paid salaries. Is that also a general policy, that they are not sort of second-class citizens?

Mr. SOLOMON. You are talking about empowerment of control-side personnel in these organizations and that is something I think that is absolutely paramount, is that your people in positions of control have real power of authority and stature in the organization.

Mr. FOSTER. Thank you.

Chairwoman WATERS. The gentleman from Indiana, Mr. Hollingsworth, is recognized for 5 minutes.

Mr. HOLLINGSWORTH. Well, good afternoon. I thank each of you for being here, and I appreciate the testimony you have given thus far. I wanted to come back to something that Representative Himes asked about earlier. He is a good friend of mine and we talk a lot about systemic risk and our concerns about that.

I believe each and every one of you, or perhaps just a majority of you mentioned shadow banking and some of the financial services activity that is now done in the unregulated market that perhaps used to be done in a regulated market.

And I am not going to ask you to opine on all regulations, I am not going to ask you your opinion of the regulatory regime, but in a more thoughtful way, I would love it if you would point out for us as policymakers where specific regulations or perhaps specific legal liabilities have led to the unintended effect of financial services activity being moved and migrating from the regulated world to an unregulated space.

Just particular items, if you might go down through the list, or anybody who wants to answer that. I just want to take note so that we begin to work on some of these aspects that could be done better.

Mr. CORBAT. I think there are two great examples. One would be auto lending. Today, over 85 percent of auto lending takes place outside of the regulated financial institutions. The second, going to Mr. Dimon's earlier comment, would be mortgage lending. Today, more than half of mortgage lending that occurs, occurs outside of the regulated financial system. That is very different from where those numbers were pre-crisis.

Mr. DIMON. Yes, I will just talk mortgage lending in a little more detail because this is—and this is not complaining. I am not worried about shadow banks. JPMorgan Chase will be fine. But when you calibrate capital over here for banks, and there is much less over here in the real market, things just start to move. That is why this calibration issue is important for our system. It is not just—

Mr. HOLLINGSWORTH. And it is not just concern for you guys, it is a concern for policymakers as well because the goal wasn't to grab one end of the balloon and have the balloon blow up elsewhere, right? The goal was to better understand—

Mr. DIMON. Calibration.

Mr. HOLLINGSWORTH. Yes.

Mr. DIMON. Get it right because you will get the right things regulated and the right things unregulated. And that one is probably the biggest one. That is the one that blew up last time. You know, too much subprime lending, too many issues there. And so you can look at the exact same issue in other areas but that is the big one.

Mr. HOLLINGSWORTH. Got it.

Mr. GORMAN. I think I would first say that I just wouldn't overstate my position on this. I think that the good news is that the vast majority of risk is contained within the regulated banking system. That is just a fact, it remains a fact, that is a good fact.

But I think you have to start asking the question as the consumer finance sector grows and when you are looking at the liquidity capital leverage requirements on the regulated banks and very little on the nonregulated banks, you just have to ask yourself the question, is that an appropriate balance for what you are looking for?

Mr. MOYNIHAN. I would commend you to read the Federal Advisory Council reporting, which is a group of banks that some of us are on, but it includes all sizes who have given the Fed advice on this and it has largely to do with the types of areas of leveraged finance, mortgage lending—and again, the issue is these companies will be fine. We are competitive. It squeezes out smaller participants; they are actually more upset about it. And it also puts a—as a company who bought an unregulated company and had to clean it up, our company understands this better than anybody else, I think.

Mr. O'HANLEY. In addition to what everybody else has talked about, there is the whole payments area where there is just an uneven playing field between the banks and the non-banks.

Mr. SCHARF. Yes. I think for us, given our business in the payment space is the one place where there are unregulated players and it does create an unlevel playing field and you can clearly see businesses migrated and it leads to different business practices.

Mr. SOLOMON. I don't have anything to add.

Mr. HOLLINGSWORTH. It is tough to be last, isn't it? I was last on the committee last year, so I know what it is like trying to come up with ingenious responses right at the very end or new and novel ideas.

The last thing I wanted to touch on comes back to this idea of the unlevel playing field. And everybody has talked about how in the absence of their institutions, large foreign banks would operate. Now, look, I don't want to cultivate this view that it is us versus them, right? And foreign banks versus domestic banks. But I do want to the cultivate view of, we want everybody to compete on a level playing field. Foreign banks have an opportunity to invest here in the United States, loan here in the United States.

And I want to make sure I come back to something that Mr. Dimon spoke about. I had a gold plating legislation last Congress that in effect said we have too many regulations where we have stacked the regulatory burdens on top of each other in excess of what the global standard is without the data support of why we have that excess standard. And I wondered if you might talk for a brief moment about how that might put the U.S. financial system at a disadvantage compared to foreign counterparts?

Mr. DIMON. The issue is over many years, not just—

Mr. HOLLINGSWORTH. Yes.

Mr. DIMON. So American banks are doing fine and people say it is not an issue today and they shouldn't complain. It is the calibration issue. The way they set up some of these things that American banks get a lot more capital than Chinese banks. The biggest Chinese banks already earn more money than us. They are not a direct competitor today, but I know they are coming.

And not just them, the Japanese banks, you know, some of the other competitors are not in healthy enough shape. It just adds so much more capital that at one point it will be a huge disadvantage for whomever has my seat at this company. And so I just think over time, we should be considerate. We want the best banking system in the world.

Mr. HOLLINGSWORTH. Amen to that. Thank you.

Chairwoman WATERS. The gentlewoman from Michigan—

Mr. HOLLINGSWORTH. I yield back.

Chairwoman WATERS. —Ms. Tlaib, is recognized for 5 minutes.

Ms. TLAIB. Thank you, Madam Chairwoman. Thank you all so much for being here.

Every day my residents in my district face environmental hazards that threaten their ability to thrive. For students at Munger Elementary Middle School in my district, this means increased absences because of asthma attacks caused by pollution in the air. And I want you all to just let that sink in. The air is too polluted for kids to be able to go to school and learn.

Our country's overreliance on fossil fuels has a disproportionate burden on poor and vulnerable communities like mine, where the dirtiest polluters exist side-by-side with neighborhoods—neighborhoods I grew up in, where I thought that smell was normal, where children have asthma.

So this question goes to all of you. Do you all believe actions matter? Do you believe, as the Federal Reserve Bank of San Francisco wrote recently, that climate change is a serious risk to the financial system, not to mention the planet?

Mr. CORBAT. Could you ask that again? I'm sorry.

Ms. TLAIB. Do you believe that climate change is a serious risk to the financial system, not only the planet?

Mr. CORBAT. Yes.

Mr. DIMON. I would say not directly to the financial system. I think climate change is real and we should be taking action immediately to do something about it. And most of that is going to have to be legislation.

Mr. GORMAN. If we don't have a planet, we are not going to have a very good financial system.

Ms. TLAIB. That is right.

Mr. MOYNIHAN. I agree with my colleagues, and we believe, at Bank of America, that we must take action.

Mr. O'HANLEY. I do agree.

Mr. SCHARF. I do agree there are knock-on effects to the financial system.

Mr. SOLOMON. I do agree.

Ms. TLAIB. Would you be willing to restrict, limit, or change what your bank finances if you found out it is making the climate change worse in our country, in our world? Would you change some of your behavior?

Mr. CORBAT. I believe we already have started that.

Ms. TLAIB. Yes. All of you?

Mr. DIMON. We have already started that with great support. In the meantime, the United States does need energy to eat, drive, get here, heat, ventilate, hospitals, and there is a smart way to do this and a not smart way to do this.

Mr. GORMAN. Yes.

Mr. MOYNIHAN. We believe that we already have done—taken action.

Mr. O'HANLEY. We have taken action.

Mr. SCHARF. Yes.

Mr. SOLOMON. We have taken and continue to take action.

Ms. TLAIB. I am glad that you are all agreeing. But a report released 2 weeks ago shows that fossil fuel lending and underwriting is dominated by big U.S. banks, four of which are sitting right here in front of us: Chase: Wells Fargo; Citi; and Bank of America. Our top four banks in the world are financing the fossil fuel industry.

Mr. Dimon, your bank alone has provided more than $195 billion in fossil fuel lending and underwriting over the past 3 years since signing of the Paris Climate Agreement, making your bank the number-one funder of fossil fuels in the world.

Mr. Corbat, Citi has provided more than $129 billion fossil fuel funding over the past 3 years, number three in the world.

Mr. Moynihan, Bank of America has provided more than $106 billion in fossil fuel funding over the past 3 years, making it number four in the world. I want—folks, don't say that you are committed to clean and sustainable financing because your companies' words are not consistent with your actions. I would call this gaslighting. That is kind of what we call it in the neighborhood.

But for the sake of this hearing, I will say that you are greenwashing your own track record and duping the American people into believing that you are helping to address climate change. On the record, will any of your banks make a commitment to phase out your investments in fossil fuels and dirty energy and align your investments with the goals of the Paris Climate Agreement to help protect our planet and communities I grew up in? That goes to all, if you guys can answer that. Mr. Corbat?

Mr. CORBAT. We are in the business of supporting fossil fuel companies, many of which are U.S.-based companies. We have put out significant programs—in fact, we have financed $150 billion of clean projects in recent history. We keep raising the bar on ourselves and continuing to evolve with our companies towards better and cleaner practices.

Ms. TLAIB. Mr. Dimon?

Mr. DIMON. Well, for JPMorgan Chase alone, in 2020, we are going to be green. So, for our datacenters, our people, where we work, et cetera. We also finance something like $200 billion a year green. We have a thorough risk committees that makes sure every company we do business with does things right under the law and we are helping some of these companies make a transition to a greener future.

But, if you want to fix this problem, you are going to have to do something like a carbon tax/carbon dividend.

Mr. GORMAN. We weren't one of the institutions you named but I am happy to answer the question. Obviously, the tradeoff is finding the balance between a viable economy and reducing fossil fuel at the same time, replacing with clean energy.

Chairwoman WATERS. The gentleman from Ohio, Mr. Gonzalez, is recognized for 5 minutes.

Mr. GONZALEZ OF OHIO. Thank you, Madam Chairwoman. Thank you, everybody, for being here, and for your attention today. I think we have well-established that the companies you gentlemen work for play a tremendous role in the daily lives of constituents and the business operations for all the Members of Congress in this room today. Collectively, you are responsible for 42.5 percent of total lending by banks to businesses and households, and are responsible for more than $80 billion in small business loans, and $376 billion in lending to other financial institutions.

In a sense, companies large and small rely upon you for the day-to-day financing required to operate a business. In addition, I think you have well-established that you are better-capitalized than you were during the financial crisis. And I think our banking sector, our financial sector in general, has been—and hopefully, will continue to be—a tremendous asset to this country. And I think that this hearing is important to establish that and I thank you for being here.

I want to turn my questions first to BSA/AML reform. I am hopeful that this is something that this committee might actually be able to tackle in a bipartisan way. We are actually not that far apart on this, I don't think. Mr. Dimon, we spoke a little bit yesterday about some of your ideas around this and I want to piggyback off of Congressman Stivers' question.

We know that you all are submitting these SARs reports and getting very little to no feedback. The system is in need of reform. What would you advise—what do you think is a way that we could do this better as a Congress?

Mr. DIMON. I think you already said it, which is, we all send our reports in—

Mr. GONZALEZ OF OHIO. Right.

Mr. DIMON. Of course, these bad folks, if we kick them out and they go to one of these folks we don't know and we can't share information. So, the sharing of information among banks, AI, regulators are looking at this but allowing us to use AI and machine learning to do some of this stuff would be far more efficient but it creates other risks we have to be careful about. And the third one is, the government should have one big database that we all put all of our information in there and they can see all of it at the same time using AI.

I guarantee you that would be 10 times more efficient than what we do today.

Mr. GONZALEZ OF OHIO. Thank you. And then briefly, do you know how the size of your AML staff has grown in the past decade, roughly? Do you have a percent, a ballpark? No idea? Double? Okay. Because when I talk to our smaller banks, our community banks, those that are struggling, in some respects, with some of the regulation, this is honestly the number one issue that they say is, "Hey, look. We are not a big bank. We don't have thousands of employees. And we are shooting these SARs off and it is crippling us." So I appreciate your comments on that.

Shifting gears to China a little bit, without the largest U.S. financial institutions, where would major corporations turn to conduct their business? Because my sense is, hopefully not China, but it could be China. And then also the European banks. Same question, Mr. Dimon.

Mr. DIMON. I think you would have large banks around the world step in. There would be Japanese banks, Chinese banks, and other healthier banks in Europe.

Mr. GONZALEZ OF OHIO. And what risk do you think that presents to the U.S. financial sector?

Mr. DIMON. I think it presents risk to the United States economy over time and I would just—all things being equal, our economy would be much worse than it otherwise would have been.

Mr. GONZALEZ OF OHIO. Thank you. With that, I will yield back the balance of my time.

Chairwoman WATERS. The gentlewoman from California, Ms. Porter, is recognized for 5 minutes.

Ms. PORTER. Thank you, Madam Chairwoman. Mr. Dimon, you are an expert on financial statements and you run a $2.6 trillion bank. I know you are good at numbers and you have shared lots of opinions recently about how the U.S. should budget its resources, how families should budget their resources.

I have a 150-page shareholder letter and I would like to ask for your help on a problem. I went to Monster.com and I found a job in my hometown of Irvine at JPMorgan Chase. It pays $16.50, and so I wondered if I could—if you would indulge me—when you do the math on this and you do the $16.50 out of 40 hours a week for 52 weeks a year, it comes out to an income of $35,070.

Now this bank teller, her name is Patricia, has one child who is 6 years old, she claims the one dependent, and after tax she has $29,100. We divide that by 12 and she has a monthly budget—

Mr. MCHENRY. Madam Chairwoman, parliamentary inquiry.

Chairwoman WATERS. The gentleman is recognized for a parliamentary inquiry.

Mr. MCHENRY. I just want to understand the committee practice as it relates to signs and sharing this information ahead of time.

VOICE. We can't see it.

Mr. MCHENRY. No. I just want to understand, because I have been on the committee for 15 years, and this is not something I have seen. So I just want to understand the practice as we go on.

Chairwoman WATERS. The gentleman has stated his parliamentary inquiry.

Yes. The sign should have been presented to you, and copies provided so that all Members can see it. We have an alternative, if we could break and put them up for everyone to see, would that be acceptable?

Mr. MCHENRY. Well, it is a white board that I have noticed and I haven't seen that in committee. Actually, I have seen it for a long time on TV. So I just want to understand the committee practice as it relates to that. What we have on the screens has been vetted by both sides and given ahead of time and that has been the committee practice but I just want to understand that.

Chairwoman WATERS. The gentleman is correct.

Ms. PORTER. May I respond? I do not intend to enter this into the committee record.

Chairwoman WATERS. The gentlelady is in violation of the practice of making sure that all Members can see what it is you are showing to the witnesses. So again, if it can be put up on the screen, then everybody can see it, and we can proceed. Can that be put up on the screen?

Ms. PORTER. Ma'am, I am happy to proceed—

Chairwoman WATERS. One moment, please. What we will do is we will move past your questioning while we try and get that up on the screen for all the Members.

Ms. PORTER. If the Chair would indulge me, I would prefer to proceed without the white board if it presents a violation of a rule.

Chairwoman WATERS. Thank you. And in the future, we will work with you to make sure that the practices are understood so you won't have an inconvenience.

Ms. PORTER. Thank you.

Mr. MCHENRY. And I would offer the same likewise, so we can understand committee practice on this. I thank the Chair.

Chairwoman WATERS. Thank you very much. We will proceed. Ms. Porter, you may continue with your 5-minute questioning.

Ms. PORTER. Thank you. So where we left off was this woman had—and I apologize that you are going to need to follow this orally. She had $2,425 a month. She rents a one-bedroom apartment. She and her daughter sleep together in the same room. In Irvine, California, that average one-bedroom apartment is going to be $1,600.

She spends $100 on utilities. Take away the $1,700 and she has net $725. She is like me. She drives a 2008 minivan and has gas, $400 for car expenses and gas. Net $325. The Department of Agriculture says a low-cost food budget, that is ramen noodles, a low food budget is $400. That leaves her $77 in the red.

She has a Cricket cell phone, the cheapest cell phone she can get for $40. She is in the red $117 a month. She has afterschool childcare because the bank is open during normal business hours. That is $450 a month. That takes her down to negative $567 per month. My question for you, Mr. Dimon, is how should she manage this budget shortfall while she is working full time at your bank?

Mr. DIMON. I don't know that all of your numbers are accurate. That number is generally a starter job.

Ms. PORTER. She is a starting employee. She has a 6-year-old child. This is her first job.

Mr. DIMON. Okay. And you can get those jobs out of high school and she may have my job one day.

Ms. PORTER. She may, but Mr. Dimon she doesn't have the ability right now to spend your $31 million.

Mr. DIMON. And I am fully sympathetic.

Ms. PORTER. She is short $567. What would you suggest she do?

Mr. DIMON. I don't know. I would have to think about that.

Ms. PORTER. Would you recommend that she take out a JPMorgan Chase credit card and run a deficit?

Mr. DIMON. I don't know; I would have to think about it.

Ms. PORTER. Would you recommend that she overdraft at your bank and be charged overdraft fees?

Mr. DIMON. I don't know; I would have to think about it.

Ms. PORTER. So I know you have a lot of—

Mr. DIMON. I would love to call up and have a conversation about her financial affairs and see if we can be helpful.

Ms. PORTER. See if you can find a way for her to live on less than the minimum that I have described.

Mr. DIMON. It would be helpful.

Ms. PORTER. Well, I appreciate your desire to be helpful, but what I would like you to do is provide a way for families to make ends meet so that little kids who are 6-years-old living in a one-bedroom apartment with their mother aren't going hungry at night because they are $567 short from feeding themselves, clothing—we allow no money for clothing.

We allow no money for school lunches. We allow no money for field trips. No money for medical. No money for prescription drugs. Nothing. And she is short $567 already. Mr. Dimon, you know how to spend $31 million a year in salary and you can't figure out how to make up a $567-a-month shortfall. This is a budget problem you cannot solve.

Mr. DIMON. With us, she does get full medical. We pay 90 percent of it. And we also give people—

Ms. PORTER. No deductible?

Mr. DIMON. There is a deductible but for people doing their wellness programs—okay, we give the people making under $60,000 a year a $750 account and effectively they have no deductible.

Ms. PORTER. That is why I didn't put any medical in, Mr. Dimon, I read that in your shareholder reporter. That is why I didn't include any medical expenses but she is still short $567, as are all of your employees in Irvine, California. Any ideas?

Okay. Moving on, I have a question for Mr. Solomon. I know Goldman Sachs launched this 10,000 Women initiative and I have read about it. Do you know about how many people there are in the world?

Mr. SOLOMON. Sorry? Yes, I do, a little less than 7 billion.

Ms. PORTER. How many people are there in the world?

Mr. SOLOMON. I said a little less than 7 billion.

Ms. PORTER. Okay. So let's assume half of those are women, to take your figure as right, 3.5 billion women and Goldman Sachs' big initiative is to help 10,000 of them. Is this initiative missing a few zeros?

Mr. SOLOMON. It is an initiative that we started over 10 years ago to try to help women in developing economies where they didn't have access to resources, try to help them provide these in these communities. They had small businesses where they hired people locally. It has been very successful.

We have now expanded it. We have put the program up online and we continue to invest in it. We will certainly consider whether or not we can broaden it, but I think it is an excellent program and we will use our resources to expand it.

Chairwoman WATERS. The gentlelady's time has expired. The gentleman from Tennessee, Mr. Rose, is recognized for 5 minutes.

Mr. ROSE. Thank you, Madam Chairwoman.

And thank you to our panelists today for taking time from what I know are busy schedules and busy businesses that you have.

I am a small businessman and new to the Congress. And I have found my business availing itself of the services that your entities provide and I appreciate the important role that you play in providing financial services to our small businesses across the country. So thank you for the good work that you do.

I would like to direct a few comments to you, Mr. Dimon. You stated in your shareholder letter this year that the country desperately needs mortgage reform. And to quote, “It would add to America’s economic growth, reducing onerous and unnecessary origination and servicing requirements, and opening up the securitization markets for safe loans would dramatically improve the cost and availability of mortgages to consumers, particularly the young, the self-employed, and those with prior defaults. And these would not be subprime mortgages, but mortgages that we should be making. By taking this step, our economists believe that home ownership and economic growth would increase by as much as 0.2 percent a year.”

I understand that you probably—I don’t want you to get too far into the weeds. But can you tell me more about your views at a high level, on what housing finance reform should look like?

Mr. DIMON. We required housing finance reform because we had a huge housing finance problem. And it was both government policy and bad underwriting by a series of banks.

But the reform so far that I have mentioned, there were 3,000 servicing and origination requirements, sometimes different by State. So it was very expensive. Securitization was supposed to have been done by now, so they would reduce the cost of the mortgage. Those two things alone reduce cost of mortgages to consumers by 20 or 30 basis points.

In addition to that, the lack of legal safe harbors is that a lot of banks stay away from doing things for self-employed, prior defaults because of the legal risk. The reform of those things would dramatically improve the markets for everybody. And I think it would make it a healthier financial system, not a weaker financial system.

In that letter, I do point out that if we did infrastructure right, 0.2 percent growth. Immigration reform, 0.2 percent growth. And you go on and on and on. And so I am making the point that a lot of the policies that held us back were our own policies. And if we fix them, we would be in far better shape. And growth would drive wages, jobs and everything that everyone in this room wants for Americans.

Mr. ROSE. Would you agree that the GSE conservatorships are unsustainable and that they need to end during this Administration?

Mr. DIMON. In general, yes.

Mr. ROSE. And would you agree that any government guarantee should be limited to the security, not the entire balance sheet? Paid for and come behind significant private capital in the first lost possession, kicking in only in the most catastrophic of economic crises?

Mr. DIMON. I think that would work. Look at mortgages. You have to get all the pieces right so you can have that. It has implications in other parts.

But leaving the government guarantee to a certain amount, very risk-less relatively, that the mortgage origination pay for the losses first. So the government and the taxpayer never has to pay for it. I think you can have a very healthy 30-year mortgage and let the private sector do the other 50 percent.

Mr. ROSE. Do you agree that that reform should significantly—I think you just answered this, but should significantly increase the role of private capital in bearing the risk?

Mr. DIMON. It would increase it. Yes.

Mr. ROSE. And do you believe that these reforms should forever end the too-big-to-fail mortgage companies?

Mr. DIMON. I think that would probably end it. Yes.

Mr. ROSE. Additionally, you mentioned the innumerable regulations regarding mortgages, and you just reiterated that. Can you elaborate on why it is important to address housing finance reform now, while the economy is strong?

Mr. DIMON. Well, the examples you wanted, you fix your roof when you can and not wait and create additional problems down the road. And this reform would do all of that.

Mr. ROSE. And I think it has been referenced earlier, but much FHA lending has moved to the non-bank sector, which does not have the same high capital standards as the institutions arrayed here today. Is there a risk to the taxpayer here?

Mr. DIMON. Yes, almost all of that is being done by the non-bank sector. And almost all of it is being guaranteed by the Federal Government. And when we look at it, yes, there is increasing risk in FHA-guaranteed loans.

Mr. ROSE. Thank you.

I yield back the balance of my time.

Chairwoman WATERS. The gentleman from Utah, Mr. McAdams, is recognized for 5 minutes.

Mr. MCADAMS. Thank you, Madam Chairwoman.

And thank you all for being here today. In your various testimonies, most of you spoke favorably of the changes in the financial system since the financial crisis, and post-enactment of Dodd-Frank. And for me, that is good to hear.

I do believe that the financial system has made a number of important changes since 2008. Your institutions hold more capital. Dodd-Frank required important stress testing and resolution planning processes for our largest financial institutions.

And importantly, Dodd-Frank created the Consumer Financial Protection Bureau, which was designed to be the cop on the beat looking out for the consumers.

Many of your institutions have also raised concerns about various regulations implemented post-financial crisis. And I understand that. Lawmakers and regulators will never get everything perfect the first time around. And I certainly support making our sure that our legislative and regulatory frameworks are working as designed, while ensuring that we also protect the financial system and protect our consumers.

So my question to the panel is—and everyone should feel free to respond, maybe I'll start with Mr. Corbat and Mr. Dimon, but my question for you is, where is our current legislative and regulatory framework lacking? What improvements could we make to ensure against additional risks to the system?

Mr. CORBAT. Sure thing. Thank you for the question. I would say the main area of focus, my suggestion would be on harmonization of regulation. We all deal with multiple regulators. And on occasion, our regulators are not in agreement in terms of actually what a regulation says and how it should be implemented. And that is not just domestically, but internationally, as well.

Mr. DIMON. I think Dodd-Frank created capital liquidity and resolution, things which are very good. After that, there were tens of thousands of rules and regulations that came out from regulators around the world, some of which are just bureaucracy and checking the 't' and dotting the 'i,' which costs money and get passed on to customers.

So I would just say—and we don't want to change everything. Just calibration, harmonization, and we should drop the mindset, it is either more or less. Some of these things, if you fix them, will be better for Americans. And I am talking about the Americans you are trying to help, not the people sitting at this table today.

Mr. GORMAN. I agree. The multiple regulatory agencies in this country reflect the complexity of the country, the size of the economy. But it also does create enormous inefficiencies.

The international lack of harmonization means that you have arbitrage with companies operating outside the United States, which is not in the United States' interests.

And thirdly, the level of just bureaucratic complexity around the regulations. We should be focused on finding the real problems and obsessing as management about the real problems. Our CCAR plan this year was over 71,000 pages. There is a general belief that the regulatory environment has changed dramatically in the other direction, last year it was 56,000 pages. So it is just—there are some simple changes that I think would make the system work much more efficiently and find the real problems.

Mr. MOYNIHAN. I think if you go back and think about some of the principles that were trying to be embedded in Dodd-Frank—

Chairwoman WATERS. Please speak up, Mr. Moynihan.

Mr. MOYNIHAN. If you go back and think about some of the principles that were embedded in Dodd Frank at least lead up to—one of them was if—if it is an activity that should be regulated by all. And we have lost a bit of that. A second was, as my colleagues have said, to try to get the calibration fairly balanced between growth and safety and soundness, and that is a second question.

And the third regime, less about Dodd Frank, more about around the globe, was to have harmonization around the world so there wouldn't be arbitrage between jurisdictions. That has not come close yet and now is that a bigger deal for America? No, because we are the tightest already so therefore our—the FDIC insurance fund which we all basically back and at the end of the day have to contribute to. It is a government guarantee and we all have to fill it up when it is not there.

It will be fine. The institutions are strong. America will be better. But the reality is that there will be issues around the world that haven't been dealt with yet, and if you made that more level, it would be workable.

Mr. O'HANLEY. I would agree with the harmonization theme and I in particular would look at activities particularly around payments where you have this very different regime being imposed on banks versus nonbanks. Consumers aren't being protected at the same level as they are so I would really look at this point on activities and how activities are being regulated.

Mr. SCHARF. The only thing I would add is I would pick up on what one of my colleagues referenced, was just the logistics and the amount of material it takes to actually fulfill all of the obligations. Refer to the CCAR submissions. The same thing is true of the living wills and the expectation that management teams, boards, and whatnot, really view all that information is just a little.

Chairwoman WATERS. The gentleman's time has expired. The gentleman from Wisconsin, Mr. Steil, is recognized for 5 minutes.

Mr. STEIL. Thank you. I want to thank the committee for calling today's hearing. This hearing is a great opportunity, I think. For the first time in a decade, we have the CEOs of our country's largest banks testifying before this committee. You are the leaders of major financial institutions that employ hundreds of Americans and play a central role in supporting our economy. Companies in Wisconsin rely on financial services that you provide to export products made in Wisconsin, to ship them around the globe.

You would think members of this committee would take the opportunity to ask the witnesses questions of substance. But instead, at times today's committee hearing is drifting from that and we are focusing in on climate change and other pet issues.

We have serious questions that I don't think have gotten the attention that this committee deserves. One of our closest allies in a major economy and financial center is facing the possibility of a hard Brexit in a few days. China is slowing and the Eurozone banks are struggling. Our country faces sustained cyber attacks, sometimes state-backed entities are at the back of that. Regulations continue to drive small banks to close and consolidate across the country. Financial technology continues to transform the way America consumes financial services. We are spending hours today, I feel looking back 10 years, where we should be looking to what we can expect over the decade to come.

I want to look, with the witnesses' judgment here, in particular what I view as the IPO drought. We have seen the total number of public companies in the United States has been declining in particular over the last 10 years. Companies are going public later, if they choose to go public at all, and this doesn't impact just businesses and their growth strategies, I think it hurts average Americans who are relying on what were publicly traded companies to save for their retirement.

I am hoping you can comment on what you view as some of the factors are that have contributed to this current situation, things like Dodd-Frank, conflict mineral regulations, inside the SEC. I would look for your comments and thoughts as to what we can transform to address this IPO drought. Maybe, Mr. Dimon, you have a thought?

Mr. DIMON. So first of all, we have gone from 8,000 to 4,000 and private equity has gone from something like 1,000 to 8,000. I am not saying they are bad, and there are some good attributes. It is good that you can raise capital in the private markets because you can stay private for longer and there are things which are driving it out, the cost of much higher risk of litigation for public company shareholder meetings which pretty much become a waste of time, certain corporate governance things that are dotting the 't' and crossing the 'i.'

And if you speak to any person who ran as a CEO or a board member of a public company and are now in a private company, they will tell you they spend all their time in better products, better services, strategy, risk, forward looking and very little of the time on check-the-box presentations. So the cost of litigation in this country is much higher and again we have one of the best legal systems in the world. If you travel the world, our rule of law is exceptional. That doesn't mean we can't reduce the cost a little bit and there is a whole other litany of things which are driving the companies private.

You know, JPMorgan Chase is owned by 100,000 million Americans indirectly one way or another through pension plans with State pension plans, municipalities, veterans, et cetera, and we feel a huge obligation. I would love to be private, but I can't.

Mr. STEIL. Thank you. Mr. Solomon, do you have a—

Mr. SOLOMON. You know, I think Mr. Dimon talked about the growing cost of being a public company. If you look over the last 20 years, the cost of being a public company and the friction that is associated with being a public company has only grown. At the same time, the availability of capital privately has expanded very, very significantly, so one of the primary reasons that a company goes to the public markets is for access to capital.

If that capital is available privately, then you can operate your business privately and the cost and the burdens of being a public company continue to rise, the incentives to be a public company are very, very low. And so that is one of the reasons why you see companies waiting longer and longer and longer and longer to go public.

So if you wanted to do something that would change that over time, we have to find ways to lessen the burden of being a public company. These I think—the availability of private capital is something that is here to stay. I don't think that is something that can be reversed. I actually think that is, as Mr. Dimon pointed out, good for the system.

Mr. STEIL. Thank you. Anyone else? Mr. Gorman?

Mr. GORMAN. There are many changes, good ones suggested here. Just take the quarterly reporting of public companies. We are all about to the end of our earnings season. We are all working on our earnings reports. The problem is quotas come around with alarming frequency every 13 weeks. And it is just—it doesn't make sense. Your investors, the public regulators, legislators did not learn a lot by having that kind of burden on companies. But that is just an example. It is seeking perfection in the place of what is practical.

Mr. STEIL. Thank you for your time today. I yield back.

Chairwoman WATERS. The gentlewoman from Virginia, Ms. Wexton, is recognized for 5 minutes.

Ms. WEXTON. Thank you, Madam Chairwoman, and thank you to the witnesses for coming today. I know it has been a very long day. I think we are starting to see some light at the end of the tunnel here.

I want to switch gears and talk for a minute about the Fed. As you all are probably aware, Stephen Moore is under consideration for appointment to the Board of Governors of the Federal Reserve and I want to talk about that for a little bit.

Mr. Moore has taken a series of controversial stances about the Fed despite acknowledging that he still needs to learn more about how the regulator works. He previously said that the Fed should be scrapped in favor of the gold standard. He called on the Fed to hike rates during the Great Recession, because he believed it was necessary to get less dollars out in the economy, that that was a good way to deal with it, and those are his words, not mine.

And he recently said that Fed Chairman Jerome Powell should be fired for rate hikes or rate increases last year that, in his opinion, diluted the gains from Trump's tax cuts. So this is just a yes-or-no question, if we could go down the panel, starting with Mr. Corbat, do you think the Fed should be scrapped in favor of the gold standard?

Mr. CORBAT. No.

Mr. DIMON. No.

Mr. GORMAN. Absolutely not.

Mr. MOYNIHAN. No.

Mr. O'HANLEY. No.

Mr. SCHARF. No.

Mr. SOLOMON. No.

Ms. WEXTON. Thank you. Now I know that all of you were working in the financial services sector during the Great Recession. Even knowing what you know today and knowing what you knew then, do you think that a better way to deal with the Great Recession at the onset would have been to hike rates and constrict dollars in the economy? Mr. Corbat?

Mr. CORBAT. I do not.

Mr. DIMON. No.

Mr. GORMAN. No, not in the time of the Great Recession. No, I think that would have been terrible.

Mr. MOYNIHAN. No.

Mr. O'HANLEY. No.

Mr. SCHARF. No.

Mr. SOLOMON. No.

Ms. WEXTON. And my final question on the Fed issue. Does it cause you concern that someone who holds these beliefs is being considered for appointment to the Federal Reserve?

Mr. CORBAT. I don't know the candidate.

Ms. WEXTON. No, I'm sorry, the question was, are you concerned that someone who has these beliefs is under consideration for appointment? Would it concern you to know that?

Mr. CORBAT. I would have to see all of the beliefs of the candidate.

Mr. DIMON. I want to start by saying I have enormous faith in Jay Powell and a lot of Fed Governors. This is not a traditional choice. I don't personally know them, I see them on TV and I don't personally know what they think, so I think that is why the Senate has confirmation, to dig into what they really think and how they would act under certain circumstances.

Ms. WEXTON. But it would give you pause if someone believed that we should return to—

Mr. DIMON. If they believe that, yes.

Ms. WEXTON. Okay, thank you.

Mr. DIMON. I am not sure they believe that.

Mr. GORMAN. I believe in the independence and integrity of the Fed, it has held us in good standing for many decades, and I also believe in the role of this legislative body to properly vet candidates for it.

Ms. WEXTON. Okay. Mr. Moynihan?

Mr. MOYNIHAN. I agree with Mr. Gorman.

Mr. O'HANLEY. We have the best central bank system in the world, and I think it is up to the confirmation process to vet this candidate.

Mr. SCHARF. I agree with Mr. Gorman.

Mr. SOLOMON. I have faith in the confirmation process.

Ms. WEXTON. So based on that, I do have one more question about this issue. Is one of the things that has really made the Board of Governors and the Fed function so well is that it is, for the most part devoid of politics, that politics don't factor into that at all?

Would you agree with that statement and would you be concerned if politics were injected into the office?

Mr. CORBAT. The independence of the central bank is integral to its credibility.

Mr. DIMON. Absolutely, they have a tough enough job to do as it is. It should be cleared of politics, but I would not say that that has always been true.

Ms. WEXTON. Thank you.

Mr. GORMAN. Politics does impact it one way or another, just because you have fiscal policy through the Executive and Legislative Branches and you have monetary policy through the Federal Reserve, so there is some interaction, but generally aiming for maximum independence is obviously the gold standard.

Mr. MOYNIHAN. An independent Fed is critical to the success of this country and you can observe countries around the world without an independent central bank and what happens and it is generally not a good outcome at some point.

Ms. WEXTON. Okay, thank you.

Mr. O'HANLEY. The independence of the Fed is a relatively recent phenomenon and I think the Fed has been better because of it.

Mr. SCHARF. I do believe that an independent Fed is best for this country.

Mr. SOLOMON. I strongly support a very independent Fed. I agree with Mr. Dimon's comment that at times, politics have an influence but we should make it as independent as possible.

Ms. WEXTON. Thank you very much. I yield back.

Chairwoman WATERS. Thank you. The gentleman from Virginia, Mr. Riggleman, is recognized for 5 minutes.

Mr. RIGGLEMAN. Thank you, Madam Chairwoman, and you have another Virginian, so I apologize about that. Two Virginians in a row is very tough for people to take, especially me. And I want to say this right now, is that—I want to do a quick background.

First of all, thank you for being here. I am very happy to be on the Financial Services Committee because tof three things. I really wanted to do legislation as a brand-new Member of Congress. You know, create jobs and economic growth in the United States, protect the national security of the U.S. financial system, and help banks of all sizes lend money to American consumers and legal businesses.

I was a little bit concerned today when they were asking you about the businesses that you would lend to, because I distill ethanol, then I breathe a sigh of relief because it is whiskey and people can drink it, so I am very excited right now that you guys would still fund me as a whiskey maker because that is the American Dream and I do appreciate it.

And as I go forward in this in the questions that I ask, I have another background portion of my life I want to talk to you about in that I build fusion centers, data fusion centers for counter-terrorism and counter-intelligence, and also did big data aggregation for critical infrastructure attack and also did some cyber stuff, too.

And the reason that I wanted to talk to you guys right now about policy is I wanted to ask some questions on policy and things that actually concern me as you go forward and also about you being the tip of the spear for sanctions support.

I have been listening to a lot of the questions today and I haven't heard a lot of questions on sanctions support. So I went to the Department of the Treasury and saw there are over 2,400 sanctions in place for countries and all of those for certain types of things.

And my question to you—and I actually wanted to start with Mr. Solomon, because I read everything you were talking about with cyber and I was very intrigued by it—is that as you go forward, and when you are doing sanctions support, you guys are the tip of the spear for that.

And I don't know if you can answer this question specifically, but do you see that there are more attacks on a cyber basis once you do start sanctions support? And do you also see that you get hit a little bit harder on, say, your attack vectors or your risk management frameworks or things of that nature as you guys go forward?

Because I see that you guys are so involved in sanctions support and I wonder, with me, working on risk management frameworks on the defense and offensive side, if you see an—actually increase—when you guys go forward on sanctions support, do you see an increase on attacks into your area on the cyber side?

Mr. SOLOMON. I appreciate the question and it is an interesting question. I can't personally give you a specific answer, but I know that there are people at Goldman Sachs who could give you a very detailed analysis on what we see and I would be happy to get back to you on that.

Mr. RIGGLEMAN. That is fantastic, because I think one of the banks up here is a member of a fusion center, which bank is that? Is it the Pittsburgh Fusion Center?

Mr. GORMAN. We have—I don't know if the four are completed. We had one in downtown New York, we have one in Baltimore, we are building one in Singapore, and we are building one in Glasgow, I believe.

Mr. RIGGLEMAN. Right, and this is actually a curiosity question, because I could not find it and I wanted to ask you, do you share information sort of on a risk matrix or do you share information on best practices for cyber defense amongst the banks?

And I know there is the fusion center that you discussed. Do you share information amongst yourselves at some level based on what you see as far as predictive analysis and based on sort of, when you talk about systemic risk, right, looking at the predictive analysis portion of what you might see?

Mr. GORMAN. There is certainly a sharing of attacks that occur with the government bodies and then they distribute it through the industry to prepare everybody, give maximum defense. On actual risk algorithms and so on, I am not sure—

Mr. RIGGLEMAN. Yes.

Mr. GORMAN. If I could get back to you, Congressman.

Mr. RIGGLEMAN. Thank you so much. Mr. Dimon—and the reason I am asking you specific questions, again, this is out of curiosity, as you go forward on this, and you can answer this the way you would like, would it help if you could actually, with foreign subsidiaries—actually share information with foreign subsidiaries based on the risk management frameworks that you have?

Mr. DIMON. Yes, sir. The companies here do a tremendous amount of work together. Openly, we call each other. We see a problem because it is coming their way, it is going to come my way and we do share it. And there are a lot of things we do to make this work far better.

And, in fact, I have mentioned that we are all meeting later with Secretary Mnuchin, Department of Homeland Security, all of our chief risk officers and all of the chief risk officers from all of the agencies, and regulators, so we can try to make this work more efficiently and better to protect the United States of America.

Mr. RIGGLEMAN. The thing that is—I think when you look at sanction support and what you are doing in the cyber defense field, the thing that I would—you know, looking at 314(b), I actually read a lot of this policy, and I read all of your—sort of the portions of the cyber defense posture that you have.

That is why I was so particular. You said once you wrote, Mr. Solomon, on cyber defense, because I saw that you guys were using machine learning and AI, because you were looking at like future bug bounces as far as looking at RMF, if I use that correctly.

And I think as we go forward and I think what I would like to do as we are doing this is that I would hope there are alternative approaches under 314(b) where all of you can work together in fusion centers to make sure if we are doing sanction support that we actually have risk managements frameworks in place that you can sort of work across.

And I would hope at some point, because I think right now, and I am going to ask if somebody wants to ask this question, I have 20 seconds, is it right now illegal, or do you have the title authorities to share information with foreign subsidiaries when you see a problem set?

Mr. MOYNIHAN. It is a very complex answer.

Mr. RIGGLEMAN. It is. And thank you for that. And that is what I wanted to talk to you about, but I ran out of time. So thank you all very much for your time. I yield back.

Chairwoman WATERS. The gentlewoman from Iowa, Ms. Axne, is recognized for 5 minutes.

Mrs. AXNE. Thank you, Madam Chairwoman. And thank you to everyone for being here today on the panel. I appreciate the time that you are taking to do this.

I think we all know that you profited tremendously from the tax cuts. But I just want to run through a few of them: Morgan Stanley, $1.1 billion; Citigroup, $1.7 billion; Goldman Sachs, $1 billion; Bank of America, $3.5 billion; and JPMorgan, $3.7 billion. Meanwhile, each of you makes at least 150 times what your median worker is being paid. And 3 of you on this panel make over 350 times what that median worker makes.

Given that the Administration's rationale for those tax cuts was so that companies could reinvest the money, Mr. Dimon, can you explain how you are investing that $3.7 billion in growing your company? And are you using it to increase pay for your workers and reduce the pay ratio?

Mr. DIMON. A lot of companies, not just JPMorgan, immediately announced pay increases or investments, for us, $20 billion in LMI lending, billions more in small business lending. And, because we got regulatory approval to expand our network into another 17 States, opening branches, which every time we do, we do LMI lending, small business, charitable giving, et cetera.

What we have said is that Americans have competitive tax system is the cumulative long-term effect of capital retained and reinvested in the United States, which will drive wages and growth forever. That is the benefit. It was never meant to be this week or this month or even this year.

And we also make the point that a lot of that benefit will be competed away. It will eventually end up in wages or cheaper prices to consumers or something like that as we all compete. And that is already starting to happen.

Mrs. AXNE. Thank you. But I just wanted to go back and say I did the math on those efforts that you are talking about in expanding pay for people, increasing their take-home pay. Those efforts that you are talking about totaled roughly $100 million. What I would like to know is, where did the rest of the $3.5 billion go?

Mr. DIMON. It is $100 million, and we also did another $150 million in philanthropy. And some of the numbers as far as the capital has to be deployed to support all of the loans. And building the branches costs a million dollars a branch. And so it is far more than $100 million.

Mrs. AXNE. Okay. We are still really quite short of $3.5 billion. Can you tell me specifically where a couple of billion went then?

Mr. DIMON. It was never intended to go immediately out. Some of it went back to our shareholders, where it belongs, if we can't responsibly use it. Remember, the shareholders redeploy it, it doesn't disappear. So, those shareholders, a lot of constituents of yours who get that money back and then hopefully they make other investments who are—decisions they think are in the better interest than me keeping capital that I can't use that year.

Mrs. AXNE. I appreciate that. So let's talk about a little bit of that buyback. In total, I think JPMorgan bought back roughly $20 billion of stock last year, and you have said that is because you had excess capital that you couldn't invest in growing your business, correct?

Mr. DIMON. At the time, yes.

Mrs. AXNE. Further, you have said in your annual letter that your biggest issue is with G-SIB capital requirements, I am assuming you would like those to be lower, correct?

Mr. DIMON. They should be properly done, whatever they are.

Mrs. AXNE. So are you—

Mr. DIMON. They are not properly done.

Mrs. AXNE. You think the level is too high or too low? What are you saying?

Mr. DIMON. The level is too high because America just gold-plated it and changed a bunch of rules that make it hard to—

Mrs. AXNE. So that would mean you would want it to be lower. So if those were lower, what would you use that capital for?

Mr. DIMON. I agree that companies should invest to grow their businesses and their people, customers, products or—that is the number one purpose of a company. I don't like buying back stock, I would prefer to invest. When you can't use capital in the short run—

Mrs. AXNE. Excuse me, just to mention, though, you said in your letter to shareholders that you had excess capital—

Mr. DIMON. This is—

Mrs. AXNE. Reclaiming my time.

Mr. DIMON. —forever, not for next year.

Mrs. AXNE. You said in your letter to shareholders that you had excess capital and that is why you are doing buybacks, because you had excess capital.

Mr. DIMON. Which we do.

Mrs. AXNE. So you explained to them that you were using that excess capital to put more money in the pockets of shareholders.

Mr. DIMON. In the short run, but as we are growing and expanding, the 400 branches are probably coming to Iowa. We are expanding small business lending. We are expanding just about every business we have. We are starting to use that capital. And over time, I am hoping we don't have any excess capital.

Mrs. AXNE. Well, reclaiming my time, it just doesn't sound like you will be investing that capital in making more loans or investing in your firm. It sounds to me like you are asking for lower capital requirements, which would increase the risk to the economy, and, of course, to our taxpayers, just so you can buy back more stock.

So I briefly would just like to say that we have heard a lot from banks like yours that we can just relax this regulation, or adjust that capital requirement because we are all in better shape right now. But we are not talking just about one regulation here. We have talked about capital levels today, but I didn't even mention now that banks have to prepare their full resolution plans just once every 4 years or the way our stress tests have been weakened.

So it is not just one area, and I would like to remind everybody the purpose of this hearing is to look back on the past 10 years and I hope that we don't see that happen again. I am looking out for Iowans. Thank you.

Chairwoman WATERS. Thank you. The gentleman from Arkansas, Mr. Hill, is recognized for 5 minutes.

Mr. HILL. I thank the Chair, and I thank the Ranking Member for holding this hearing. You have had a long day. Thank you all for your forbearance and for being with us today, and for demonstrating your accountability to your shareholders and to the public trust.

I want to start with a comment that Tim Sloan made, and a question that I had when he appeared before the committee a few weeks ago, and it is in regards to something I learned over 35 years of my banking career, which is how to achieve the best platform customer service, but also know and have a daily handle on how your compliance is operating at the retail platform.

And that is through mystery shopping. So in an answer to a question, Mr. Sloan reported to me that Wells Fargo did not have a practice of retail platform mystery shopping prior to getting into a world of regulatory trouble over their sales practices. And for just a country banker from Arkansas, I found that surprising, because that has been a general practice among compliance professionals for years.

So I just would love some comments. If we could just go down and you tell me if you use mystery shopping for both purposes, achieving the kind of platform, professional customer service you want with your retail client base, and that you use it to determine that you are doing a good job on fair lending and other compliance matters. Mr. Corbat?

Mr. CORBAT. We do use various forms of mystery shopping, as well as net promoter scores, after engagement contact with clients. So it is one of many things—

Mr. HILL. Sir?

Mr. CORBAT. Yes?

Mr. HILL. You have a pre-and a post-review process. Mr. Dimon?

Mr. DIMON. Yes. We periodically do mystery shopping in, like, a city. We also periodically question our customers. Did they like the product? Did they like the service? Also, we have hotlines for employees who think we are making a mistake, for customers who think we are making a mistake, and obviously respond to every regulatory issue that comes our way to make sure we are trying to do the right thing every day.

Mr. HILL. Right. Good. Thank you. Mr. Gorman?

Mr. GORMAN. We have a different business model. We don't really do mystery shopping because you have to open a relationship with a financial adviser, but we use technology, various algorithms to track the activity in those accounts to ensure that it is being done properly.

Mr. HILL. Good. Thank you for that. Mr. Moynihan?

Mr. MOYNIHAN. We have mystery shopping that is done routinely and has been for many years. And it is done in our compliance function, in our enterprise test function, both in our risk management organization.

Mr. HILL. Good. Gentlemen?

Mr. O'HANLEY. We study our clients and our competitors very closely, both directly and through the use of technology.

Mr. SCHARF. We don't have branches so we don't mystery shop.

Mr. HILL. Right. Mr. Solomon?

Mr. SOLOMON. We have a different business model. Our consumer business is very small, and it is digital, just starting as a digital platform.

Mr. HILL. Right.

Mr. SOLOMON. We use a variety of surveillance and data techniques.

Mr. HILL. Thanks. I appreciate that. Mr. Gorman, with your big international footprint, and I know how complex, when you think about Venezuela, Iran, North Korea, Cuba, all the financial and economic and trade sanctions that we have imposed, both at the United Nations and the U.S., it is a lot to be keeping up with.

So can you give us some feel for the design of Treasury's financial sanctions? Are they hard to manage inside your organization? And what could we be doing differently? And I would invite all of you to write to me on this subject. We want financial sanctions that are strong, but we want to have it done the right way. Would you address that?

Mr. GORMAN. Well, firstly, we do everything possible to ensure we are in total compliance with the sanctions, obviously. We work hand in glove with the government on that. We try not to do a lot of business in many of those jurisdictions you just mentioned, for the obvious reasons.

Listen. We—as efficient as they could be, I would have to have the team get back to you on that. But we have thousands of employees in our risk management, compliance, all the functions doing it.

Mr. HILL. Thank you. Please respond to that, if you would. If you your experts could write the committee about how to better target financial sanctions for compliance. I want to end in the few seconds remaining and just address this issue of buybacks. And I want to thank Mr. Solomon for a very good research report from Goldman Sachs on this issue.

I have heard my colleagues on both sides of the aisle condemn stock buybacks, and I would like to say that capital allocation is a fundamental responsibility of boards of directors. And I looked at the statistics, and, again, this is a public document and I invite people to look at it. R&D spending and growth spending among the Fortune 500, it is up, and it is on par with where it has been for 30 years. So that is point one.

Point two, we talk about shareholders like they are some unknown group of people. This money is American citizens, labor unions, pension plans and 401K plans—and your report shows no correlation with CEOs manipulating their compensation using stock buybacks. I yield back.

Chairwoman WATERS. Thank you. The gentleman from Massachusetts, Mr. Lynch, is recognized for 5 minutes.

Mr. LYNCH. Thank you, Madam Chairwoman. I want to follow up on a question that was asked probably several hours ago by the gentleman from Indiana. You each responded to his question about systemic risk and the things that keep you up at night. You all mentioned that shadow banking in some form was a source of risk, although a number of you said it is not systemic yet.

And I recently was appointed—thank you, Madam Chairwoman—to be the Chair of the Task Force on Fintech. And I serve with my friend from Arkansas, Mr. Hill, who just spoke. We do see the trends in that area, in that space going much more to mobile. And I know that JPMorgan and Bank of America are probably further down the road than some of the other banks.

But it is about $71 trillion worth of economic activity that is in the shadow banking space right now. And you know, we are always trying to—especially on this Task Force, trying to balance the need for innovation and creating conditions that will allow innovation to occur, yet also protecting the consumer. You know, we have seen some disasters with Mt. Gox where $350 million worth of Bitcoin disappeared, no FDIC insurance, those people just lost out, $72 million on Bitfinex, same deal, unregulated area.

So if you were us, and you were going to focus your energies on shadow banking and how we might diminish or mitigate the threat of systemic risk presented by shadow banking, because it is widespread, where would you focus? Where would you put your energies?

What do you think would best serve the consumer, while, as I said before, you are trying to balance this need for innovation as well? So I am not sure. Mr. Moynihan, would you like to take a crack at that?

Mr. MOYNIHAN. Sure. I think, and some of my colleagues have mentioned earlier, I think of two things. One, when we talk about shadow banking, the risk from the lending perspective, it is overlending, people over-borrowing, and the damage it creates when that happens. So that is one side. And then the second thing is the payment system, because at the end of the day, as you said, $71 trillion, or some big number, moves through electronic transfer of value.

And if we lose the integrity of that, if everybody could stop doing it, it just would change dramatically how we would have to rebuild the system of receiving cash and moving cash and merchants taking cash and everything, if anybody lost in faith in it. So I think I would look at payments and I would look at types of loans where you are worried about leverage by consumers and companies, and we mentioned those types earlier.

Mr. LYNCH. Yes. Mr. O'Hanley, on the payment system side, is there something that we could be looking at?

Mr. O'HANLEY. I think you need to recognize that probably some of the best innovators in the world are the institutions sitting right here.

Mr. LYNCH. Right.

Mr. O'HANLEY. But right now, they are often held to a very different standard than some of the fintech firms. I think you want to be encouraging fintech, not discouraging it, and encouraging it here, not just in the private equity space or in places where that is outside the system. So in my mind, on payments, it is an activity. You ought to be looking at the activity, irrespective of whether a bank is doing it or whether a non-bank is doing it.

Mr. LYNCH. All right. Mr. Dimon?

Mr. DIMON. Well, we have spoken before about calibration, about how you set rules so you know where the things are. People define shadow banking differently. So $70 billion, I think that includes money market funds and leveraged loans and maybe even ETFs, et cetera.

They all need—in the financial system world, you need to be analyzing all of them all the time. There will be things you don't know how they develop over time that you have to be prepared for. There are interconnections that you probably don't put in that category, exchanges in clearing houses and—you know, which pose other types of things. There are Federal Government services that pose a lot of risk to banks.

Mr. LYNCH. Right.

Mr. DIMON. So we look at all of those things. But if you are talking about specifically shadow banking, student lending, which is government. It is a 100 percent government since 2010—mortgages, leveraged loans and maybe certain types of leveraged vehicles that do cause an issue if something goes wrong.

Mr. LYNCH. Okay. Thank you.

No one mentioned risk of clearinghouses when you were asked about what keeps you up at night—what keeps you up late. Is there any concern that—so the risk that—that you used to be presented with has now shifted to clearinghouses? Is there a concern out there that, you know, the failure of a major counterparty or a clearing member could cause a major disaster?

Mr. DIMON. Just quickly, yes. We concentrated the risk in clearinghouse.

Mr. LYNCH. Right.

Mr. DIMON. And we all monitor that, track it, have people there and check. I think we are okay but it has to be constantly monitored, too.

Mr. LYNCH. Okay.

Thank you, Madam Chairwoman. I yield back.

Chairwoman WATERS. Thank you very much.

The gentleman from West Virginia, Mr. Mooney, is recognized for 5 minutes.

Mr. MOONEY. I appreciate you all being here. I know there has been a debate in this country of what is the best way to run the economy in America. There are some who promote various levels of government regulation. There are some who want to go all the way to socialism, and some who believe in free markets and capitalism, which is where I line up.

And I think some of my friends on the other side of the aisle have criticized—well, I know they have criticized buybacks, dividends, and other ways that banks allocate their capital. In my view, that criticism misunderstands both the reason for and the effect of this type of capital allocation.

So my question is going to be—it is a long question and anybody can answer. I know companies allocate capital in several ways, including by expanding business lines, investing in research and development, and returning money to shareholders via stock buybacks and dividends. Companies tend to return capital to shareholders when they do not have a more optimal or immediate business need.

So can you describe how your institution approaches decisions regarding capital allocation and why, in cases where you have returned capital to your shareholders, you opted to do so?

Mr. GORMAN. I'll be happy to start that, Congressman. You know, we set a budget every year. We determine what we are trying to do with the business. That business drives certain capital needs, whether it is the growth of the balance sheet, various investments.

And then to the extent we have excess capital, you have some choices. Are there new businesses you want to enter into? Are there businesses you would like to acquire? And are shareholders properly paid for their ownership of the company?

And they can be rewarded through dividend increases, which is reflective of growth of the company, or through retiring shares, which is what the buybacks do.

I'll just give you one number. Pre-crisis, we had a billion shares outstanding. Post-crisis, we had 2 billion shares outstanding through various share issuance over a period of time.

We have now bought back 300 million shares. So we still have 70 percent more shares outstanding than we had pre-crisis. So the buyback is something that the owners of the company are expecting at different points.

Mr. MOONEY. Anyone else? Mr. Solomon?

Mr. SOLOMON. I think capital allocation is a complicated process. And one of the things that Mr. Gorman was highlighting, that you highlight in your comments is that you have to plan. And the timing of that plan is different.

You have timing around your regulatory process, around the capital you have to hold. You have to make investments. Investments are made over numbers of years. You have market changes that change what opportunity sets are.

And so one of the things that you are trying to do is, you are trying to balance all these things. It would be easier to balance them all if there was more clarity on the capital that you were going to need going forward. But one of the things that we as an industry wrestle with is having to leave buffers or cushions and then, obviously, deal in the aftermath with how we want to choose to return capital.

We have been making significant investments in a new consumer platform. Last year, we invested $600 to $700 million in building that consumer platform. Last year, we actually bought back less stock than we did the year before.

And we would all rather—and Mr. Dimon said this earlier—have lots of opportunities to continue to invest as opposed to return capital. But it is our job to balance because it is our shareholders' capital.

Dividends, stock buyback, investments, and the capital that we have to hold as a regulated business. And that is a complex matrix.

Mr. MOONEY. Okay. Well, thank you for the answer.

Before I run out of time, Mr. Gorman, when you spoke I heard your accent. And I am chairman of the Congressional Rugby Caucus. So maybe at a different time, you and I can talk some rugby. I really enjoyed that sport. I played it at Dartmouth College very competitively. Thank you for your time.

I guess I will go ahead to the second question. When a company buys back shares or pays higher dividends, those resources do not disappear. Instead, shareholders deploy that capital in the economy, including through investments in other companies, which may in turn hire additional workers or produce additional goods or services.

This type of capital allocation is a critical source of funding for entrepreneurs, small businesses, and other emerging companies. Would anyone like to elaborate, in the last 45 seconds here, on how buybacks and dividends benefit the economy?

Mr. MOYNIHAN. At the end of the day, I think all of us would agree. If we have any use of capital we can deploy it above our cost to capital, our shareholders, we are going to do it because that is our job.

The minute we don't have it, we will give it to someone else who will deploy it to put it together, to put it to use at their cost to capital. It is the way the system has worked. It is worked like that forever. This is not a new concept.

Mr. MOONEY. It is probably what has made us the greatest economy the world has ever seen. Thank you, gentlemen.

Chairwoman WATERS. Thank you.

The gentlewoman from Pennsylvania, Ms. Dean, is recognized for 5 minutes.

Ms. DEAN. Thank you, Madam Chairwoman.

And I want to start by saying thank you for being here. Thank you for your time and your thoughtful answers. And I want to commend those of you whose enterprises have chosen to make a difference in terms of gun violence in this country and who have chosen to reduce, if not eliminate, lending.

You have an important role to play. Your voice, what you do has an important role to play, to make this a safer world. So I would ask the rest of you to also reduce—until you find gun manufacturers far more responsible than they are today, that you would reduce or eliminate your lending in that area.

There are two things that concern me. The analysis of—the title of this was to look back on the global systemically important banks 10 years after the financial crisis.

I would like to look at the other side of the table. So I am happy that each of you came in. And each of you, I think, is reflecting that your enterprises are healthy, that you are profitable. But let's look back and take a look at the other side, the consumer.

So one area that I am concerned about is credit card transparency and fees and how a lack of transparency hurts consumers, hurts customers.

Last year, Citibank entered into a $335 million settlement around credit cards. Could you tell me what were the bad practices that resulted—and specific, so it is real to me, a credit card holder. What were the bad practices that you recognized that you had undergone in winding up settling for $335 million only last year?

Mr. CORBAT. So we look at where that came from, Congresswoman. It came from the implementation of the CARD Act back in 2010 and 2011. And in there, there were formulas to give rate reductions to customers over time, based on certain criteria.

It is a fairly complicated set of applications, and, candidly, we got it wrong. We self-discovered it, we self-reported it, and we went back to our consumers and made reparations for it. To put that in context, we got it 90 percent right, but 90 percent right doesn't work. We should have reduced and lowered by $3.3 billion and we did it by $3 billion.

Ms. DEAN. So, to the individual cardholder, what did that mean?

Mr. CORBAT. That meant that we charged them more than they should have been charged, in the form of rates. And we went and gave them all of that back.

Ms. DEAN. So an enterprise as large as yours allowed that to go on for how long?

Mr. CORBAT. It went—the CARD Act was implemented in 2010, 2011, it was discovered in 2015, 2016, reported and then remediated.

Ms. DEAN. So, overcharging for 4 or 5 years, $335 million? I am also very interested in—and I have a personal experience with this—the home modification program. I don't know if any of you have had this experience, but I have actually sat with family members and constituents—I was a State rep before I got here, in Pennsylvania. And I have sat with constituents and family members as they are struggling for mortgage modification or facing foreclosure. And I wanted to ask you, Mr. Moynihan, have you ever had that experience?

Mr. MOYNIHAN. I have not sat with someone who is going through the modification process. We built centers so that we could engage with people—

Ms. DEAN. I traveled to one of your centers in Pennsylvania. And my family member, before getting to the center, faxed in their materials, if I am correct, 11 times. And each time was told, "Oh, we lost a page." Or, "We didn't get it." My family member also went because you had convention-like meetings, went to Baltimore to no avail, until I got on the phone with your company. And it took dozens and dozens and dozens of hours to get any satisfaction.

I don't know how people actually would endure that. Because you also know the shame and the fear that comes over a family when they are losing their home.

Mr. MOYNIHAN. We did a lot of them. And so I apologize if your constituent at the time wasn't treated right.

Ms. DEAN. You saw in the—you have lawsuits against you for this same practice?

Mr. MOYNIHAN. Right.

Ms. DEAN. Over and over again. It was not just one person.

Mr. MOYNIHAN. We had a settlement, like all of us did. We did everything in that settlement. An independent monitor looked at it and said we were in full compliance—

Ms. DEAN. How many people lost their homes?

Mr. MOYNIHAN. The precise number of people who lost their homes in America was around—

Ms. DEAN. Your borrowers. How many of your borrowers lost their homes?

Mr. MOYNIHAN. Total foreclosures done since 2006 when housing costs quit going up on pieces of property were probably around a million.

Ms. DEAN. A million of your customers lost their homes.

Mr. MOYNIHAN. And 2 million were modified.

Ms. DEAN. And 2 million modified. Did you ever take the time to meet with some of those folks who lost their homes?

Mr. MOYNIHAN. I received e-mails from them. I assured—when I met with Senator Reed and we—he asked us if we could open up centers, we opened up 26 centers. We put on 50,000—

Ms. DEAN. Can you explain to us what the HAMP program did? What monies did you get to modify mortgages, and yet a million went into foreclosure and lost their homes?

Mr. MOYNIHAN. I know there was great discussion about that. The amount of money that we got to do HAMP modifications was incentives to do them. It was nothing compared to how much it cost.

Ms. DEAN. I want to make one final point, if I may.

Chairwoman WATERS. I am sorry, you are way over your time—

Mr. DEAN. I am over. Okay. Thank you, Madam Chairwoman.

Chairwoman WATERS. I am sorry. Yes, thank you. Mr. Garcia from Illinois is recognized for 5 minutes.

Mr. GARCIA OF ILLINOIS. Thank you, Madam Chairwoman, and thank you all for being here, the largest financial institutions of our country. Let's talk about a very small island in the Caribbean in some of your business practices.

Mr. Gorman, I will begin with you. The Public Accountability Initiative issued a report earlier this year, which noted how in January of this year the financial oversight and management board and the unsecured creditors committee argued in Federal court that $6 billion of Puerto Rico's general obligation debt was issued illegally in violation of Puerto Rico's constitution debt limit.

The report found that, "the underwriters on the deals included a who's who of big banks including Barclays, UBS, Santander, and Morgan Stanley." Bank of America, Merrill Lynch is also cited in the report as an underwriter.

Furthermore, the oversight board for Puerto Rico issued a report by Kobre & Kim that stated that Banco Popular, Popular Securities underwrote the 2014 general obligation bond even though they did not think Puerto Rico could repay it.

Mr. Gorman, did Morgan Stanley know at the time that Puerto Rico could not pay back its debt?

Mr. GORMAN. Congressman, unfortunately, I am not familiar with the exact facts around the underwriting. I would certainly be happy to get the details to you rather than guess at it. We have a global underwriting business. We are typically one of the top—one, two, three, four underwriters in the world and we—

Mr. GARCIA OF ILLINOIS. Okay. You don't know. Thank you. Did you know that Puerto Rico's constitution does not allow the use of bonds to balance its budget?

Mr. GORMAN. I am not familiar with Puerto Rico's constitution detail, Mr. Garcia.

Mr. GARCIA OF ILLINOIS. Yet, your colleague from Citigroup here, did know that and refrained from participating in that endeavor. It makes me really, really think. Why did you go ahead and underwrite the 2014 general obligation bond offering?

Mr. GORMAN. Well, I believe we have done a bunch of underwritings across all of the municipalities and States and Territories of the United States for many, many decades, including Puerto Rico. I am just not familiar, unfortunately, Mr. Garcia, with this particular underwriting.

Mr. GARCIA OF ILLINOIS. Mr. Gorman, when you sold the 2014 GO bonds, Puerto Rico already had about $65 billion in debt outstanding. Were you aware of that?

Mr. GORMAN. Again, I am not familiar with the details of the Puerto Rico economy at the point in time. I am happy to submit what information we have for your benefit, Mr. Garcia.

Mr. GARCIA OF ILLINOIS. Isn't this type of information for potential investors, institutions like yours who want to do business in a particular place available to all like a credit report would be?

Mr. GORMAN. It certainly is, and the information would be available within Morgan Stanley. As the chief executive, I can't be responsible for understanding all the details of—

Mr. GARCIA OF ILLINOIS. Let me ask Mr. Moynihan, then. Mr. Moynihan, would you commit to returning the $13.1 million or more that your firm collected in fees from illegally issued debt to the government of Puerto Rico as underwritten by Bank of America Merrill Lynch?

Mr. MOYNIHAN. Sir, I am not familiar with the transaction you are talking about. And I would be happy to get back with you in your office and—and we could take you through it but I am not familiar with it.

Mr. GARCIA OF ILLINOIS. Did you disclose that Banco Popular who joined you in the underwriting, the offering and Citigroup's action or refusal participate though Puerto Rico in 2014 couldn't pay back those bonds?

Mr. MOYNIHAN. Again, I can get the teammates who worked on it to work with your office. I don't know the facts.

Mr. GARCIA OF ILLINOIS. Did you underwrite these bonds because the market wanted triple tax exempt bonds even if the government of Puerto Rico couldn't pay them back?

Mr. MOYNIHAN. Sir, we can get somebody who understands the details as underwriting if we in fact participated in it—

Mr. GARCIA OF ILLINOIS. I am trying to help the American public look back 4 or 5 years ago and understand some of the actions of our biggest institutions and financial institutions in this country. I think the American people should know about this. This isn't that difficult to know. It didn't happen that long ago.

Mr. MOYNIHAN. I am happy to give you the answers. I just don't know them off the top of my head.

Mr. GARCIA OF ILLINOIS. This is very disappointing and I would expect that that information isn't that difficult. It has been written about significantly lately and the American people deserve better. Thank you. I yield back.

Chairwoman WATERS. The gentlewoman from Texas, Ms. Garcia, is recognized for 5 minutes.

Ms. GARCIA OF TEXAS. Thank you, Madam Chairwoman, and, first, let me thank you for calling this hearing on this very important topic. Gentlemen, thank you for your patience and your endurance. I know that all of us came in not expecting such a long hearing, but that is part of the process in giving the taxpayers and the public their right to know.

I know it might seem like we have brought you here today to be grilled on a whim or as someone suggested from the other side of the aisle to make headlines. But know you are here because you run banks that are so large that their failure represents a potentially systematic threat in the global banking system.

People remain angry that institutions you represent endangered the national and global economic stability a decade ago. They remain angry that you received tax payer-funded bailouts while they were left owning mortgages worth more than their houses and got no relief from Washington.

And frankly, they have a right to be angry. Because you know what? I am angry too and I know many of my colleagues here in this hearing room and in Congress are also angry. We are angry about that and we know how your institutions seem to have fully recovered, boasting record profits while many people in my district are just now feeling like they have gotten back to where they started.

And then, of course, Harvey hit and other emergencies arose. So like my colleague, Ms. Dean, mentioned, I want to talk about the other side. We know you all are doing well. We can see that. We have seen a lot of reports that suggest that.

So I want to talk about the consumer, and one thing that I always get really concerned about is the fees. And, Mr. Moynihan, I was particularly concerned that of all the complaints that I got during the unforgivable Government shutdown, some of my TSA workers in my district had the biggest problems with your bank, Bank of America.

In fact, one worker relayed to me that not only did she have past due notices and extra charges for both her car loan and her mortgage which, both were run by Bank of America, and she could not get anyone to listen to her about either suspending collection, forgiving the fees, or altogether helping her out.

And it took me having to call someone locally after trying to get through to someone here in Washington through one of your lobbyists—I must say, they never did return my call. But because I am a former State senator, I did visit with my State governmental folks and they quickly helped us resolved that issue.

So why is that for some consumers much like—she had to work with her family as a State rep, why do they need a Member of Congress to help them talk to a bank? Can't you all be just a little bit friendlier?

Mr. MOYNIHAN. So, first off, if you—I apologize that anybody went through something. We helped—we had 24,000 calls. We had 14,000 people we gave relief to. We treated it as a national disaster. The relief lines were opened up until the end of March, so there were 24,000 people we stepped up and helped through mortgage forgiveness, auto payment forgiveness, zand ero interest credit card loans for 6 months that they could pay back.

Ms. GARCIA OF TEXAS. Do you do that for all natural emergencies?

Mr. MOYNIHAN. We do that for all national emergencies. We did it for the hurricanes; we have done it for many things.

Ms. GARCIA OF TEXAS. Well, that is great. I just want to hear from the other retail bankers. Does Chase do the same thing?

Mr. DIMON. Absolutely. We actually can identify who a lot of these folks are—government shutdowns, national emergencies, we forego fees, we forego certain types of payments, we put payments at the end.

Ms. GARCIA OF TEXAS. Just a yes or no because my time is running out, what about Citibank?

Mr. CORBAT. Yes, government workers and government contract workers.

Ms. GARCIA OF TEXAS. All right, there are always a lot of fees, so I just want each of you—and I am going to start with you, sir, because you always get the tail end, we are going to do a reverse. What percent of your revenues are fees?

Mr. SOLOMON. Our consumer business is tiny in the scope of—

Ms. GARCIA OF TEXAS. Well, what about custodial fees, safekeeping fees?

Mr. SOLOMON. Tiny. They are not business—

Ms. GARCIA OF TEXAS. Well, how tiny is tiny? Because tiny for you may be millions and that is not tiny to the average consumer.

Mr. SOLOMON. The kinds of fees you are talking about I believe less than 1 percent of our revenue.

Ms. GARCIA OF TEXAS. Less than 1 percent.

Mr. SCHARF. Well, I think total fees are something like two-thirds of our total revenues, but we don't have a consumer business.

Mr. SOLOMON. You were talking about consumer fees, correct?

Ms. GARCIA OF TEXAS. Right, consumer fees.

Mr. SOLOMON. Less than 1 percent of our business.

Ms. GARCIA OF TEXAS. All right.

Mr. SCHARF. We don't have a consumer business.

Ms. GARCIA OF TEXAS. All right. Mr. O'Hanley?

Mr. O'HANLEY. We have no consumer business.

Ms. GARCIA OF TEXAS. Mr. Moynihan?

Mr. MOYNIHAN. Consumer fees and the consumer overall revenues are probably I would say less than 5 percent of our total revenue of the company.

Ms. GARCIA OF TEXAS. Five percent. Mr. Gorman?

Mr. GORMAN. I don't know but I would estimate approximately 2 percent.

Ms. GARCIA OF TEXAS. Okay. Mr. Dimon?

Mr. DIMON. I just don't know the number offhand.

Ms. GARCIA OF TEXAS. I'm sorry?

Mr. DIMON. I don't know the number offhand.

Ms. GARCIA OF TEXAS. You don't know the number. Mr. Corbat?

Mr. DIMON. I would be happy to give it to you. It is in our fully disclosed document, but I don't—

Ms. GARCIA OF TEXAS. Mr. Corbat?

Mr. CORBAT. A de minimus amount, very low single digits.

Ms. GARCIA OF TEXAS. All right. Thank you. I yield back.

Chairwoman WATERS. The gentleman from Minnesota, Mr. Phillips, is recognized for 5 minutes.

Mr. PHILLIPS. Thank you, Madam Chairwoman, and thanks to each of you for providing jobs to over half a million Americans, and credit to millions of enterprises large and small both in our country and abroad that create millions more jobs.

And I want to take our few minutes together to seek your advice and counsel if I might, starting with the fact that in our nation almost 50 percent of our wealth is concentrated in the hands of just 1 percent of our population. Twenty percent of annual income accrues to just the top 1 percent of earners. Most of the CEOs of the S&P 500 companies, including each of you, earn anywhere between 100 and 500 times more than the median earners at the respective businesses.

And every one of these indicators is moving in the wrong direction in my estimation. So I have two questions and I want each of you if you would just take about 30 seconds to answer. The first is, do you believe that our growing wealth and income disparities pose an economic and social risk to our country? And if so, what can you each do and what can we do, here in Congress, to address it. Starting with you, Mr. Solomon.

Mr. SOLOMON. I do think that income disparity is a real issue. It is something that both the public sector, you in Congress, and we, as private companies, have to work to try to contribute to. With respect to our organization and our employees, we are a little bit different and some of the discussion that has happened, we don't have one institutional business and so we don't have minimum wage employees.

The average compensation for our employees across our 36,000 employees is much, much, much higher.

Mr. PHILLIPS. Now, we don't have much time. How about one thing that we can do, one policy.

Mr. SOLOMON. I think we have to continue to make investments to create more opportunities. One of the things we are doing is we are going into underserved communities and we are making investments in housing and community infrastructure and other programs that support underserved communities.

Mr. PHILLIPS. Thank you. Mr. Scharf?

Mr. SCHARF. As I said before, we don't have a consumer business, but we, as a company, do everything that we can through our community lending programs, where we have employees, and I think we feel we do that because we have an obligation to do that.

I think, just from a policy perspective, looking at the underserved and looking at things like access to credit and housing are important topics to take a look at.

Mr. PHILLIPS. Thank you. Mr. O'Hanley?

Mr. O'HANLEY. I believe there is an income and wealth inequality problem in the U.S. that it is getting better. I think that what you, Congress, can do is take a look at the retirement system. Access to the retirement system is very limited today. Congress hasn't really looked at this in a comprehensive way since 2006.

Mr. PHILLIPS. Thank you. Mr. Moynihan?

Mr. MOYNIHAN. We continue to work hard on the issues you raised. First, we have a responsibility through the banking system to serve LMI communities. We have about 31 percent of our branches in LMI communities. We had pledged we would hire 10,000 new teammates from those communities. We are probably halfway through that, moving through the pace for 5 years.

The way we structure fees and products and services, affordable housing, $4.7 billion of lending in affordable housing and community development at the local communities last year. Business formation, as we spoke about.

And then I think on how to manage your money, we have something called Better Money Habits. It has had multiple billions of dollars of customer views. We have helped almost 900,000 people. Those people save more. Those clients save more. They handle their finances better. That is a major program of Khan Academy and so—

Mr. PHILLIPS. I hate to cut you off but I want everybody to get a word in. Do you think it is a problem?

Mr. MOYNIHAN. I think it is a problem we can solve if we work on it. I think what I would ask you to do is we look at this with CEOs and the business community. It is transportation, housing, and educational alignment. Those three things just have to be—

Mr. PHILLIPS. Thank you. Mr. Gorman?

Mr. GORMAN. It is absolutely a problem, not just here but in most developed countries in the world, and it is not going to be solved easily. You have three weapons effectively. You have tax policy. We have a great tax policy. We have subsidization of lifestyle through education, health care, transportation, and housing. But most importantly, you have opportunity for economic growth. So what you can do is help businesses thrive and grow in the U.S., and help the U.S. economy keep being the strongest economy in the world.

Mr. PHILLIPS. Thank you. Mr. Dimon?

Mr. DIMON. Absolutely, it is a problem, and it is a global problem today and we need to study it and have the right policies. If I could name one or two—infrastructure and education. Education is CTE training, community college, apprenticeships, it works. It works. There are a lot of good-paying jobs going unfilled.

Mr. PHILLIPS. Thank you. Mr. Corbat?

Mr. CORBAT. Absolutely, Congressman. It is a problem. I would say financial inclusion and financial literacy in today's age in our economy in this country, the fact that we have 25 percent of our population who live somewhere between unbanked and underbanked. With the technology resources that are out there, it is a fixable problem.

Mr. PHILLIPS. Thank you. I will close by extending an invitation, that is to ask each of you to help us be part of the solution. We need you. Thank you.

Chairwoman WATERS. The gentlewoman from Massachusetts, Ms. Pressley, is recognized for 5 minutes.

Ms. PRESSLEY. Thank you, Chairwoman Waters. I appreciate your continued leadership.

More than a decade later, we are still grappling with the consequences of a crisis created by greed and complete and utter disregard for the welfare of everyday Americans. And yet, the narrative has shifted from a focus on Main Street suffering to a celebration of Wall Street's recovery.

In the district that I represent, the Massachusetts 7th, a study by the Pew Research Center shows that from 2005 to 2009, median wealth among Hispanic households fell by 66 percent, by 53 percent among black households, 31 percent among Asian households, and by 16 percent among white households. These families were often the target of subprime lending, yet have never been repaid.

Your bank shareholders are reaping record profits while there is little evidence these lower-income individuals and communities of color are anywhere near close to recovering. In fact, just yesterday we were discussing the ongoing prevalence of redlining and other discriminatory practices despite the fact that 98 percent of banks are passing CRA examinations. This is exacerbating the wealth gap in Massachusetts and across the country.

Today, I want to dig a bit deeper and resurface a report from 2016 which addresses pink-lining. Are any of you familiar with the phrase "pink-lining?"

Well, women were 30 percent to 46 percent more likely to receive subprime mortgage loans during the financial crisis than men, and black women were 256 percent more likely to receive subprime loans than white men, 256 percent.

Mr. Dimon, you co-wrote a piece recently entitled, "Advancing Black Pathways," and spoke about how you wanted to address the racial wealth gap. That is wonderful. But what is even better than an op-ed is action. So for the purposes of the record, could you clarify, in 2017 JPMorgan agreed to a $53 million settlement with the DOJ pertaining to allegations of what?

Mr. DIMON. I don't recall.

Ms. PRESSLEY. Okay, discriminatory mortgage lending practices. In the time since, what tangible changes have you made to your bank's lending practices?

Mr. DIMON. We don't redline. We do a lot of work to make sure we don't. In the auto business, in fact, we do reverse redlining, we try to make sure that we reduce people's rates based upon that base calculation that gets done. If you ever have a problem or think we did, let us know. And we also want to use A.I.—not only—A.I. can be biased but you can also use A.I. to try to do more lending mortgages to the black community.

Ms. PRESSLEY. You spoke earlier of a number of community lending initiatives—AdvancingCities? Is that what your testimony—

Mr. DIMON. Yes.

Ms. PRESSLEY. Correct? Okay. And I am glad you mentioned that initiative. I think—correct me—was the amount $500 million?

Mr. DIMON. AdvancingCities is $350 million over 5 years.

Ms. PRESSLEY. One more time?

Mr. DIMON. $350 million over 5 years.

Ms. PRESSLEY. $350 million over 5 years. It sounds like a lot of money for community groups that are eager for funding. However, comparatively it doesn't sound as generous when you think about the fact that over $43 billion have been paid by your bank in fines in just this decade since the financial crisis. So, Mr. Dimon, is it possible you have just decided these fines are the cost of doing business the way you want and not the way that protects consumers?

Mr. DIMON. Absolutely, positively not. And I just want to point out that a large bulk of the mortgage-related stuff was Bear Stearns and WaMu, which we bought at the request of the United States Congress.

Ms. PRESSLEY. Reclaiming my time. Moving on, I want to quickly touch on another issue hurting our communities. While many banks have chosen to forego overdraft fees, Bank of America, Chase, and Citigroup still cling to these practices. Mr. Corbat, would you say that overdraft fees are a core function of your banking business?

Mr. CORBAT. No, they are not.

Ms. PRESSLEY. Mr. Moynihan, are you aware of what percentage your total revenue in 2018 came from these fees?

Mr. MOYNIHAN. Overdraft fees?

Ms. PRESSLEY. Yes.

Mr. MOYNIHAN. Probably less than a percent.

Ms. PRESSLEY. Okay, so if the answer is less than a percent or 2 percent but for a family in my district hit with a series of overdraft fees, that is the difference between a tailspin and getting by. So your banks pay billions in fines dismissively and you have convinced yourselves that overdraft fees that make up less than 2 percent of your revenue are essential to bank operations. If you can write off billions of fines as the cost of simply doing business, how are overdraft fees anything other than an ideological tool to simply further punish the poor?

I am appreciative of what you have shared here today relative to your community programs and development funds, but this does not shield you from criticism about discriminatory lending or the fact that many of you continue to put into practice overdraft fees further punishing the poor.

Chairwoman WATERS. The gentlewoman from New York, Ms. Ocasio-Cortez, is recognized for 5 minutes.

Ms. OCASIO-CORTEZ. Thank you, Chairwoman Waters, and thank you all for joining us here today. I know it has been a really long day.

The purpose of this hearing is to review globally systemic banks 10 years after the 2008 financial crisis. So just know that while I am tough, it is not personal, okay? I was really going back and reviewing these last 10 years and I have concerns about how much things have really changed.

I did an assessment and year by year—let's go back to 2013. In 2013, Chase had to pay out $720 million in fines to the Fed, the SEC, and the U.K. Financial Conduct Authority for failing to oversee its trading practices, including what is known at the London Whale.

In 2014, Bank of America agreed to a $16.5 billion settlement to the DOJ and others for misconduct related to mortgage-backed securities, and a $20 million penalty with another $727 million in consumer relief. In 2015, Bank of New York Mellon, $714 million to settle claims that it defrauded customers when it promised to exchange at best rates for customers but instead used the worst rates and pocketed the difference. In 2016, Wells Fargo entered in consent orders for fraudulently opening millions of accounts in customers' names without their consent or knowledge.

In 2017, State Street, 7 months after installing the Fearless Girl statue, paid $5 million in back pay and interest after a Department of Labor audit found that State Street was systematically paying females employees less than their male counterparts and black executives less than similarly situated white executives.

My colleague from Illinois highlighted some troubling connections between Morgan Stanley and Puerto Rico's illegal debt load. In 2018, Goldman Sachs began facing lawsuits from DOJ, the Fed, and foreign governments in relation to funding bribes and kickbacks to foreign officials relating to raising funds from Malaysia's sovereign wealth fund.

Timothy Leissner, the Goldman Southeast Asia executive, pled guilty to various charges and forfeited $43 million. And just last month, March of 2019, Citibank was fined $25 million for violating the Fair Housing Act for failing to offer benefits to all eligible customers, namely on the basis of race, national origin, and sex.

And so I am concerned here about the potentiality of fines related to misconduct just being incorporated as the cost of doing business. Mr. Corbat, is a cost-benefit analysis that weighs the cost of government fines versus the potential financial upside of potentially breaking the law, does that factor into controversial decision-making around misconduct at your bank?

Mr. CORBAT. Absolutely not.

Ms. OCASIO-CORTEZ. Okay. In my district, I represent Rikers Island. I represent kids who go to jail for jumping a turnstile because they can't afford a Metro card. Do you think that more folks should have gone to jail for their role in a financial crisis that led to 7.8 million foreclosures in the 10 years between 2007 and 2016, Mr. Dimon?

Mr. DIMON. I don't think people should go to jail for jumping a subway turnstile. I think we put too many people in jail. And I think if people broke the law, they shouldn't go to jail.

Ms. OCASIO-CORTEZ. Okay. Do you think that the failure to hold more people accountable for the 2008 crisis is a failure of our legal system?

Mr. DIMON. Look, you have to talk to a lot of legal experts about why more people didn't—whether they deserve to, whether they broke the law, what is intent, what is not intent. But you have to talk to legal experts about that.

Ms. OCASIO-CORTEZ. On that note, Mr. Dimon, I do want to commend you for your decision, and Chase's decision to pull out of financing for private prisons. I think that that has led to some changes, particularly with Wells Fargo as well, in making sure that we begin to divest from some of the troubling things that we are seeing, particularly when it comes to the caging of children at our border.

I have one last question with respect—that is more future looking. Recently, the Federal Reserve Board decided not to activate the counter cyclical capital buffer this year, but banks are very profitable, making a record $237 billion in profits last year. Mr. Corbat, is this not the best time for banks—is this not the best time for the Fed to build more capital so that they can be in a better position to weather a future downturn?

Mr. CORBAT. As I stated earlier today, by the Fed's own measurement, they are measuring 23 or 24 different types of capital. What we have said is we are welcome to a holistic approach, of which the countercyclical buffer is one. But rather than pick individuals, let's look holistically at what the right solution is.

Chairwoman WATERS. The gentleman from New York, Mr. Zeldin, is recognized for 5 minutes.

Mr. ZELDIN. Thank you, Madam Chairwoman, Ranking Member McHenry, and all of our witnesses who are here. I represent a district on the east end of Long Island, the 1st Congressional district of New York. There is a lot of strong representation on both sides of the aisle from our home State of New York and I see that a majority of the witnesses who are here are from companies that are headquartered in our home State.

Being the nation's financial capital and a global hub for banking and investment, however, it could be slipping away because of bad policies and hostile rhetoric that has consequences.

Over the course of the hearing today there was some discussion with regards to the pending Brexit. Many of your firms have already moved operations out of London. We are seeing a massive loss of jobs in investment in New York, most recently as Amazon and its potential 25,000 jobs were chased away from our area.

There are consequences to bad policies, and there are serious ramifications for global competitiveness when local, State, and national lawmakers continue to take such hostile and anti-business postures.

I think the consequence with regards to Amazon leaving is not just the 25,000 jobs but all the other jobs that would have been supported. The infrastructure to create the headquarters, but also other businesses in the financial industry have said that the back and forth that took place has impacted their decision to come here.

I wanted to touch on one thing that Ms. Porter had discussed, and I actually wanted to say thank you to Mr. Dimon with that exchange, because in that example in California, that woman was given an opportunity by JPMorgan Chase that no other business in that community was going to give an opportunity to at all.

So this woman who has bills to pay, and has a young kid, now has an opportunity to enter the workforce and work her way up the workforce and have a job where no other company there in that community would have given that opportunity. And if that person wants to achieve the American Dream and they need to get a car to do that, you will help finance it.

If that person wants to be able to own a home to achieve the American Dream, they are going to come to you to be able to afford to finance that home to have the American Dream. Maybe they want to start a business and they need capital in order to start an idea that can grow in to something bigger, they will come to you and that is how they will achieve their financing in order to hopefully achieve the American dream.

It is important to be able to provide the best possible opportunities for people to get out of their tough situation. They are going to have to fight hard and work hard. But what we don't want to do is see those jobs get replaced by automation.

And where I am from on Long Island, as we have seen the minimum wage in New York go up, there are a lot of different entry-level positions that have gotten replaced by kiosks. Think of fast food restaurants; there are certain restaurants where you used to have a busboy, used to have a server, and now they are getting into the Panera Bread model.

And I remember being at a recent State of the Union address, one of the last ones that President Obama gave and he was talking about the minimum wage, and he was saying you can't work full time and make—I forgot the number he said, it was $30,000 or $40,000. I remember thinking to myself, gosh, where I am from, if you are making $50,000, $60,000, $70,000 a year, you are struggling to make ends meet.

And I think what we have to be careful with regards to setting a minimum wage, in that different regions of our country, if you are going to be responsible when you hire that person to be able to take care of all their bills in an entry-level position maybe that job won't be available to them at all.

During the break, while Ms. Porter was speaking, I took a couple of minutes to look through some of the benefits of working at JPMorgan, and I was looking at health insurance, dental, vision, 401Ks, and life insurance.

There were childcare benefits, there were pre-tax benefits to take care of expenses and the list goes on. And I think it is unfair to come here and to be grilled like that when you are the only one in her hometown providing an opportunity to that woman.

One last quick piece about overdraft fees, it is worth noting, that if you don't have overdraft fees, what is going to stop people from over drafting their account? Just saying. I understand the concern that is out there with regards to overdraft fees, but it is also very important to note that if there are no fees at all, people are just going to take as much money without penalty out of their accounts.

But I thank you all for being here and helping my constituents achieve the American Dream. I yield back.

Chairwoman WATERS. The gentleman from Colorado, Mr. Perlmutter, is recognized for 5 minutes.

Mr. PERLMUTTER. Gentlemen, thank you for being here. I promise never to be late to a committee meeting again because you are put at the end of the line. Anyway, thank you for your stamina, and thank you for your testimony today.

And I want to pick up where Ms. Ocasio-Cortez left off, with you, Mr. Corbat. And I will start with you, Mr. Dimon, because you and I have had this conversation a little bit about capital. And I agree with your analogy when you talked about—you know, when you got the money, repair the roof. And I am going to say, when you got the money, build the capital.

So I do want to give you a chance to talk to me about capital. But I am going to be a hard sell, because I have been through the REITs, I have been through the savings and loans. I have been through the oil and gas banks failing, and I have been through what we went through in 2008. And Mr. Foster described it perfectly, what we were contending with and what you were contending with.

So talk to me about capital for a second and then I have some questions about cryptocurrencies, gap insurance, and maybe marijuana and banking.

Mr. DIMON. As mentioned, there are many capital measures now. So we are constrained by this whole set. But you have to understand that CCAR, which constrains a lot of the banks, has a capital buffer in it. That is what the stress test is. It shows how much capital you retain after that stress.

And I have mentioned that in the system, today, all those stress tests would—I think would cost a hundred billion dollars. It would never happen that way. It would never cost like that.

But the system has almost—well over a trillion dollars of capital, $2 trillion of capital. And so there is a lot of capital and we double and triple count it. That is all it is. No one is against the concept—

Mr. PERLMUTTER. I think all of us would be willing to sit down and talk to you about where you think it is double or triple counted. But, again, as kind of a Depression baby, I am going to be a very hard sell to chip away at that capital in these good times.

Because we know if we have another cycle, we are going to have bad times and it is going to get gobbled up if you continue to do the business you have been doing, in extending loans and things like that. So we know that.

I do want to talk about 10 years after. And Mr. Solomon, I feel bad. You always are sort of left out, you guys at the end of the table. You know, we did TARP as kind of an emergency—

Mr. DIMON. We want Lloyd back.

Mr. PERLMUTTER. Okay. We did TARP as kind of an emergency measure. We did the Recovery Act on March 9th, and there is a whole story behind that, 2009, the stock market turned. And then we did Dodd-Frank.

Now, my question to you—if Mr. Casten would move—it is his—you come late, you get in trouble here. My question to you with respect to Dodd-Frank is, would you say that the system, the overall system—and Goldman Sachs became part of this system during that period of time—is safer and more sound than it was before 2008?

Mr. SOLOMON. Yes. I agree that the system is safer and is more safe and more sound than it was in 2008 and Dodd-Frank has made a meaningful contribution to that.

Mr. PERLMUTTER. Mr. Scharf?

Mr. SCHARF. Yes. Absolutely.

Mr. PERLMUTTER. Mr. O'Hanley?

Mr. O'HANLEY. Yes. It is safer and sounder.

Mr. PERLMUTTER. Mr. Moynihan? And you and I can have a conversation about capital some other time. But yes? Unless you want to jump in now.

Mr. MOYNIHAN. The system is more safe and more sound. And the key point that you pointed out is, everybody at this table is in it. And in 2007, everybody at this table was not in it, right? That was one of the major problems we faced.

Mr. PERLMUTTER. Mr. Gorman?

Mr. GORMAN. Yes. It is dramatically safer and sounder.

Mr. PERLMUTTER. Mr. Dimon?

Mr. DIMON. It is not even close. It is multiples.

Mr. PERLMUTTER. Mr. Corbat?

Mr. CORBAT. Without a doubt.

Mr. PERLMUTTER. One thing—and Mr. Dimon, when you and I—and I met with several of you over the last few weeks. And hopefully, this isn't proprietary information, or I will just ask it and you can say it.

But how much money actually is processed and intermediated through Chase on a daily basis? Worldwide.

Mr. DIMON. About $8 trillion.

Mr. PERLMUTTER. And Mr. Corbat?

Mr. CORBAT. Probably somewhere about $4 trillion.

Mr. PERLMUTTER. Mr. Gorman, you are not really in quite the intermediation business.

Mr. GORMAN. We are not in that business.

Mr. PERLMUTTER. Mr. Moynihan?

Mr. MOYNIHAN. I think it is around $3 trillion or $4 trillion.

Mr. PERLMUTTER. Mr. O'Hanley?

Mr. O'HANLEY. In the administration business, about a trillion a day.

Mr. PERLMUTTER. Mr. Scharf?

Mr. SCHARF. I think it is about a trillion and a half.

Mr. PERLMUTTER. Mr. Solomon?

Mr. SOLOMON. We are not really in that business.

Mr. PERLMUTTER. I just want to thank you all for your stamina today, for being here. Obviously, we went through some very difficult times. We don't want to go through them again. But I appreciate your testimony today.

And I yield back.

Chairwoman WATERS. Thank you.

The gentlewoman from North Carolina, Ms. Adams, is recognized for 5 minutes.

Ms. ADAMS. Thank you, Madam Chairwoman.

And thank you, gentlemen, for being here and for your patience. I want to note, for example, yesterday, I noticed that Bank of America had plans to raise the minimum wage to $20. I think that is a great step in helping Americans earn a living wage.

And, Mr. Moynihan, I applaud you, and I hope your other colleagues here will follow suit on that.

But there is still a lot more that we need to do. Mr. Dimon noted that, "America should and can afford to provide a proper safety net to our elderly, our sick, and our poor." And when I think about the 12th District in Charlotte, in North Carolina, that I represent, we are really having some serious issues in terms of the affordable housing crisis. I am sure you are aware of that.

Now, someone mentioned earlier that Microsoft had pledged to invest $500 million in workforce housing in Seattle. And, I do support efforts to grow and expand. But I want to know specifically what the bank is doing to address the displacement of longstanding residents and what you are doing, what the bank is doing to address the housing crisis in Charlotte.

Mr. MOYNIHAN. Sure. If you—globally, we did $4.7 billion last year and we will do a bigger amount in low- and moderate-income housing. We have also created a catalytic fund to help drive housing. Charlotte is one of the first deployments of that.

So it wasn't just us. I run the CEOC, as you may be aware, of the CEO group in Charlotte. I am honored to be Chair of it. And we had—three of us announced $70 million of equity-level money, which ought to be multiplied by tens for $700 million. It is the first major investment. Our portion of that was $20-odd million.

Since that, a couple of other bank colleagues have put in another, I think, $30 million to $35 million. So we are building a fund. We have brought expertise, a thing called LISC to Charlotte, and underwrote—Wells Fargo and ourselves paid all the costs of that.

That group is helping do the kind of financing structures they are experts at and was a team led by our team and teams in the city we are trying to drive. And we believe that we can make a meaningful impact in the near term.

Ms. ADAMS. Okay. We can have some further discussions about that.

Let me ask—many of you have praised the Trump tax cuts. And I am curious about the percentage of the tax benefit savings that your bank spent on affordable housing. And if everyone can just—we will just go down the row, and if you can give me an amount?

Mr. CORBAT. At Citi, we financed $6 billion of affordable housing, 36,000 units, and from 2017 to 2018, that was a 20 percent increase.

Ms. ADAMS. Mr. Dimon?

Mr. DIMON. I think the number of affordable housing—direct affordable housing is something like $2.5 billion. And obviously, we finance a lot of other housing and mortgages.

Ms. ADAMS. Mr. Gorman?

Mr. GORMAN. We aren't really in the housing business, per se. But through our CRA activities, we invest in multipurpose—

Ms. ADAMS. All right. Mr. Moynihan, I am going to skip you, since you have already answered that question.

Mr. O'HANLEY. We are not in that business, either, but through our CRA activities over the last 2 years, we have put $280 million in affordable housing.

Ms. ADAMS. All right. The last two gentlemen?

Mr. SCHARF. We are also not in that business, but through our CRA activities, I believe, over the past couple of years, we have financed probably $300 million.

Ms. ADAMS. Okay. Yes, sir?

Mr. SOLOMON. We are also not in that business, but through our CRA activities and our urban investment group, we have invested multiple billions of dollars into affordable housing.

Ms. ADAMS. Let me move on and ask a question about our HBCUs, our historically black colleges and universities, and the fact that we know that these schools pay a higher underwriting fee to issue tax-exempt bonds, compared to non-HBCUs. My question to each of you is, have your banks underwritten HBCU bonds? Yes or no?

Mr. CORBAT. I am not certain.

Ms. ADAMS. Mr. Dimon?

Mr. DIMON. I am not certain, but we do hire a lot of people from Howard and some other HBCUs.

Ms. ADAMS. Yes, sir?

Mr. GORMAN. Exactly the same response.

Mr. MOYNIHAN. I am not certain, but I agree. We hire a lot and we do a lot of business with them, so we will get the information to you.

Mr. O'HANLEY. We are not in that business, though we do hire from the HBCUs.

Mr. SCHARF. We are not in that business.

Ms. ADAMS. Well, I just want to suggest that will be a good business to get into, particularly if you are interested in diversity and inclusion. That is where the talent is; that is where the diversity is. And we really want to make some contributions and some commitments to these schools.

I am just about out of time, so Madam Chairwoman, I am going to yield back.

Chairwoman WATERS. Thank you very much. I have a unanimous request for closing. I would like to make a unanimous request for 5 minutes for closing, both for myself and for you, too, if you desire, Mr. McHenry.

Mr. MCHENRY. Yes. I would agree.

Chairwoman WATERS. Thank you very much. Allow me to take a moment to thank all of our witnesses who have persevered today over these long hours to hear from the Members of Congress. If you can recall, it was maybe 10 years ago when you appeared that I dubbed you the captains of the universe. And so I want you to understand that we understand that you have a lot of power and you have a lot of influence.

And you have historically have been able to wield that influence here in the Congress of the United States, and you have been trusted. And many of our Members never even question when you come with a request for some type of deregulation. And things are changing, things are changing a lot.

You did well with deregulation in the last Congress. And so, what I have said to many of you who have come into the office is, please do not overwhelm us with requests for deregulation that you really don't need. And please don't go around us to our agencies, having them deal with putting forth initiatives for a deregulation.

I hear what you are saying. You talked about the need for harmonization. I know there are some discussions about reducing the capital requirement, a lot of concerns about Volcker, and stress testing, and on and on and on. But I also heard that Dodd-Frank had not created any really serious problems in terms of your bottom line.

Your bottom line has been mentioned a lot today, in relationship to the tax break and some other kinds of business that many of you have been involved in.

I also was happy to hear today that there was an admission that some lines of business that you have perhaps you do not need to have. And with the reduction of some lines of business, it has made management of big, big banks maybe a little bit easier.

And so, having said all of that, we are worried, of course, about redlining that is creeping back in, that has been identified. We are still concerned about servicing. Whether it is in-house or whether or not you are contracting, we still feel that there needs to be more training, that you may need to develop fraud divisions, that many of our seniors who were victims of fraud during the meltdown were not dealt with by the banks because we have not seen any real efforts by the bank to deal with fraud, where people call and they are trying to get a loan modification and they say to you, I did not sign that. That was forged. Well, nobody was able to take care of that for them.

And so, you have your concerns. We have our concerns. We have talked today about making sure that there is diversity and inclusion. And you have been asked to submit your plans or your description of what you do on this issue and who that person or persons report to, on and on and on. And so, we have had a good exchange today.

I hope that you feel that we have been tough on you, because we have. And I started out this hearing with the amount of fines that have been levied on you. We would like to see that absolutely eliminated, reduced, because every time there is a fine, it means that you have broken a law, you have done something that you should not have done, somebody has been harmed.

And so, having said all of that, I am going to ask you, in all that you do, to think about all of that student debt. I know that you sold the debt and you are not involved with student loans anymore, but we have a whole population of millennials who are out there, who are still the victims of the debt that was incurred because they were trying to get an education.

I am asking you if you can come up with a creative product of some kind to deal with this population of millennials who can't buy a home, who can't get married, who can't buy an automobile, who don't have insurance, and on and on and on.

I think you, the captains of the universe, are smart enough, creative enough, and understand this business enough, despite the fact you have sold off that debt—it is not your responsibility—to see what you can do about these citizens, these young people whose lives will not be—well, the potential will never be realized unless they can get out from under this debt.

I don't know what it is. I don't know how you are going to do it, but I would like you to think about it. And next year, when you come, I hope that you can give us some answers. And I promise you, next year, when you come, I will not have all of you come at one time. I am going to divide it up because it has been long for all of you and for all of us. And I think we can do better with the timing.

With that, I yield to Mr. McHenry.

Mr. MCHENRY. Well, I thank you and I appreciate the opportunity to close off what has been a rather lengthy day. Thank you all for testifying.

The only thing that unites you as a panel is the fact that you are G-SIBs, you are large financial institutions. Three of you compete directly as sort of, really, a full bank in the regard that the American people would think, two of you are legacy broker-dealers, two of you simply are custodial banks and are very important, but little understood by the American public institution.

So there isn't really a unifier other than size. Now, this question of size I think is something that is important. As a result of Dodd-

Frank 10 years ago, we have doubled the number of regulatory filings by financial regulators.

Each one of you have grown your regulatory footprint of employees, of technology, of expense to comply with those regulators, massively. If you didn't, well, you would probably have your own separate special hearing because you failed to comply with regulations. You haven't; you are here as a group. You are complying, there is a massive expense to your shareholders, and thereby the American public, and thereby the American economy for those regulations.

Dodd-Frank was passed by a Democrat House, Democrat Senate, and signed by a Democrat President. I am not going to re-litigate that. That is done.

Nine years later, we were able to have the first fundamental change in Dodd-Frank, Senate Bill 2155. Nine years later. Now in the 1930s, the same Congress created the first Securities Act and the Securities Exchange Act. The same Congress didn't think they got it right, came back a year later, and did it better. It took us 9 years to have modest changes to Dodd-Frank.

That is not deregulation. That is not massive deregulation. It is looking dumb regulation, ineffective regulation, and saying, perhaps we didn't get it right with the first draft. S.2155 passed the Senate with 67 votes. It was a bipartisan vote in the Senate, and here in the House with 33 Democrats voting with both Republicans, a bipartisan vote here in the House.

Bipartisanship fixed what are the most egregious parts of Dodd-Frank. That is not deregulation. And in fact, your institutions weren't here begging for deregulation. You were here presenting facts on stuff that was misunderstood, drafting errors in the legislation, inappropriate regulations that cost way too much and didn't actually have the impact.

So I think that is something to be noted. As I raised, the systemic risk questions are still very real for us. Thank you all as a panel of experts for answering those questions of import to the global economy, but most especially to our American economy.

The question of student lending—let me just address this. As a group of institutions, many of you were in the student lending business before that business line was nationalized. And when the government takes over a whole line of business and prices it in a way that the private sector is not pricing it, it has an impact.

So you can see this with student lending, you can also see this with Fannie Mae and Freddie Mac and the GSEs. You are not in that business because you can't compete with a government monopoly. You are not in the student loan business because you cannot compete with a government monopoly.

Which comes back to the larger issue that we are having politically. And you all have to live within this debate, and the American people have to live within this debate, and that is a fundamental debate about the nature of our markets and the nature of how we allocate capital in the United States of America. We don't get it perfectly right but we get it mostly right.

And now we have a whole group of folks saying the market does not work. The allocation of capital does not work. Free markets don't work. Capitalism does not work. And therefore we need to nationalize other pieces of the economy. I think it is wrongheaded. I think we need to make sure that you are allocating capital in the appropriate risk setting and that is what we should do.

That is what we have done legislatively, and that is also what we have done in terms of regulation. That is why we have the regulatory footprint that we do have. So thank you for your willingness to testify. I appreciate the role that you play in our economy and the role you ensure that Americans play internationally in the global economy.

And I thank Chairwoman Waters for the nature of how this hearing went. We have disagreements. Those disagreements should be about policy, they should be about substance, and that is the type of hearing that you chaired today, and I think that is important and good for Congress, even amidst the sort of circus-like atmosphere in which we have to legislate and operate.

So thank you, Chairwoman Waters, and I yield back.

Chairwoman WATERS. I would like to thank Ranking Member Mr. McHenry for those comments, and I would like to thank our witnesses for their testimony today.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

I ask the witnesses to please respond as promptly as you are able to.

With that, thank you. And this hearing is adjourned.

[Whereupon, at 3:39 p.m., the hearing was adjourned.]

A P P E N D I X

April 10, 2019

HEARING BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES

April 10, 2019

Testimony of Michael L. Corbat,
Chief Executive Officer, Citigroup

Chairwoman Waters, Ranking Member McHenry, and Members of the Committee, I would like to thank you for this opportunity to represent Citi here today. I am Michael Corbat and since 2012, I have been the Chief Executive Officer of Citi.

As it was for many Americans and institutions, the crisis was a searing experience for our firm. We were fortunate to receive assistance from the U.S. taxpayers and equally fortunate to be able to repay those debts with a significant return to the taxpayer. The experience also made it a mission for us never to be in that position again.

Since the crisis, Citi has become a smaller, safer, stronger and far less complex company. We have transformed our institution, not just in terms of capital, balance sheet, or earnings, but also in terms of our controls, which include risk management, audit, and compliance.

We have gone back to our roots as a bank. We are no longer the financial supermarket of the past. We have simplified our structure by shedding over 70 businesses and divesting over $800 billion of non-core assets. While our total assets of $1.9 trillion as of year-end 2018 have declined from a peak of nearly $2.4 trillion in 2007, we have more than doubled our regulatory capital since the crisis. Our assets today are also significantly more liquid than they were in the years leading up to the crisis. Nearly 30 percent of our total assets – more than $550 billion – are currently held in cash or very liquid investments. That percentage of liquid assets is more than twice the amount Citi held in 2007.

Citi's mission is to serve as a trusted partner to our clients by responsibly providing financial services that enable growth and economic progress. Our core activities are safeguarding assets, lending money, making payments and accessing the capital markets on behalf of our clients. Founded in 1812, we have 200 years of experience helping our clients meet the world's toughest challenges and embrace its greatest opportunities.

Today, we operate two primary lines of business: our consumer bank and our institutional clients group. Our global consumer bank serves more than 110 million clients in 19 markets, with a focus on the U.S., Mexico and Asia. We are the largest credit card issuer globally. Our largest consumer franchise is in the U.S., where we operate 689 retail branches concentrated in the six metropolitan areas of New York, Washington, D.C., Miami, Chicago, San Francisco and Los Angeles. Our Commercial Bank serves many mid-sized American companies, including numerous firms looking to expand overseas. While we are headquarted in New York, we have large operations centers, which support our customers located around the country, in Arizona, Florida, Idaho, Kentucky, Missouri, South Dakota and Texas among other states.

Our Institutional Clients Group serves multi-national companies, emerging market leaders, governments, investors and high-net worth individuals that rely on our unique global network to provide their banking needs. We serve clients across more than 160 markets and jurisdictions, and have a physical presence in nearly 100 of them. The Institutional Clients Group provides a full range of wholesale banking products and services, including fixed income and equity sales and trading, foreign exchange, prime brokerage, derivative services, equity and fixed income research, corporate lending, investment banking and advisory services, private banking, cash management, trade finance and securities services. ICG transacts with clients in both cash instruments and derivatives, including fixed income, foreign currency, and equity and commodity products. We also have two custody businesses: Direct Custody and Clearing and Global Custody.

The U.S. economy needs banks of all sizes, scaled to support a full range of businesses and households. As the most global of the banks here today, Citi is rightly-scaled to serve clients wherever they do business. Our global network and footprint provides U.S. multinational businesses with an American institution that helps them compete in a rapidly changing world without having to rely on a mix of foreign banks.

We recognize that rebuilding trust is harder than rebuilding your balance sheet. Coming out of the crisis, we faced a number of legacy issues and also identified other areas where our conduct fell short of our standards. As a result, we decided that it was not enough to change our structure. We needed to and did invest in our culture, and have made ethics a foundational part of our firm.

Since becoming CEO, I have made ethics and culture a top priority as we worked to rebuild trust with our customers and the country. We have made extensive and sustained efforts to ensure our people know what our mission is and the types of behavior that have no place at Citi. We strictly enforce our code of conduct and expect that our employees escalate issues they encounter. Moreover, in 2014, our Board of Directors was the first to establish an Ethics & Culture Committee.

Creating a strong culture of compliance does not mean we will never make another mistake. What it does mean is that we have a governance structure in place that helps us identify mistakes and misbehavior, learn from them and hold ourselves accountable for whatever actions preceded those episodes. Over the last decade, we have worked hard to improve both our culture and controls, as we resolved issues arising out of the financial crisis, such as a variety of regulatory matters and Consent Orders related to mortgage practices. Although we have made significant strides since the financial crisis, we recognize that we have more work to do. For example, as the firm was working to recover from the financial crisis, we learned that employees had engaged in misconduct in connection with foreign exchange trading. We settled a number of government investigations arising from this conduct and took remedial action to significantly tighten controls. During this period, we have also been working to resolve issues identified in Consent Orders related to our BSA/AML program. These experiences reinforced the need to continue to examine our practices and procedures, which includes implementing and promoting firm-wide controls and establishing clear escalation processes that enable senior managers to quickly understand emerging issues. We have had success in this effort. Over the last several years we can point to multiple instances in which we self-identified problems and escalated them, both within the firm and to our regulators. For example, we self-identified both the relationship pricing and APR issues that resulted in recent Consent Orders. With respect to the relationship pricing matter, in 2014, Citibank self-identified that we, unintentionally, did not give certain customers the appropriate pricing benefits in connection with mortgage loans. This error impacted approximately 24,000 customers whom have largely been made whole. With respect to APR, in late 2016 during an internal review of our processes, we determined that we had made an error in the APR calculation methodology that resulted in some Citi Cards customers not being charged the correct interest rate. In total, this error impacted approximately 1.75 million accounts, and we are close to completing our remediation efforts to make these customers whole.

Building a truly diverse and inclusive culture is an important and critical goal for Citi. We know that we have work to do but are laying the groundwork for real progress. Today our 15-person Board of Directors includes five women and two minorities, and my direct reports include five women and three minorities. Because I believe that the best way to achieve results is to measure them, we have set goals for female and minority representation in the company, reinforcing our commitment to make meaningful progress in our mission to be more representative of the communities Citi serves. In keeping with that commitment to diversity and inclusion, we were the first financial services firm to voluntarily disclose our adjusted pay gap between women and men in the U.S., U.K. and Germany and between minorities and non-minorities in the U.S. In the course of that review we found that women globally are paid on average 99 percent of what men are paid at Citi for the same job function, and at the same level and geography. As a result, we made pay adjustments as part of the compensation cycle.

This year, we went even further and were the first bank to disclose our unadjusted median pay gap. That is the simple difference between median pay for all female employees, compared to median pay for all male employees, at Citi. We found that the median pay for females globally is 71 percent of the median for men, and the median pay for U.S. minorities is 93 percent of the median for non-minorities. These numbers underscore the importance of achieving the representation goals we have set for more females and U.S. minorities to hold senior and higher-paying roles at our company.

Since 1977, Citi has had a Supplier Diversity Program focused on ensuring that Citi's supplier base mirrors our customer and employee base and adheres to established industry standards in identifying diverse suppliers. The program works to select suppliers on merit, based on established Citi criteria, and to include ethnic minorities, women, individuals with disabilities, LGBTQ and veteran suppliers. The program incorporates supply chain standards and specific objectives to support Citi's corporate sustainability program. The program also has a specific goal of spending $100 million on women-owned businesses, with a special emphasis on supporting women who work in developing economies. The program works with a wide range of diverse businesses and continues to create shareholder value. Expanding the program globally ensures that we maintain a comprehensive approach to supply chain development and commitment to advancing diversity and inclusion in the communities where we live and work. In addition, in 2018, 84 percent of Citi's own debt securities issued in the United States encompassed underwriting syndicates that included women, veteran and minority owned firms as co-managers.

One overarching lesson I believe we have learned since the crisis is that to fulfill our promise and potential, we must demonstrate that we provide not just economic value to our clients and customers but also societal value to the communities we serve.

Last year, we provided almost $12 billion in small business lending across various products. We also work with government agencies at the national, state and local levels to finance sustainable infrastructure, including housing, transportation, schools and other vital civic projects. In 2018 alone, our Public Finance Department catalyzed the investment of more than $26 billion in U.S. infrastructure capital projects, including bridges, hospitals, airports, water, and public power, on behalf of a wide range of municipal and nonprofit clients. We often take on these projects when smaller financial firms do not have the resources to tackle these complex challenges. Recent projects include financing the new MLK Hospital in South Central Los Angeles and helping the City of Detroit rebuild its street lighting grid.

We are especially proud of our role as the country's leading affordable housing financier, a title we have held for nine straight years. In 2018 alone, we provided $6 billion in financing for more than 36,000 affordable housing units. We have financed the renovation of the New England Home for Veterans in Boston. And we have helped restore the Ocean Bay Apartments in Far Rockaway New York, a public housing complex that was severely damaged by Superstorm Sandy. These are just a few of the many transactions we have conducted that strengthen the communities we serve.

Making progress on sustainability is one of our flagship business efforts, of which the primary focus is an Environmental Finance goal with a ten-year target to finance and facilitate $100 billion in environmental solutions and activities. To date, we have financed and facilitated over $95 billion worth of transactions and are on track to reach our target several years ahead of schedule. We also have a goal to obtain 100 percent of our own global energy needs through renewable sources by 2020.

We are acutely aware of the challenges faced by the approximately 25 percent of "unbanked" U.S. households, who have no savings or checking accounts, and "underbanked" households who may have an account but also rely on products or services outside the banking system. Citi has long played a leadership role in promoting financial inclusion, and we have a specialist team dedicated to developing solutions that enable the bank, our clients and nonprofit partners to expand access to financial services and advance economic progress in underserved and low-income communities.

In 2014, Citi launched the Access Account, a checkless product with low or avoidable monthly charges and no overdraft fees. Representing 23 percent of all new accounts, it is one of our consumer franchise's fastest-growing products, and is just one example of the viable solutions we are building to serve often-overlooked portions of the U.S. market, including lower-income households, individuals, enterprises and communities. We also established the Citi® ATM Community Network, a program that provides more than 440,000 customers of 25 participating minority-owned banks, community banks, and local community development credit unions with fee-waived access to Citibank branch ATMs in the United States. The program has extended the reach of some participating financial institutions from fewer than 20 to 2,400 ATMs where customers can withdraw cash without a fee.

We led a national effort to create safe, FDIC-insured products and platforms that provide financial access to young people and their families to save for post-secondary education. These products allow participants to save without jeopardizing their current or potential eligibility for public assistance. Since its launch in 2011, the City of San Francisco has opened over 40,000 savings accounts for students to save for post-high school learning under the auspices of the Kindergarten to College Program, the first universal, publicly funded, youth savings account program in the U.S.

In 2014, we launched our largest philanthropic program, Pathways to Progress, and have since committed $100 million to help more than 200,000 low-income young people across the U.S. become career-ready through first jobs, internships, and leadership and entrepreneurship training. We are also engaging at least 10,000 Citi colleagues as volunteers in this effort, serving as mentors, coaches, and role models to young people in support of their career progress and aspirations.

In light of the many challenges facing older Americans in our changing economy, last year we launched a $10 million program in partnership with the Local Initiatives Support Corporation to help hard-working Americans connect to good job opportunities through career development and financial counselling.

I thank you for the opportunity to discuss the progress we have made since the crisis, as well as our efforts to support the communities where we do business.

ADDENDUM

1) Additional information about Citi's Citizenship programs can be found at: https://blog.citigroup.com/2019/04/citizenship-at-citi
2) Information about Citi's compensation policies is in our 2019 Proxy Statement at pages 70-109: https://www.citigroup.com/citi/investor/data/q1804c.pdf
3) Information about Citi's approach to cybersecurity risk is included in our Annual Report at pages 52-53 and 104-05: https://www.citigroup.com/citi/investor/quarterly/2019/annual-report/
4) Information on how we safeguard consumer data is in Citi's Citizenship Report: https://www.citibank.com/icg/sa/flippingbook/2018/Global-Citizenship-Report-2017/32/
5) With respect to arbitration clauses, our consumer contracts allow for an opt-out of arbitration while our employee contracts currently do not.
6) For more information on supplier diversity: https://www.citigroup.com/citi/suppliers/supplier-diversity-program.htm

House Financial Services Committee

Written Statement of Jamie Dimon

Chairman and Chief Executive Officer

JPMorgan Chase & Co.

April 8, 2019

Chairwoman Waters, Ranking Member McHenry and distinguished members of the Committee. I appreciate the invitation to appear before you this morning to talk about the state of the banking industry and I look forward to discussing the strength and resiliency of the U.S. financial system. In my prepared remarks, I will outline how JPMorgan Chase contributes to a healthy American economy and promotes inclusive growth and stability in the communities where we do business by serving the needs and interests of our country, employees, clients and customers. I will also discuss the increasingly important role business must play to solve the biggest economic and societal challenges facing our country. While we must never lose sight of the lessons learned from the crisis, we can draw from them while moving forward to focus on how we can work together in partnership to create more opportunity for all Americans.

When bank CEOs appeared before this Committee in February of 2009, the nation was still in the process of reacting to the depths of the crisis, we were still taking stock of the impact and had only begun to contemplate legislative and business changes that needed to be made. Ten years later, this experience continues to shape the perception of the U.S. economy and has had broader implications around American's faith in our institutions and the values that underpin our democratic system. Through regulatory reform efforts, we have fundamentally improved the safety and soundness of our financial system, substantially raised capital and liquidity requirements at our largest institutions and established a credible resolution planning process to ensure that taxpayers will no longer be on the hook in the event of failure. Chase has strategically expanded our business and philanthropic initiatives to make a meaningful impact at the local level, including helping Detroit's turn around. We've also raised wages and expanded benefits for 22,000 full-and part-time hourly U.S. branch and customer service employees twice in the last two years. Throughout this period, we have actively sought to expand the spectrum of clients and customers that we serve, leveraging our size and scale to bring all that our firm has to offer – including financial education and digital offerings – to bring banking services to more Americans.

Despite these and many other meaningful steps, confidence in U.S. financial services and the American economy remains uncertain. JPMorgan currently has assets of $2.6 trillion and operations worldwide. We serve millions of customers, small and medium business across the United States, and many of the world's corporate, institutions and government clients under our J.P. Morgan and Chase brands. Last year, we announced plans to open up to 400 new retail branches and hire as many as 3,000 employees in new U.S. markets over the next five years. This expansion is part of a $20 billion investment in our business and local economic growth. We are committed to serving all communities, including those with low- to moderate- income households, with these new branches. We've opened 12 branches in the Greater Washington region, Philadelphia and the Delaware Valley, and Boston – and will continue to grow in these regions. We plan to add retail branches in nine more U.S. markets this year, opening as many as 90 new branches and hiring 700 employees, offering more customers access to our retail and business banking services and providing jobs to these communities. Approximately 30 percent of these branches will be located in low and moderate income areas. A current list of branches and their locations can be found on the Federal Deposit Insurance Corporation's Institution Directory. In our Investment Bank, the firm works with a broad range of issuer clients, including corporations, institutions and governments, and provides comprehensive strategic advice, capital raising and risk management expertise. J.P. Morgan's Capital Markets groups, in partnership with the industry coverage and M&A groups, enable us to serve our clients holistically. We offer a wide range of services, from origination to structuring, executing and syndicating financing for clients globally. Every day, we understand our responsibility to earn the trust and confidence of our clients and customers and the communities we serve– it is essential to how we run a healthy and vibrant company and remain best positioned to reinvest in our communities over the long term.

There is no doubt that the strength, stability and resiliency of the financial system has been fundamentally improved over the course of the last ten years. Post-crisis reforms have made banks much safer and sounder in three important areas: capital, liquidity and resolution and recovery. Large banks have almost doubled their highest-quality capital to protect against losses. Large banks have tripled their liquid assets to protect against unexpected deposit and other outflows. They have significantly reduced their systemic risk by shrinking and reducing their complexity and interconnectedness. Additional legal authority and resolution planning have created a credible framework for unwinding a large bank to minimize disruption to the financial system and protecting the taxpayer while imposing accountability on those at fault. The Federal Reserve's stress test processes add another layer of protection. Under the Fed's most extreme recent stress testing scenario, large banks have enough capital to withstand projected losses from the most severe stress tests 9 times over. JPMorgan Chase alone has enough tangible common equity to cover the projected losses of the 34 largest participating stress test institutions.

Over the last 10 years, cybersecurity has become one of the most significant risks facing the bank, the financial sector, and the country as a whole. We have invested significant resources to effectively manage cyber risks and mitigate potential impacts to the firm, our clients and customers, and the financial sector. We spend significant time and effort trying to protect our company in different ways as part of the ordinary course of running the business. But the financial system is interconnected, and adversaries are smart and relentless – so we must continue to be vigilant.

We have helped to create – and continue to support – partnership efforts to advance industry best practices, operational collaboration with other firms and the U.S. government, and new technologies to address emerging threats. While the industry (plus many other industries), along with the full power of the federal government, is increasingly being mobilized to combat this threat, we encourage expanded action by Congress and the executive branch to support key efforts to continue to drive down cyber risk to the financial sector and other critical industries.

We have spoken frequently in the past about the importance of safeguarding the privacy of our customers. We already do this extensively, and, in fact, we are inventing new products to make it easier for our customers to understand where we send their data (with their permission), as well as how to change or restrict what we do with that data.

New laws in Europe stipulate that consumers should be able to see what data companies have on file about them and to correct or delete this information if they choose. These are the right principles and we need to partner with the government to ensure that the critical infrastructure of the U.S. is protected. It is imperative that the U.S. government thoughtfully design policies to protect its consumers and that these policies be national versus state-specific. Different state laws around privacy rules would create a virtually impossible legal, compliance and regulatory-monitoring situation. We remain devoted and diligent to protect privacy and stay cyber safe — we will do what it takes.

Critical to the vibrancy and success of our company are our 256,000 employees. As I mentioned in my introduction, we have been raising wages for our 22,000 employees at the lower end of the pay range. For those earning between $12 and $16.50 an hour in the United States, we have been increasing hourly wages to between $15 and $18, depending on the local cost of living. For employees making $40,000 a year or less in the United States, our average pay increases are around $4,800. This is the right thing to do, and we now offer well above the average hourly wage for most markets. These jobs are often the first rung on the ladder, and many of these employees soon move on to higher paying positions. These increases are on top of the firm's comprehensive benefits package, with an average value of $12,000 for employees in the lower wage tier.

Our company's compensation philosophy promotes an equitable and well-governed approach to compensation, including pay practices that attract and retain top talent, are responsive to and aligned with shareholders, and encourage a shared success culture in support of our business principles. An important part of this is pay equity; at JPMorgan women earn 99 percent of the compensation received by men when looking at equal pay for equal work. CEO pay is strongly aligned to the company's short-, medium- and long-term performance. Our executive compensation program is designed to hold executives accountable, when appropriate, for meaningful actions or issues that negatively impact business performance in current or future years. We comply with SEC rules and disclose our CEO Pay Ratio annually in our Proxy Statement. We issued our most recent Proxy Statement on April 5th, 2019.

We are committed to creating an inclusive organization and understand that with diversity comes strength. 48% of our firm's population is ethnically diverse in the United States and women represent 50% of our employees and make up 50% of the Operating Committee members that report to me. 30% of our firm's senior leadership globally are women and run major businesses – several units on their own would be among Fortune 1000 companies. In 2016, we introduced Advancing Black Leaders, an expanded diversity strategy focused on increased hiring, retention and development of talent form within the black community. Since 2016, our company has increased the number of black managing directors by 41% and black executive directors by 53%. A good start – but just the beginning. Last month, JPMorgan unveiled our Advancing Black Pathways initiative and announced the expansion of our Entrepreneurs of Color Fund model to Greater Washington, D.C., to provide capital and business training to the region's underserved entrepreneurs. Advancing Black Pathways will first focus on the U.S., where many black Americans lack access to necessary resources to grow their careers, strengthen their education and job training, and build wealth.

To encourage diversity and inclusion in the workplace, we have 10 Business Resource Groups (BRG) across the company to connect approximately 100,000 participating employees around common interests, as well as foster networking and camaraderie. Groups are defined by shared affinities, including race and cultural heritage, generation, gender, sexual orientation, disability and military status.

For example, some of our largest BRGs are Adelante for Hispanic and Latino employees, Access Ability for employees who have a disability, AsPIRE for Asian and Pacific Islander employees, NextGen for early career professionals, PRIDE for our LGBT+ employees, BOLD for black employees and Women on the Move, our largest group, which has more than 30,000 members globally.

We will never be satisfied or rest on our success in promoting gender and ethnic diversity and are continually examining innovative ways that we can attract talent with a range of backgrounds, experience and perspectives. We know that different perspectives bring creativity to our work and lead to the best solutions. Diversity is an area where the business community can and should do more to promote representation at the executive and board level. We welcome this Committee's interest in the issue and stand ready to work with you.

Before closing with a discussion of our company's work in promoting inclusive growth and opportunity, I'd like to address two points from the Committee's April 1st letter. JPMorgan Chase utilizes contractual arbitration clauses in certain consumer banking and deposit account agreements and auto finance contracts. Among other provisions, Chase's consumer-oriented DAA allows customers to opt out of the arbitration clause; provides that customers have the right to go to small claims courts instead of arbitration; establishes a customer's right to appeal an arbitration award; and commits JPMorgan Chase to reimburse up to $500 for any initial filings fees paid by a customer and to pay the expenses for at least a two-day hearing near the customer's address of record. We were also asked by the Committee to provide information around enforcement actions. I have attached an addendum to this testimony on enforcement proceedings from our SEC filings.

I will end my remarks by talking about Chase's focus on our communities and how we are working to ensure that Americans from every background and circumstance has a true opportunity to succeed. At the local level, in places like Detroit, Chicago, Washington, D.C., South Bronx and Los Angeles, we have sat down in the same room with labor unions, the private sector and government to identify ways to meaningfully address issues such as skills, investment and how we can harness our collective resources to help the people in these communities. For example, JPMorgan Chase's current five-year $150 million investment in Detroit was generated by a meeting between myself and Lee Saunders, a leader of the labor movement in the United States. Mayor Duggan of Detroit has been a fantastic and collaborative leader – and it has truly been a nonpartisan effort. Through seeking common ground on differences and collaborating on solutions, we have developed an investment model to help more people move up the economic ladder and share in the rewards of a growing economy. Over 1,800 small businesses are now receiving technical assistance, creating or maintaining over 700 small business jobs. We have also invested $9.5 million in accelerating growth among entrepreneurs of color, including deploying capital directly to local small businesses. This is one slice of our impact in Detroit and we are pushing to expand this model to other cities. Now known as AdvancingCities, we have already expanded this public/private partnership to Chicago's South and West sides and the Greater Washington, D.C. area, notably near the Anacostia Rover, with more to come later this month.

Local and regional initiatives like this can provide a model that might be scaled up nationally. There are urgent priorities that if addressed fairly, thoughtfully and collaboratively, would promote productivity and inclusive economic growth that would benefit all Americans. Neither the diagnoses nor the proposed cures are purely my own. These issues have been studied intensively by many people with deep knowledge. Solutions will require efforts by all of us, including in these areas:

Education: Many of our high schools, vocational schools and community colleges do not properly prepare today's younger generation for available professional-level jobs, many of which pay a multiple of the minimum wage. We used to be among the best in the world at training our workforce for good jobs, but now we are falling short. This is a huge reason for both inequality and lack of opportunity. Our inner-city high schools are failing their communities and are leaving too many behind. In some inner-city schools, fewer than 60% of students graduate, and of those who do, a significant number are not prepared for employment and are often relegated to a life of poverty. Proper training and retraining would also help in our rapidly changing technological world. Finally, skills training has become increasingly important over time, and the negligence of our education systems to be responsive to employers' current needs has reduced GDP growth.

Healthcare costs: These now represent almost 20% of GDP — more than twice the cost per person compared with most developed nations. While we have some of the best healthcare in the world, our outcomes are not twice as good as those of the rest of the world. Some studies say that gains in life expectancy in the last 50 years were a significant contributor to U.S. national wealth (and health), possibly equal to half of GDP growth, as people were healthier and lived longer, which generally improved the quality of the labor force and productivity. This may no longer be true. Obesity costs our country $1.4 trillion a year because it drives so many illnesses (i.e., heart disease, diabetes, cancer, stroke and depression). Even worse, 70% of today's youth (ages 17–24) are not eligible for military service, essentially due to poor academic skills (basic reading and writing) or health issues (often obesity or diabetes). And out-of-pocket healthcare expenses for the average American have skyrocketed over the last 20 years, causing huge anxiety, particularly for low-income families who have been hit with the highest increases in healthcare costs.

Infrastructure: It took eight years to get a man to the moon (from idea to completion), but it now can take a decade to simply get the permits to build a bridge or a new solar field. The country that used to have the best infrastructure on the planet by most measures is now not even ranked among the top 20 developed nations, according to the World Economic Forum's Basic Requirement Index, which reflects infrastructure along with other criteria. We are falling behind on airports, bridges, water, highways, aviation and more. One study examined the effect of poor infrastructure on efficiency (for example, poorly constructed highways, congested airports with antiquated air traffic control systems, aging electrical grids and old water pipes) and concluded this could all be costing us more than $200 billion a year. Philip K. Howard, who does some of the best academic work on America's infrastructure, estimates it would cost $4 trillion to fix our aging infrastructure — and this is ***less*** than it would cost ***not*** to fix it. In fact, a recent study by Business Roundtable found that every dollar spent restoring our infrastructure system to good repair and expanding its capacity would produce nearly $4 in economic benefits.

Excessive regulation and bureaucracy: Excessive regulation for both large and small companies has reduced growth and business formation without making the economic system safer or better. The ease of starting a business in the United States has worsened, and both small business formation and employment growth have dropped to the lowest rates in 30 years. By some estimates, approximately $2 trillion is spent on federal regulations annually, which is about $15,000 per household. We need strong regulations, and we have to get better at effectively implementing them – accomplishing the desired good outcomes – while minimizing unnecessary costs and bad unintended consequences.

Immigration: Forty percent of foreign students who receive advanced degrees in science, technology and math (300,000 students annually) have no legal way of staying here, although many would choose to do so. Most students from countries outside the United States pay full freight to attend our universities, but many are forced to take the skills they learned here back home. From my vantage point, that means one of our largest exports is brainpower. We need more thoughtful, merit-based immigration policies. In addition, most Americans would like a permanent solution to DACA (Deferred Action for Childhood Arrivals) and a path to legal status for law-abiding, tax-paying undocumented immigrants — this is tearing the body politic apart. The Congressional Budget Office estimates the failure to pass immigration reform earlier this decade is costing us 0.3% of GDP a year.

There are many other pressing priorities; individual income tax and expanding the EITC, trade policies, national debt, mortgage reform – particularly to low income and first time homebuyers. And I recognize that these are not all within the immediate jurisdiction of this committee. However, finding the right solutions to these issues would do a great deal to restore American confidence in all American institutions. The choices that we make now on these issues will determine the future of our country for generations and if successful, will ensure that we are a country of unlimited opportunity for all Americans.

Thank you for your time. The oversight work of this Committee is a critical responsibility and I welcome any questions that you may have.

Certain JPMC U.S. Federal Enforcement Resolutions *

Description	Year	Agency (Case No.)
Mortgage-Related		
Residential Mortgage Foreclosure	2011/2012/2013/2015	DOJ/HUD (1:12-cv-00361-RMC); FRB (11-023-B-HC; 11-023-B-DEO); OCC (AA-EC-11-15)
Collateralized Debt Obligations	2011	SEC (1:11-cv-04206-RMB)
Residential Mortgage Backed Securities	2012/2013	SEC (1:12-cv-01862-RLW); FHFA (11 Civ. 6188; 11 Civ. 6193; 11 Civ. 6203; 11 Civ. 7010); NCUAB (11-02341; 13-2012; 13-06707); FDIC (n/a); DOJ (n/a)
FHA Direct Endorsements	2014	DOJ (13 Civ. 0220)
Bankruptcy Payment Change Notices	2015	US Trustee (10-23963-dob); OCC (AA-EC-2015-105)
Fair Lending	2017	DOJ (1:17-cv-00347-AJN)
Non-Mortgage-Related		
Jefferson County Alabama Swap Transactions	2009	SEC (3-13673)
GIC/Municipal Derivatives	2011	DOJ (n/a); OCC (AA-EC-11-63); FRB (11-081-WA/RB-HC); IRS (n/a); SEC (2:11-cv-03877-WJM)
Lehman Customer Segregation	2012	CFTC (12-17)
FERC	2013	FERC (IN11-08; IN13-05)
JPMC Chief Investment Office Trading Losses	2013	OCC (AA-EC-13-01; AA-EC-2013-75); FRB (13-031-CMP-HC; 13-001-B-HC); SEC (3-15507); CFTC (14-01)
AML Consent Order	2013	OCC (AA-EC-13-04); FRB (13-002-B-HC)
Consumer Add-on/Ancillary Products	2013	OCC (AA-EC-2013-45; AA-EC-2013-46); CFPB (2013-CFPB-0007)
Sworn Documents and Collection Practices	2013/2015	OCC (AA-EC-2014-64; AA-EC-13-76); CFPB (2015-CFPB-0013)
Madoff	2014	DOJ (1:14-cr-00007-PKC-1); FINCEN (2014-1); OCC (AA-EC-13-109)
Foreign Exchange	2014/2015	CFTC (15-04); OCC (AA-EC-14-100); DOJ (3:15-cr-00079-SRU); FRB (15-009-B-HC; 15-009-CMP-HC)
Proprietary Products	2015	SEC (3-17008); CFTC (16-05)
Asian Region Hiring Practices	2016	DOJ (n/a); SEC (3-17684); FRB (16-22-B-HC; 16-22-CMP-HC)
ISDAFIX	2018	CFTC (18-15)
Depository Receipts	2018	SEC (3-18963)

* Feb. 2009 to Present; disclosed in the Firm's 10-Qs and 10-Ks

STATEMENT OF

JAMES P. GORMAN

BEFORE THE

COMMITTEE ON FINANCIAL SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

CONCERNING

HOLDING MEGABANKS ACCOUNTABLE: A REVIEW OF GLOBALLY SYSTEMICALLY IMPORTANT BANKS 10 YEARS AFTER THE FINANCIAL CRISIS

PRESENTED ON

APRIL 10, 2019

STATEMENT OF

JAMES P. GORMAN

CONCERNING

HOLDING MEGABANKS ACCOUNTABLE: A REVIEW OF GLOBALLY SYSTEMICALLY IMPORTANT BANKS 10 YEARS AFTER THE FINANCIAL CRISIS

BEFORE THE

COMMITTEE ON FINANCIAL SERVICES UNITED STATES HOUSE OF REPRESENTATIVES

April 10, 2019

Chairwoman Waters, Ranking Member McHenry, and members of the committee, thank you for having us here today. This committee has an important responsibility to our nation: to ensure that we have a regulatory framework for the financial system that focuses on maintaining the safety and soundness of our financial institutions. I share your commitment to this goal.

We have significantly transformed Morgan Stanley over the last 10 years. We are now a safer and sounder financial institution focused on helping our clients finance economic growth, job creation, retirement security, college savings, and more.

First, we have transformed our business model. In 2008, we became a bank holding company, and we set out on a strategy to diversify the firm so that we would be less subject to market instability. Since 2008, we have more than doubled the size of our wealth management business, giving the firm a stable foundation of support, in any market environment. By building complementary franchises in Institutional Securities, Wealth Management and Investment Management, we reshaped Morgan Stanley over the last decade to derive a greater share of revenues from relatively stable businesses. In 2018, our wealth management and investment management businesses provided nearly half of our firm-wide revenues. Revenues from the sales and trading business, which is far more impacted by market swings, represented approximately a third of our total revenues last year, compared to more than half before the financial crisis.

Second, we have embraced the regulatory architecture set in place through the Dodd-Frank overhaul. I have compared the Dodd-Frank regime for monitoring the health of our financial institutions to the approach we take to our own health. First, just as you follow a day-to-day regimen of diet and exercise, the regulatory system requires banks to maintain robust levels of capital, liquidity and client protection. Per the Volcker rule, we don't take extraordinary risks with our own health, as our trading now is focused on making markets and executing trades for our clients, not on trading for our own profit and loss. Just as you watch your own diet, we have enhanced our risk management processes to ensure that we are managing risk appropriately. For example, we have put in place global risk protocols to identify and escalate employee conduct that could cause undue risk to the Firm, and we continuously evaluate our compensation programs to ensure that they do not encourage unnecessary or excessive risk-taking. We also have regulators on-site, watching day-to-day activities to monitor risk management protocols and compliance. Then, on a periodic basis, you go to the doctor for a thorough exam. And you prepare for the worst-case scenario by having a will in place. The financial system is similar: through the annual stress test process, regulators assess each bank's capital levels, requiring that they be high enough to sustain the institution through a period of stress. And every large banking organization is required to have a "living will" in place so that a failure would not undermine the wider financial system.

As a result of our strategic transformation and this new regulatory paradigm, Morgan Stanley is far safer, sounder and more resilient than we were before the financial crisis. I can say that I am very confident that Morgan Stanley is very well capitalized. Our capital has gone from $34 billion in 2006 to $72 billion at year-end. We have increased our liquidity from less than $50 billion to approximately $250 billion. Our leverage was over 30x pre-crisis and is approximately 12x today.

Finally, we have spent the last 10 years reinvigorating our culture of managing risk and putting clients first. A strong culture is the key to the long-term success of any financial institution. Long-term and enduring success lies in having a strong culture and talented employees who live our values. At Morgan Stanley, our culture guides our employees, and our values inform everything we do: we have a commitment to putting clients first, leading with exceptional ideas, doing the right thing, and giving back. These values honor both our history and our aspirations for the future.

In the end, a financial institution and its culture are only as strong as its people. We work to imbue our culture and values in our people, in many different ways. We hold annual mandatory culture conversations within each business unit, focused on topics such as escalating risk and putting the clients' interest ahead of the Firm's. Each year, every employee's year-end evaluation includes an assessment of how the employee has reflected and exemplified our culture. We have created a Culture, Values and Conduct committee of the Firm, co-chaired by our Chief Legal and Chief Human Resources Officers, which is responsible for ensuring that we are integrating our core values across our divisions and regions. Members of the committee work with their respective businesses to enhance our training, performance and compensation processes, and to continue developing a framework to measure and report back to our Board of Directors as appropriate. In addition to our other risk management processes, we have a Franchise Risk Committee, which reviews and can veto new business opportunities and transactions that may conflict with our values.

A diverse employee base and a talented leadership pipeline are critical to living our values and to delivering the best of the Firm to our clients. We are committed to an inclusive work environment where all employees can thrive. Our commitment to diversity is expressed as belonging as much as inclusion. All employees, irrespective of their race, gender or background, must feel that they belong at Morgan Stanley and that their values are recognized and respected. We are imbuing this sense of belonging in our culture – including through the annual performance review process, and as part of the onboarding of new employees into the Firm. We recognize that we have significant work to do to achieve our diversity goals, and that it requires efforts at every level of the Firm to deliver results over the long term. We have numerous initiatives aimed at providing our employees with opportunities for leadership roles and empowering them to achieve the visibility and recognition they deserve.

Our culture also includes a strong commitment to supporting the communities where we live and work. For example, we have supported the Morgan Stanley Children's Hospital since 1973. Our employees regularly give of their time and resources to volunteer organizations across the globe.

As a bank holding company, we have obligations under the Community Reinvestment Act (CRA), and we strive to maximize the impact of those resources. We focus our CRA initiatives around four themes: multifamily affordable housing, healthy communities, economic development, and expanding access to capital for Community Development Financial Institutions (CDFIs). We seek innovative opportunities to address the needs of a community holistically, to better knit together the resources that make a community work. Overall, in the last eight years we've made $18 billion in community development loans and investments and supported the creation of 99,000 affordable housing units. We have received an "outstanding" rating from the OCC on every CRA exam.

Our Firm strategy, combined with a strong culture, enables Morgan Stanley to play a vital role in supporting the US economy, our communities, and individual families, through the lens of responsible corporate citizenship. Let me give just a few examples. We work with new companies across economic sectors to take them public, so they can raise the capital they need to grow and create jobs. We underwrite green bonds for companies so they can raise the financing they need to make their plants more energy efficient and reduce their carbon footprint. We underwrite municipal bonds that enable cities across the country to renovate schools and build new parks. We help pension funds invest, so they can grow their assets and meet their obligations to retirees. We help college endowments invest and earn a return that allows them to increase scholarship funds for students in need of financial assistance. We work with individual families to plan for their financial futures, whether that is saving for college, preparing for retirement, or creating a legacy of philanthropic giving.

I am proud of the 60,000 employees of Morgan Stanley and the work they do every day to help our clients succeed. We are deeply committed to the ongoing strength of the Firm – both our financial strength and the strength of our culture – so that we can continue to fuel growth, innovation and prosperity.

Finally, in your letter dated April 1, 2019, you asked me to provide information on eight topics, including changes over the last 10 years. Information regarding these topics is included in the attached addendum.

Thank you again Chairwoman Waters, Ranking Member McHenry, and members of the committee. I look forward to your questions.

Addendum

1. Your bank's size and complexity.

Morgan Stanley employs over 60,000 employees in more than 500 offices worldwide. Our employees live and work in 41 countries. In 2018, we reported approximately $40 billion in net revenues and approximately $850 billion in total assets. While Morgan Stanley is a large, multi-faceted financial institution, we have taken significant steps in recent years to lessen our complexity and mitigate risks. Importantly, as described in my testimony, we have completely redesigned our business over the last 10 years to focus on three primary categories of services. Our focus on three complementary franchises allows us to effectively identify, manage and mitigate risk across our worldwide business. It also allows us to derive a significant amount of revenue from relatively stable businesses.

Our three primary categories of business are:

a. Institutional Securities, which provides investment banking, sales and trading, lending and other services to clients such as corporations, governments and financial institutions.

b. Wealth Management, which provides financial services and solutions to individual investors and small to medium-sized businesses and institutions. The services provided by Wealth Management include brokerage and investment advisory services; financial and wealth planning services; annuity and insurance products; securities-based lending, residential real estate loans and other lending products; and banking and retirement plan services.

c. Investment Management, which provides a wide range of investment strategies and products to a diverse group of institutional and intermediary clients.

Since the financial crisis, we have more than doubled the size of our wealth management business. By doing so, we have given the Firm a stable foundation of support in any market environment. Revenues from the sales and trading business, which is far more impacted by market swings, represented a third of our total revenues last year, compared to more than half in 2006.

As an example of risk mitigation, under Dodd-Frank, we are required to have a "living will" in place, so that if Morgan Stanley were to fail it would not undermine the wider financial system. As part of that resolution planning, we have taken significant steps such as rationalizing our legal entity structure to make the structure less complex and ensure that the structure supports our resolution strategy.

2. The number and location of your bank's branches.

Morgan Stanley does not provide retail banking services and thus does not have any retail branches. As noted above, Morgan Stanley employs over 60,000 employees in more than 500 offices worldwide.

3. Enforcement actions, including any consent orders and settlements, against your bank and the number of consumers or investors harmed by your bank's actions.

Like other large financial institutions, we have been subject to various enforcement actions over the last 10 years. Information concerning those enforcement actions is publicly available. Many of those enforcement actions, including the largest, related to activities that occurred prior to the financial crisis. Following the financial crisis, we substantially discontinued the businesses that were the subject of our largest enforcement actions. The following is a list of the enforcement actions where Morgan Stanley has paid in excess of $50 million between January 1, 2008 and the present:

- U.S. Department of Justice Civil Division, February 19, 2016, $2.6 billion – business discontinued in 2007.
- U.S. Securities and Exchange Commission, July 24, 2014, $275 million – business discontinued in 2007.
- New York Attorney General's Office, February 19, 2016, $150 million and $400 million consumer relief – business discontinued in 2007.
- Federal Reserve Board, April 2, 2012 and January 12, 2018, $124 million – business discontinued in 2012.
- Commonwealth of Massachusetts Attorney General's Office, June 24, 2010, $103 million – business discontinued in 2007.

4. Your bank's capital market activities, including with respect to securities and derivatives, as well as any custodial banking activities.

Morgan Stanley is a major participant in the global capital markets. We serve our clients by providing liquidity and capital through services such as originating, structuring, and executing public and private placement of a variety of securities, including both debt and equity products. We help our clients – such as schools, hospitals, governments and local and global corporations – raise capital and manage their financial positions so that they can remain stable, grow and provide employment opportunities.

We recognize that, as a financial institution, our ability to leverage the financial markets has a significant impact on our society. Thus, if we identify a potentially significant environmental or social risk associated with a transaction, the transaction is escalated to senior management and our Franchise Risk Committee. The Franchise Risk Committee can veto new business opportunities and transactions that may conflict with our values.

We also seek opportunities to make a positive impact through our business. For example, we proactively work to help scale low-carbon sources of energy and other sustainability strategies. We are continuing to shift our lending and capital-raising efforts toward cleaner and renewable sources of energy and to reduce the proportion of our energy financing for coal mining and coal-fired power generation. In 2015, we issued a $500 million green bond, to help fund the development of renewable energy and energy efficiency.

Moreover, we recognize that access to capital is clearly unequal across segments of the U.S. population. Through initiatives like our Multicultural Innovation Lab, which we launched in 2017, we identify women- and multicultural-led businesses with real growth potential, make an equity investment ourselves and then use our network to open doors for these innovators, putting them in front of potential investors to whom they might otherwise not have access.

At the same time, we have made significant changes to our own trading over the past decade. As discussed in my testimony, we have embraced the Volcker Rule and our trading now focuses on making markets and executing trades for our clients, not on trading for our own profit and loss. We do not take risks that could jeopardize the stability of our Firm.

The derivatives markets, and our derivatives trading, have also undergone significant de-risking as a result of the reforms implemented under Dodd-Frank. These reforms include margin and central clearing requirements as well as extensive reporting on derivatives transactions to regulators.

Custody services are a minimal aspect of Morgan Stanley's business. We provide custody services out of our Private Bank for prime brokerage clients who choose to utilize these services.

5. The extent your bank utilizes forced arbitration clauses in its contracts with consumers, employees, investors and contractors.

We believe that arbitration provides an opportunity for all sides to receive a fair hearing through a process that is generally more efficient and less costly than litigation. We ensure that information about our arbitration agreements is clearly disclosed and readily available to both prospective employees and customers before they enter into a relationship with us. In addition, our United States broker-dealers are FINRA member firms. For many years, FINRA has required that licensed employees arbitrate most non-statutory employment disputes with member firms.

When we made changes to our employee arbitration program in 2015, we provided our employees with detailed information on the program and gave them the opportunity to opt out. New Morgan Stanley hires are also provided an opportunity to opt out of our employee arbitration program.

6. **Your compensation and clawback policies, including how these policies are designed to promote accountability of company executives and how the compensation of the CEO and other C-suite executives compares to the median compensation of an employee at your bank.**

Morgan Stanley has a robust pay-for-performance philosophy and practice, and is committed to responsible and effective compensation programs. The Compensation Management Development and Successions ("CMDS") Committee of the Board of Directors, which is comprised entirely of independent directors, continuously evaluates Morgan Stanley's executive compensation to ensure that our approach is consistent with best practices in corporate governance, risk management and regulatory principles.

We have made significant changes to our executive compensation program in the past decade to better balance risk with rewards. These changes include: (i) enhancements to the long-term incentive program design by balancing fixed and variable pay, increasing deferrals, increasing the use of equity and performance-based awards and applying clawback provisions; (ii) strengthened processes and controls to integrate risk management into our compensation determinations; and (iii) increased board engagement in senior management compensation determinations.

Our compensation program, which has continuously evolved over the past 10 years, is designed around the following four key objectives.

1. We compensate for sustainable performance. Since 2009, we have moved the focus of our executive compensation program away from annual incentive awards and toward an emphasis on both variable annual incentives and performance-vested long-term incentives. Moreover, Morgan Stanley now conditions the vesting and payment of long-term incentives on future performance, which is measured against specified financial targets that align with long-term business strategy.

2. We align executive compensation with shareholders' interests. This objective is met by delivering a significant portion of incentive compensation in deferred awards that are subject to cancellation and clawback over a multi-year period. Over the past 10 years, we have significantly reduced the portion of incentive compensation paid in cash. As discussed in more detail below, we have also expanded our clawback provisions. Moreover, the deferred award structure ties a significant portion of executive compensation directly to Morgan Stanley's stock price and encourages ownership by requiring executives to retain shares.

3. We offer competitive pay levels to support Morgan Stanley's objectives of continuing to attract and retain the most qualified employees in a highly competitive global environment for talent. We structure incentive awards to include vesting, deferred payment and cancellation provisions that retain employees and protect the Company's and shareholders' interests.

4. In light of regulatory guidance, we have changed our approach to compensation to better balance employee conduct, such as risk taking, with rewards. We structure compensation arrangements to discourage unnecessary or excessive risk taking that could have a material adverse effect on Morgan Stanley. Over the past decade, we have integrated risk management more directly into our compensation determinations. In addition, there is no automatic vesting and no excise tax protection for deferred compensation upon a change-in-control. Morgan Stanley annually evaluates our compensation programs from a risk perspective and reviews our findings with the CMDS Committee and an independent compensation consultant.

Morgan Stanley's commitment to our performance-based approach is further demonstrated by our four-part CEO pay framework:

1. The Board of Directors sets annual performance priorities at the beginning of the year to guide its assessment of Firm and executive performance. The priorities include both financial and non-financial performance metrics for the Firm and its business segments.

2. At the beginning of each year, the CMDS Committee also establishes the target CEO compensation range. The range is informed by a number of factors, including prior year CEO compensation at peer financial firms.

3. At year-end, the CMDS Committee assesses Company and executive performance, including progress in achieving Morgan Stanley's strategic objectives and annual performance priorities, and the CEO's overall leadership.

4. The CMDS Committee then determines CEO compensation at year-end, based on its assessment of performance and discussion with the Board of Directors.

With respect to other Named Executive Officers ("NEOs"), the CMDS Committee evaluates both Firm and individual performance. As with CEO compensation, the CMDS Committee and the Board set performance priorities at the beginning of the year. The performance priorities are based on an assessment made at the beginning of the year in light of the market environment and Morgan Stanley's strategic objectives. The CMDS Committee then considers progress against the performance priorities in making executive compensation determinations at year-end. For 2018, the CMDS Committee reviewed performance priorities in the following areas:

- Financial performance, including return on equity
- Shareholder return
- Capital and liquidity strength
- Capital expense efficiency ratio
- Business performance for each primary business unit
- Firm risk management and controls
- Major infrastructure initiatives

- Standing with regulators
- Talent development, including diversity
- Board assessment of Firm culture, leadership, strategy and reputation.

With respect to clawback policies and procedures, in 2008, Morgan Stanley was the first major U.S. bank to enact a clawback provision that exceeded TARP requirements for a portion of year-end compensation. This clawback provision was further enhanced in 2009 to explicitly cover situations where there is (i) a substantial loss on a trading position or other holding or (ii) any loss on a trading position where an employee operated outside the risk parameters applicable to the trading position or other holding if, in either case, such position was a factor in that employee's compensation determination. This provision applied to deferred cash-based awards made to NEOs.

In 2011, we expanded our clawback provisions to apply to all long-term incentive compensation and enhanced our processes for preventing, investigating and addressing circumstances (such as poor risk outcomes, significant losses and improper employee behavior) that could require clawback or cancellation of previously awarded compensation, as well as adjustments to current year compensation.

Today, deferred incentive compensation awards generally are subject to clawback for, among other things, failure to comply with Morgan Stanley's compliance, ethics or risk management standards, termination for cause and misuse of proprietary or confidential information. Additionally, these awards are subject to clawback if an individual causes the need for a restatement of Morgan Stanley's consolidated financial results, violates Morgan Stanley's global risk management principles, policies or standards or violates an internal risk and control policy involving a subsequent loss. Managers may be held responsible for misconduct by their employees.

Throughout the year, employee conduct matters that are escalated through the Company's Global Conduct Risk Program are reviewed to determine whether they present situations that could require clawback or cancellation of previously awarded compensation, as well as downward adjustments to current year compensation. Clawbacks of previously awarded compensation are reviewed quarterly with the Employee Discipline Oversight Committee (a committee of senior management currently composed of the Chief Financial Officer, Chief Legal Officer, Chief Risk Officer, Chief Human Resources Officer, and Chief Compliance Officer) and reported to the CMDS Committee.

Regarding risk management, beginning in 2009, the CMDS Committee worked with Morgan Stanley's Chief Risk Officer and the CMDS Committee's independent consultant to evaluate whether Morgan Stanley's compensation arrangements encourage unnecessary or excessive risk-taking and whether risks arising from Morgan Stanley's compensation arrangements are reasonably likely to have a material adverse effect on Morgan Stanley. The Chief Risk Officer continues to evaluate any new incentive arrangements for the NEOs.

Moreover, the Global Incentive Compensation Discretion Policy adopted by the CMDS Committee sets forth standards for managers on the use of discretion when making annual compensation decisions and considerations for assessing risk management and outcomes. Further, the Company's control functions conduct a semi-annual review of employee conduct with respect to risk and control matters, and are asked to identify inappropriate behavior that may not be captured through other Company processes. The results of the reviews are reflected in performance feedback and considered in compensation decisions.

As disclosed in our most recent proxy statement, in 2018 the ratio between the CEO's total annual compensation and the median annual total compensation of all other employees was 198 to 1. In 2017, the ratio between the CEO's total annual compensation and the median annual total compensation of all other employees was 192 to 1.

7. **The diversity of the directors of your board and C-suite executives, the policies and practices implemented at your institution to promote diversity and inclusion among your workforce, and the policies to promote the use of diverse contractors, including diverse asset managers, brokers and underwriters, by your institution.**

Achieving greater diversity throughout the Firm is a key priority for me and my management team, and we are working hard to achieve our diversity goals. While I am proud of the gains that we have made over the past 10 years, there is still work to be done.

First, establishing diverse leadership is essential to bringing greater diversity to the Firm as a whole. For that reason, diversity at the board level is a significant priority. Four members of our 13-person Board of Directors are women. We have one African-American director as well. In 2008, we had two women directors and one African-American director. We continue to seek out diverse director candidates when we have openings on our Board.

Diversity in senior management is also critical to achieving our Firm-wide diversity goals. Today, we have three women on our 17-person Operating Committee, an increase from one woman in 2008. Of the 48 members of our Management Committee, 10 are women, three are African-American and two are Hispanic. In 2008, three members of the Management Committee were women and we did not have any African-American or Hispanic members. Moreover, every senior manager is required to have a succession plan for his or her senior team members, and part of that plan must include developing a diverse candidate pipeline.

We have also put in place a series of programs that are helping to expand diversity within our company. While we have more work to do, we are seeing results. In 2009, 16% of our financial advisors were female. That number now stands at 18%. In 2009, 3% of our financial advisor population was African-American or Hispanic and that number has grown to 7%. We have seen similar improvements in the diversity of our financial advisor trainee hires. In 2010, the first full year after our merger with Smith

Barney, 20% of our hires were female. That number has grown to 29% in 2018. In 2010, 8% of our trainee hires were African-American or Hispanic. In 2018, that number grew to 18%.

Our initiatives include innovative programs that are designed to recruit, retain and develop women for more senior roles in the firm. For example, in 2018, we held our first-ever conference gathering our women Managing Directors from around the globe, to continue their leadership development and engage them in helping us strengthen our diversity efforts.

As another example, our Return to Work program is designed for individuals who have left the workforce, whether to care for family or for other reasons. We offer a 12-week paid internship to assist them in updating their skills and rejoining the industry. Since the program was launched in 2014, it has placed over 100 individuals in roles across the Firm.

Recruiting is another essential component of establishing a diverse workforce, and our early insights program is a key element of our diversity recruiting efforts. Students visit our New York headquarters to learn about our businesses, network with employees and participate in the first stage of the Summer Analyst recruiting process.

Our Richard B. Fisher Scholarship Program has helped over 400 diverse undergraduate and graduate students gain access to the financial services sector.

It will take these and other initiatives, as well as the attention of every manager across the firm, to increase diversity at Morgan Stanley. We recognize that a more diverse workforce will enable us to better recognize and serve the needs of our wide variety of clients, and we are committed to that work.

8. Your bank's approach to cybersecurity and protecting consumer data.

Cybersecurity is also a top priority for Morgan Stanley. Our long-standing commitment to safeguard client information is essential to our goal to be the leading choice for financial services. Protecting the confidentiality and security of client information has always been an integral part of how we conduct our business worldwide. Today, like our peers and firms in many other industries, we must be extraordinarily vigilant on a constant basis, and we defend against numerous attacks every day.

To that end, Morgan Stanley employs multiple layers of security controls and practices to protect the personal information of its clients and employees, its proprietary data, its networks and other assets. We have in place physical, technical and procedural safeguards for personal information. We protect personal information from unauthorized access and use, instituting security measures – such as computer safeguards, secured files and buildings – that comply with cybersecurity laws and regulations in the United States and other countries in which we operate.

We maintain and enforce policies and security controls to ensure that our personnel properly handle customer information. We also require third parties who perform services on our behalf to adhere to appropriate security standards. We routinely gather intelligence on the threat environment and partner with vendors, peers in the industry, law enforcement and other government agencies to monitor cyber risks and emerging trends, and to enhance the robustness and effectiveness of our cyber defenses.

Cybersecurity risk is overseen by the Board as well as the Operations and Technology Committee. The Operations and Technology Committee has primary responsibility for oversight of information and cybersecurity operations. It receives reports at quarterly meetings from senior officers in the Information and Technology Department and the Firm Risk Management Department. The quarterly reports include information such as security, fraud and cybersecurity risk, as well as the steps that management has taken to monitor and control such risk. The reports also provide updates on Morgan Stanley's cybersecurity program, the external threat environment and Morgan Stanley's programs to address and mitigate the risks associated with the evolving cybersecurity threat environment.

The Operations and Technology Committee also receives an annual independent assessment of key aspects of the Company's cybersecurity program from an external party and holds joint meetings with the Audit Committee and Risk Committee. The Chair of the Operations and Technology Committee regularly reports to the full Board on cybersecurity risks. Senior management also discusses cybersecurity developments with the Chairs of the Operations and Technology Committee and the Risk Committee between Board and committee meetings, as necessary. Moreover, the Board or a relevant Board committee reviews and approves our cybersecurity policies at least annually.

TESTIMONY OF BRIAN MOYNIHAN
CHIEF EXECUTIVE OFFICER
BANK OF AMERICA

April 10, 2019

Chairwoman Waters, Ranking Member McHenry, and members of the Committee:

The material below represents our initial response to Chairwoman Waters's letter of April 1, 2019. Here, for your reference, is where in this document we address the issues you highlighted in your letter:

On behalf of all of us at Bank of America, I am grateful for your consideration of this written statement, and I look forward to discussing these matters with you during my appearance before the Committee.

I. How We Transformed the Company

I became CEO of Bank of America on January 1, 2010. During my first week as CEO, I spoke with a gathering of North Carolina business leaders in Raleigh, and told them:

"We know that policy leaders also have an important role to play in crafting laws and regulations that protect consumers and create a level playing field for all competitors. We want to be positive partners in this process..."

I also said to the North Carolina gathering that "Bank of America has not waited for new rules and regulations to make important changes... It became clear to us very early in this economic crisis that customers... in all sectors and income groups... wanted clarity, consistency, transparency and simplicity in their financial products and services."

Ten years since the crisis, through the passage and implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and from what we have done to clean up and transform our company, Bank of America is better prepared for what the future may bring.

In 2010, I assembled a team committed to changing Bank of America dramatically. We had three primary dimensions to our work.

First, we had to resolve the mortgage challenges stemming from the acquisition of Countrywide Financial, which took place prior to when my team and I stepped into our roles.

Second, we transformed our company by focusing on many of the principles embedded in the Dodd-Frank legislation. These include strength, stability, transparency, fairness, a straightforward approach to serving clients while managing risk well.

Third, we created an approach to how we run the company today that we call Responsible Growth. The tenets of Responsible Growth will be discussed in this testimony.

We began our transformation by establishing a straightforward strategy of serving three groups of customers – people, companies of all sizes, and institutional investors – through eight lines of business. All of those lines of business operate within the United States. Outside the United States, we operate those lines of business serving companies and institutional investors.

By focusing in this way, we reduced the scope and complexity of our company. To simplify the company and reduce the scope of our activities, as envisioned in Dodd-Frank, we divested more than $80 billion of non-core activities and businesses. These included the divestiture of private equity holdings, an insurance company, an asset management company, equity positions in non-U.S. financial institutions, and businesses outside the United States that served consumers and retail investors. We consolidated our capital to support the U.S. consumer and small and mid-sized companies.

We also reduced the size of our balance sheet, from its peak of about $3 trillion following the acquisition of Merrill Lynch during the financial crisis. Today our balance sheet is 20 percent smaller.

We also improved our risk management framework, again consistent with the principles embodied by Dodd-Frank. In 2008-2009, we tightened underwriting standards, shifting focus from driving volume and market share growth to align it with our business model, which depends on deepening relationships with core clients. Our credit quality is strong and we have the lowest stressed loss rate among the U.S.-based global and universal banks in the Federal Reserve Board's annual Comprehensive Capital Analysis and Review (CCAR) in five of the last six years.

Another central element of our company's transformation since the crisis is how we have strengthened our capital and liquidity. Over the past decade, we have increased our tangible common equity, an important measure of a bank's financial strength, to $173.1 billion from $69.6 billion subsequent to our acquisition of Merrill Lynch. We have also strengthened liquidity: Our excess global liquidity sources are up, from $214 billion in 2009 to $544 billion in 2018.

Government Enforcement Actions and Consent Orders

Even as we were transforming our company, we addressed the legacy issues from the financial crisis, primarily mortgage-related matters stemming from the acquisition of Countrywide Financial in 2008.

To address the challenges we faced, among other actions we created a unit staffed by more than 50,000 team members at its peak, primarily dedicated to addressing troubled mortgages. Through the period, we were able to assist 2 million distressed borrowers. In addition, we had to integrate the Merrill Lynch acquisition and align the capabilities with our standards.

Further to our work to resolve mortgage related issues, Bank of America engaged in a number of other settlements and other actions. In the interest of disclosure, we provide the following overview of certain settlements based upon readily accessible information collected in the time permitted to provide this response. With sufficient time, we can provide to the committee additional information as may be desired about other actions and settlements. In particular, we entered into four significant settlements valued at greater than $1 billion. These were:

- In 2014 for $16.5 billion, a comprehensive settlement with the U.S. Department of Justice and other parties and agreement for release of state and federal law claims regarding the securitization, origination, and sale of RMBS and CDOs. The settlement included $7 billion in relief to aid harmed consumers.

- In 2014, $9.3 billion to FHFA as conservator of GSEs to resolve claims that Bank of America falsely represented that underlying mortgage loans complied with certain standards.

- In 2013, $2.9 billion to the OCC, including $1.8 billion for loss mitigation and payment of $1.1 billion into a fund for foreclosed-upon borrowers.

- In 2012, for $11 billion, a global settlement with federal and state regulators regarding origination, servicing and foreclosure practices. Bank of America settled claims with 49 states, the District of Columbia, and several federal agencies, agreeing to provide $8.6 billion in consumer and refinancing relief to eligible borrowers and pay $2.4 billion to the federal agencies.

- In addition to the settlement payments, the banks involved were required to comply with mortgage servicing standards. Compliance was overseen by the Office of Mortgage Settlement Oversight. The oversight monitor issued a report in June 2014 indicating that Bank of America had met its repayment obligations under the settlement. The Monitor issued a further report in March 2016 indicating that the Bank had completed its obligations with regard to compliance with the mortgage servicing standards.

Separately, Bank of America is operating under two open consent orders, not related to consumer activity: a Foreign Exchange Consent Order opened by the Office of the Comptroller of the Currency (OCC) in 2014 and a Foreign Exchange Consent Order opened by the Federal Reserve Board (FRB) in 2015.

II. How We Run the Company Today: Responsible Growth

Over the past ten years, Bank of America has transformed into a stronger and more stable company with a straightforward operating model and a relentless focus on delivering Responsible Growth. Our commitment to the guiding principle of Responsible Growth is resolute. Responsible Growth is the way that we deliver on our purpose, which is to help make financial lives better through the power of every connection we can help make. Responsible Growth has four tenets: We have to grow. But we must grow while being customer focused. We have to grow by managing risk well. And our growth must be sustainable. At Bank of America, sustainable means 1) sharing our success with our communities; 2) being a great place to work for all of our employees; and 3) driving operational excellence. When we are sustainable, it gives us the ability to reinvest savings back into our people, our clients, and our communities.

1. We have to grow.

By focusing on the tenets of Responsible Growth, and by transforming Bank of America consistent with the expectations of Dodd-Frank, we have built a stable, efficient company that delivers consistent, predictable returns for our shareholders while also delivering value for our clients and the communities we serve. Responsible Growth, backed by a solid U.S. economy and a healthy consumer, contributed to the fact that in the fourth quarter of 2018 we recorded our 16th consecutive quarter of positive operating leverage. This was driven by continued growth in deposits, client balances, solid loan growth, and disciplined expense management. Deposits and loans within our businesses grew at a higher rate than U.S. economic growth, reflecting the value that customers place on having a relationship that brings the range of capabilities, products, and services to help them with their financial lives.

2. We must grow by delivering more for our customers and clients.

We are pleased to serve more than one in three U.S. households and more than 9 million business-owner clients. Our ability to deepen customer and client relationships is driven in part by the investments we are making to provide the best client care in the industry. For example, overall, our company was certified or recognized as having industry-leading capabilities six times by J.D. Power in the last year alone. We also are receiving the strongest customer satisfaction scores in our history.

Overdraft Policies

Focusing on the customer in everything we do allows us to builder a deeper relationship with them. One important change we made in 2009 was eliminating overdraft fees for debit cards at the point of sale. We made this prior to changes in Reg E being finalized, and we also decided not to let clients "opt in" for point of sale overdraft. These fees fell disproportionately on a narrow group of customers. We believed this was unfair, so we ended them.

Over the years we have continued to refine our overdraft policies. For example, for those customers who needed extra assistance with overdraft protection, we introduced the Bank of America Advantage SafeBalance Banking checking account. The SafeBalance account has been certified by the Cities for Financial Empowerment Fund as meeting the Bank On National Account Standards benchmarks for account safety and affordability. No customer using a SafeBalance account can exceed their balance. We have more than 700,000 customers taking advantage of this offering.

Over the past ten years, through our decision and from Reg E, we've received approximately $35 billion less in overdraft fees. We think of that as an investment in our customers' financial futures—and, by extension, our own. Because when they're set up for success, we are too.

We also engage with consumer advocates and other third parties to inform the ways we shape and market our products and our policies regarding our consumer accounts, mortgage and small business lending, and other matters. Our National Community Advisory Council, in place for more than a decade, is a forum for senior leaders from social justice, consumer advocacy, community development, environmental, and research organizations to provide external perspectives on our business policies, practices and products, as well as the societal challenges faced by our customers. Our Council members provide valuable insights that continue to enhance the fairness and transparency of what we do for our clients.

A Straightforward Approach to Serving Clients

Also in 2009, we introduced Clarity Commitment documents for home mortgages, home equity loans and credit card agreements. A Clarity Commitment document is a simple, easy-to-read, one-page loan summary that includes important information on payments, interest rates and fees to complement customer loan agreements.

We have taken further steps to simplify our company. For example, over the past several years we have cut the number of credit cards we offer from 25 to six and condensed 22 checking accounts into one operating account.

In addition to making our products and services simpler, we're also working with customers to help them understand their finances better. We achieve this by offering a set of easy-to-use educational tools. In 2013, we launched Better Money Habits, a personal finance education program that offers consumers information, tools and videos that empower better financial decision-making. For Bank of America customers, the platform is embedded in our online and mobile offerings, and is enhanced by our Spending and Budgeting Tool, which puts timely information at clients' fingertips to help them improve their financial outcomes.

The impact of Better Money Habits has been significant. Among clients who use both Better Money Habits and our Spending and Budgeting Tool, about one in four grew savings by 20 percent or more, while about one in three grew their checking balance by 20 percent or more.

Since its creation, Better Money Habits has been available for customers and non-customers alike. In 2017, we extended its reach by rolling out content in Spanish, and fully translated the site by year-end 2018. This complements our online and mobile banking app, which has been available in Spanish since 2015. Better Money Habits' Spanish content has resulted in higher average time on the site, an increase of 37 percent.

Our Branch Network

We also are investing in our facilities and in the teammates who serve there. We have retooled many of our ATMs, our financial centers, and our technology in our branches and call centers. We regularly evaluate the ways our clients choose to connect with us to ensure we maintain the right balance between the high-tech, high-touch ways that we serve them.

Serving customers still requires a strong physical presence. Recent analysis by one industry association demonstrates that banks of all sizes are serving – and growing their presence – across urban, mixed, and rural communities. The combination of physical and digital is what our clients need and serves them best.

Bank of America has 4,341 retail financial centers across 36 states and the District of Columbia. These centers are where 800,000 clients come each day to talk with a relationship or product specialist for the financial advice, products and services they need.

Over the past year, we have opened more than 80 new financial centers and have completed renovations on 567 more. Looking ahead, we plan to open more than 350 new financial centers by 2021 and will soon be expanding into nine new markets: Cincinnati, Cleveland, Columbus, Denver, Indianapolis, Lexington, Minneapolis, Pittsburgh, and Salt Lake City. Today, we cover more than 80 percent of the U.S. population with our retail branch footprint. When the scheduled investments are complete, we will cover more than 90 percent. This overall expansion in new and existing markets is expected to create nearly 5,500 jobs, including certified professionals to help serve clients' diverse needs.

In 2010, we faced cost pressures as we emerged from the economic crisis. In addressing that, we reviewed our branch network and identified a number of locations that we felt could be better served by more local financial institutions. We sold more than 350 branches to nearly 30 other financial service institutions. That gave these local providers the opportunity to strengthen their local networks.

Of those 350 branches that we sold, 250 remain open under the original buyer's brand. All but two of the remaining 100 branches were consolidated into other local bank networks that continue serving those communities.

Overall, we have reduced our total number of retail branch locations from 6,011 in 2009. As we have reduced the total number of retail branch locations, we have made significant investments in low- and moderate-income (LMI) communities to ensure that they have better access to the full range of high-quality financial services and products that we offer.

Approximately one-third of our financial centers (1,265) and ATMs (5,230) are in LMI areas. In addition, 35 percent of our centers are in majority-minority markets. All our financial centers are staffed with professionals who can readily assist clients with any financial need. Each center provides free Wi-Fi for our clients' convenience, giving them the opportunity to connect to our leading digital and mobile resources and tools.

We are not only present in, but closely integrated with, LMI communities. Because we work to ensure that our teams reflect the communities they serve, 80 percent of our LMI financial centers have at least one associate (4,020 associates overall) who speaks more than one language. Nearly 30 percent of our financial center employees are in fact residents of LMI communities; and Bank of America has committed to hire and train 10,000 individuals from LMI communities within the next five years. We anticipate that by the end of 2019, we will have hired 7,000 individuals from LMI areas onto our Consumer & Small Business team.

We also have designated about 650 locations across the country as Community Financial Centers. In addition to retail banking services, Community Financial Centers offer access to tailored financial education, expert professionals, job opportunities, affordable homeownership solutions, and potential capital for small businesses.

Community Financial Centers are equipped with free Wi-Fi for clients so they can access their mobile banking app without using their own data plan, and many offer access to lending officers and small business bankers. Many Community Financial Centers also include enhancements such as local art and cultural exhibits prominently featured in the lobby; kiosks with interactive, self-guided financial education content; and conference rooms where clients can attend Better Money Habits financial education seminars in English and Spanish.

To supplement our branch locations in underserved communities, we have invested heavily in alternative methods of ensuring access to capital for members of those communities. Bank of America is the nation's largest lender to community development financial institutions (CDFIs). CDFIs provide affordable, responsible lending and support to low income and other disadvantaged clients and communities. By funding CDFIs, we help make it possible for credit to flow to needs for which we may otherwise be unable to provide direct lending. We have provided more than $1.5 billion to finance affordable housing, community facilities and small businesses through 255 CDFIs in all 50 U.S. states and the District of Columbia. Approximately $400 million of that total has been focused on small businesses.

We are committed to ensuring that everyone has access to the financial products and services that they need to thrive, wherever they live and whatever they earn. As the breadth of our branch networks and the depth of our investment in LMI communities makes clear, we have worked hard to ensure that Bank of America serves a broad and diverse community of consumers.

Data Privacy

Bank of America does not sell personally identifiable customer data to third parties, nor do we allow third parties to conduct research for their own purposes using personally identifiable customer data that the bank has collected in the normal course of business. If any of our vendors receive customer data in the course of performing a function for us, Bank of America requires that the vendor meet our privacy and data protection standards and that the data be protected by the bank's strict information security controls. No further use of that data can be made without Bank of America's express approval.

Mandatory Arbitration

Bank of America avoids relying on mandatory arbitration clauses in nearly all cases. In our relationships with consumers and investors, we only use mandatory arbitration in a few, limited instances, as described below.

Consumer Products

In 2009, Bank of America publicly announced we would discontinue the use of mandatory arbitration in our consumer agreements for credit card and deposit accounts. We also eliminated mandatory arbitration in our mortgage and home equity agreements several years ago. As a result of these changes, customers seeking to resolve disputes with us related to automobile loans, recreational vehicle loans, marine loans, credit cards, and deposit accounts are not subject to mandatory arbitration or class action waivers. Our High Net Worth lending group does offer a marketable securities line of credit (similar to margin loans offered by broker dealers which are exempt from the rule) that contains a mandatory arbitration clause.

Investors

Bank of America, along with other securities industry firms, uses arbitration clauses in our client agreements when establishing a brokerage or investment advisory account relationship. The Securities and Exchange Commission monitors this long-standing industry practice as it fulfills its responsibilities to oversee FINRA, the administrative body that creates the rules regarding arbitration and provides the forum for such disputes to be resolved.

Small Business and Commercial Lending

Bank of America is one of the largest lenders to small businesses, with a portfolio of $36 billion. From 2010 to 2018, loan originations less than $1 million to small businesses total $85.5 billion. Also, since 2015 we have seen a greater than 10 percentage point increase in small business client satisfaction, to 84.1 percent in 2018.

We also have established programs of specialized outreach to small business entrepreneurs. We have pledged $100 million in capital in partnership with the Tory Burch Foundation Capital Program, to connect women who own small businesses to affordable finance. We also maintain a Veteran Entrepreneur Lending Program, to which we have committed $20 million to help U.S. military veteran business owners obtain affordable loans.

Financing Affordable Housing

Bank of America also is addressing the affordable housing shortage for individuals, families, students, veterans, the formerly homeless, those with special needs, and other at-risk groups.

In 2018 alone, our Community Development Banking initiative deployed $3 billion in debt commitments and $1.7 billion in new equity investments to finance affordable housing as well as charter schools and economic development across the United States.

Last year alone, we financed 15,000 affordable housing units, including: 3,265 green housing units; 4,706 housing units for seniors; and 1,520 units for veterans, people with special needs, and the formerly homeless. For example, we extended a $36.8 million construction loan and $25.4 million in direct LIHTC equity to help revitalize the Jordan Downs public housing development in Watts, Los Angeles. This was targeted at 135 new affordable rental apartments as well as retail stores, a community center, and parks. This year, we also helped finance significant projects in Boston's Brighton Marine and Orlando's Village on Mercy Apartments.

Additionally, in 2018 Bank of America invested $79.1 million to support affordable housing through community development financial institutions (CDFIs), support that is described above.

Capital Market Activities

Our Global Markets business serves our corporate clients and institutional investors. We help clients raise capital and hedge risks. When markets are volatile and clients are trying to manage their business, they turn to us for help. When markets are stable and there is less client activity or volatility, our revenues may be lower.

Bank of America has a diverse set of businesses and client relationships that position us to weather changing market conditions over time. 80 percent of 2018 net revenues within our business segments were generated by non-capital markets businesses.

Consistent with our company's transformation since the financial crisis, and with the objectives of the Dodd-Frank legislation, we have repositioned our Global Markets business to focus activities in support of core corporate and institutional investor clients. Since 2010, we have reduced total market-based portfolio VaR – a key measure of risk – 81 percent.

Since the financial crisis, we have positioned this business to deliver steady and sustainable returns across the range of market conditions, while taking less risk. Over the years, our performance bears that out. Over the past five years and with all of the volatility in markets and trading activities during that period, Global Markets has delivered annual sales and trading revenue within a range of $12.9 billion and $13.6 billion. This relative stability reflects our leadership positions across multiple products and our ability to maintain the appropriate business mix during market shifts while providing billions of capital to help business grow.

3. We have to grow by managing risk well.

We have made major changes to ensure that a culture of responsible risk management is embedded in every part of our company. Our risk management begins with the board of directors. The directors set the risk appetite for the company. That cascades through the company and defines the risk we take in credit risk, operational risk, trading, or otherwise. The Enterprise Risk Committee of the board reviews dashboards quarterly to review compliance with the risk appetite.

The risk function is an independent control function that is outside the lines of business hierarchies. It consists of a 5,300 person Risk & Compliance group that reports to the Chief Risk Officer, who has a reporting relationship to the Chief Executive Officer and to the Enterprise Risk Committee of the board. Other control functions, also outside the lines of business and reporting to the CEO, include the 900 person audit team that reports to the Chief Auditor (who reports to the Audit Committee of the board); the Chief Financial Officer, the head of Global Human Resources, the General Counsel, and the Chief Technology and Operations Officer, whose 85,000 person organization includes 2,500 teammates in the Corporate Information Security group.

We drive a culture of compliance as an element of Responsible Growth deep into our company. To ensure that all employees across all levels are managing risk effectively, we conduct educational sessions and mandatory training on all risk issues, including to drive deeper understanding of the lessons of the financial crisis. We also sustain an open environment in which employees are encouraged to identify and elevate issues for thorough investigation by an independent investigations group. These changes, too, have made their mark. Our 2018 Employee Satisfaction results demonstrate the continued strength of our risk culture. Employees rank all 12 risk-related items at 80 percent favorable or higher, and 11 of these items are higher than industry benchmarks.

4. And our growth must be sustainable.

Another core tenet of Responsible Growth is that it must be sustainable. To us at Bank of America, sustainability means that a) we have to drive operational excellence. This makes it possible to reinvest savings back into our team, our capabilities, our client experience and our communities; b) we have to share our success with our communities; and c) we have to be a great place to work for our teammates.

a. Driving operational excellence.

We ensure that Responsible Growth is sustainable through our focus on operational excellence—continuous improvement in our internal and external processes to make it easier for our employees to work with each other and to serve clients and customers. By pursuing operational excellence, we are becoming more efficient, so we can continue to invest while providing you good returns. This makes all the other progress that I've discussed possible.

Focusing on operational excellence allows us to continue to invest in our capabilities and in our team, even as we maintain expense discipline. While we face the same inflation and cost challenges all employers do (e.g., benefit increases, wage increases, real estate cost increases, more investment), we managed through them. We achieved our 2018 expense target of approximately $53.5 billion. We set that goal in mid-2016, when our annual expense run rate was $57 billion. Managing expenses well has contributed to four straight years of positive operative leverage and allowed us to grow pretax earnings at 18 percent in 2018—all while investing in the company.

Cybersecurity

Our focus on operational excellence allows us to continue making robust investments in cybersecurity. Our cybersecurity program is designed for every step of the cybersecurity lifecycle—we prepare, prevent, detect, mitigate, respond, and recover.

Since 2011 we have doubled the size of our Global Information Security (GIS) team to more than 2,000 employees and contractors.

We maintain strong, ongoing relationships with government partners, including the Department of Homeland Security, the Department of the Treasury, law enforcement, and the intelligence community. Coordination within our industry and across other industries is also critical to mitigating and managing cyber and other challenges. That is why the financial sector is investing in resilience capabilities and cyber partnerships to build a trusted community among banks for cyber threat information sharing.

Bank of America is leading efforts across the financial services industry to define resilience and recovery in today's marketplace. We helped drive the creation of the first financial sector organization focused specifically on systemic risk and analysis—the FSARC (Financial Systemic Analysis & Resilience Center). We hold or have held leadership/Board positions in financial sector organizations working to improve the security and resilience of the sector. These include the FS-ISAC, FSARC, FSSCC, and Sheltered Harbor. The company also participates in multiple sector-level exercises each year to help refine not only our individual firm incident response playbooks, but also our sector-level playbooks. We are leveraging our leadership role to ensure that the financial sector is truly resilient. We are also working with partners in the electricity and communications sectors on these topics, given our mutual dependencies with them.

b. Sharing our success with our communities.

We share our success with our communities through our Environmental, Social, and Governance work. This is reflected in many aspects discussed throughout this submission.

Our nation and our world are grappling with substantial challenges: the need for clean water and sanitation, education, health care, renewable energy, and other concerns in which we all, in developed and developing countries alike, have a shared stake.

In setting its Sustainable Development Goals (SDGs), the United Nations has drawn attention to the most pressing of these challenges and has encouraged individuals, organizations, and governments to work toward shared objectives. Despite these efforts, there is still a significant gap between the capital it would take to solve these global challenges and the amount that is currently being spent. Credible estimates of what is needed to address the U.N. SDGs is about $6 trillion per year; the current annual funding gap is as much as half that.

Government alone cannot solve these challenges. The U.S. government, with the largest economy in the world, will spend more than $4 trillion this year. But almost two-thirds of those expenditures go to non-discretionary needs: funding the social safety net, servicing U.S. debt and other commitments. The discretionary elements of the budget include national security, education, health care and other priorities. What is true of the U.S. is true for many other nations around the world: government budgets provide little room for increased spending on development.

Charitable giving also cannot fill the need. Annual giving from individuals, foundations, and corporations is spread across many worthy causes and, even in the aggregate, falls short. The U.S. is the largest philanthropic giver in the world as a percentage of GDP. Total giving to charitable organizations overall in the world was around $800 billion in 2017 and $410 billion in the U.S., primarily from individuals. Assets by foundations in the world are estimated at about $1.5 trillion; nearly half of that, $890 billion, is held by foundations in the U.S. Again, even if we spent all that money in a single year, it would be insufficient to close the gap.

Public companies that employ and invest at the scale that we and others do are well-positioned to contribute to the solution of these problems. We have considerable capacity to address income inequality, clean energy, health care, and affordable housing through thought leadership, investment, innovation, mobilization of capital and other means. Private-sector leadership is necessary because solutions involving capitalism are inherently sustainable, and the returns will bring continued and increasing investment.

But as the great student of business and author Jim Collins has said, we have to embrace "the genius of the AND." We have to do our part to achieve strong and timely progress on the sustainable development goals AND we have to deliver strong returns to our shareholders. This enables us to keep addressing these important priorities, in a number of impactful ways.

First, we continue to align our expense base and our balance sheet to find every business opportunity to provide good returns and to make progress toward our goals. We do this by financing new energy sources, financing affordable housing, and financing other types of development. These opportunities provide a return for investors while making progress toward societal goals.

Second, we bring thought leadership to the discussion. Our Research team has established that companies adhering to sound environment, social, and governance (ESG) practices will be stronger for that effort. In fact, our research shows that investors could have avoided almost all of the bankruptcies of the last several years by avoiding companies that do not have good metrics on ESG. Increasingly, investors are looking for that kind of adherence in making investment decisions. Institutional investors are directing more and more private-sector investment capital toward companies that are addressing these priorities.

We also see this in our wealth management businesses, where we are meeting client demands to construct portfolios focused on companies that meet standards consistent with the sustainable development goals. The practice is growing. By harnessing private capital in this manner, the alignment we create can help fill the gap left by limitations in government and philanthropic spending by bringing more resources, capital, and expense to the task. In addition, we can be a catalyst for others to act. Our expertise, credibility, and ability to assess the opportunities can help others who have the desire but may lack the expertise to deploy capital.

Third, we contribute by the ways we manage our own activities. In April, 2019, we initiated a $300 billion, 10-year Environmental Business Initiative, building on prior commitments totaling $145 billion extending back to 2007. Our Environmental Business Initiative supports clients and others who are helping create a sustainable energy future. We also focus on our own sustainable facilities management and improved energy efficiency. For example, we have set a goal to be carbon-neutral by the end of 2020.

Fourth, our own ESG work makes a direct impact. The direct investments we make, the volunteer efforts of our teammates, our philanthropic works—all of this helps address the challenges. We are proud of what our teammates directly do to help make progress on these priorities.

Last year, Bank of America committed more than $50 billion in lending, investing and philanthropy to deploy capital toward the SDGs. In fall 2018, we created a special $60 million Blended Finance Catalyst Pool to encourage more companies to participate in addressing those priorities. Our blended finance initiative combines different sources of capital for a targeted objective, in order to accommodate different risk tolerances and rates of return. As this approach expands over time, we can create the capacity to mobilize vast amounts of capital and achieve the scale necessary to fundamentally address global challenges driven by the force of private-sector capital returns.

In one of the first commitments of our catalyst pool, we joined with two other financial services companies in our headquarter city of Charlotte, North Carolina, to extend more than $70 million to fund low-income housing developments. Most of that amount will be low-interest loans to private developers building income-restricted housing.

We believe it is not only possible, but desirable and valuable, for Bank of America as a public company to simultaneously serve our clients, deliver for our shareholders AND address these local, national, and global social priorities. Delivering on both aspects of the "AND" is the way to ensure that we can continue to channel the capital from others and from our company that is needed to fund societal needs. We all have to provide great returns, while delivering on the goals.

Our teammates are called upon in every community where they live and work to lead efforts that promote economic and social development, and we are proud of how they step in to help. We welcome the continued interest of elected officials in these efforts and engage them across the cities, towns and communities we serve. Our commitment is a core element of Responsible Growth.

b. Being a great place to work for all of our employees.

Diversity and Inclusion

The diversity of our team—in thought, style, sexual orientation, gender identity, race, ethnicity, culture, age, ability, and experience—makes us better and stronger and is essential to serving our clients, living our purpose, and driving responsible growth.

I chair our Global Diversity and Inclusion Council (GDIC), which we created more than 25 years ago. The GDIC provides strategic direction on how we approach diversity and inclusion as a company and is focused on growing the diverse representation of our workforce, promoting an inclusive workplace and being a place where all employees have the opportunity to achieve their goals and meet the needs of our customers.

The commitment to diversity also includes our Board of Directors. In 2010, we had 15 percent women and 15 percent people of color on the board. Today we have 31 percent women on the board and 19 percent people of color, an increase of 107 percent and 27 percent, respectively. Furthermore, Bank of America's Board of Directors is more diverse than the average company in either the Fortune 100 or Fortune 500.

Board Diversity	**BAC**	**Fortune 100[1]**	**Fortune 500[1]**
Women and people of color	43.8%	38.6%	34.0%

[1] Alliance for Board Diversity: 2018 Missing Pieces Report (includes all board members, both independent and management directors)

Since 2010, we have also increased the diversity of our management team which is now 54 percent diverse (female and people of color), up from 42 percent in 2010 (a 29 percent increase).

We also have strong diversity in representation across our company, mirroring the customers and communities we serve. Women make up more than half of our global workforce and over 40 percent of all managers. Additionally, people of color make up more than 45 percent of our U.S. workforce and 37 percent of all managers. For key race/ethnicity areas, our total US total workforce figures are at or above published Department of Labor and EEOC financial service industry benchmarks. While our focus on this is clear, we continue to seek areas where improvements can continue and progress can be made.

We also have a culture of inclusion. We have 11 Employee Networks with over 250 local chapters across the globe and 120,000 memberships globally. We foster a culture of inclusion by encouraging employees to have open dialogue on topics important to them. 60,000 teammates, or more than one in every four employees, has participated in a Courageous Conversation.

We want our people to reflect the communities we serve, so we focus on hiring from the community and connecting people to sustainable career pathways. We provide a range of resources, tools and support to help our employees and contractors grow their careers and realize their professional aspirations.

Bank of America's culture of diversity and inclusion has also been recognized by many external organizations. We are honored to have received the following awards and citations, among others:

- 2019 Catalyst Award winner for our efforts to support the success of women in the workplace
- World's Best Bank for Diversity and Inclusion by Euromoney
- One of the 100 Best Companies to Work For by *Fortune* magazine and the global research and consulting firm, Great Place to Work®, and the only financial services company on *Fortune*'s inaugural Best Big Companies to Work For list
- Ranked the top financial institution in the 2019 LinkedIn Top Companies list

- 100 Best Workplaces for Diversity (#26) and the list of 50 Best Workplaces for Parents (#46) by *Fortune* magazine
- Working Mother Magazine's 100 Best Companies for 30 consecutive years
- JUST Capital 2018 Rankings of America's Most Just Companies
- 50 Best Places for New Dads to Work by fatherly.com
- We have been a leading financial institution on the Bloomberg Gender-Equality Index since its inception
- Corporation of the Year in 2018 by the National LGBT Chamber of Commerce
- Military Times magazine's Best for Vets: Employers 2018
- Best Places to Work for Disability Inclusion by Disability:IN
- First (and only) financial institution inducted into the Billion Dollar Roundtable of companies that support supplier diversity

Compensation Policies

At Bank of America, we are committed to ensuring that all employees are compensated equitably and competitively based on market rates for their roles and their job performance. We regularly benchmark compensation against other companies, both within and outside our industry, to ensure that our pay is competitive with comparable roles in the market.

This commitment to fair compensation has benefited all our employees, regardless of their position in the company. Bank of America has been an industry leader in establishing an internal minimum rate of pay for our U.S. hourly employees. Two years ago, we raised our minimum wage to $15 per hour, and have increased it further. Our current average rate for all U.S. employees is significantly above this level.

For our senior-level employees, we have developed a strong pay-for-performance governance framework that rewards long-term, sustainable results that are aligned with stockholder interests. And since the passage of the Tax Cuts and Jobs Act in 2017, our company has extended two special compensation awards—which include cash bonuses and stock—benefiting approximately 95 percent of our employees worldwide in 2018. These awards, totaling more than $1 billion, were given in addition to our employees' regular compensation.

Consistent with the principles embedded in Dodd-Frank, including a requirement for an annual shareholder "Say on Pay" vote, the company's CEO is compensated through base salary, cash-settled restricted stock units, performance-restricted stock units and time-based restricted stock units. From 2013 to 2018, CEO base salary was $1.5 million, while from 2010 to 2012 base salary was $950,000. The vast majority of CEO compensation (94.3 percent in 2018) was variable and directly linked to company performance. As has been the case since 2010, all variable compensation was awarded in equity. Each year, the CEO pay structure is put before shareholders and is made contingent upon their approval. In 2018, approximately 95 percent of shareholders voted in favor of the structure as proposed. Since 2010, the shareholder vote in support of the company's compensation plan since 2010 has averaged 93.4 percent.

The CEO's direct reports receive a portion of their total compensation as base salary and the remainder as variable pay—a majority of which is delivered as deferred equity-based awards. Finally, all compensation plans are reviewed and certified annually by our risk management team, and all variable pay awards are subject to clawback policies.

In 2009, we made equity awards to executive officers and other key risk-takers subject to a performance-based clawback to encourage sustainable profitability over the vesting period. If losses occur during the vesting period, awards may be canceled in whole or in part. Also beginning in 2009, equity awards have been subject to a detrimental conduct clawback to encourage compliance with policies and appropriate behaviors. If an executive officer engages in detrimental conduct, unvested awards can be cancelled and previously vested awards can be recouped. An additional recoupment policy, instituted in 2007, permits the Board to require reimbursement of any incentive compensation paid to an executive officer whose fraud or intentional misconduct caused the company to restate its financial statements.

Our Corporate Governance Guidelines were enhanced to require the CEO to hold at least 500,000 shares of common stock, and for executive officers other than the CEO to hold at least 300,000 shares (up from 150,000 shares) of our common stock. The Guidelines were also enhanced to require that (i) our CEO retain at least 50 percent of the net after-tax shares from future equity awards until retirement and (ii) our other executive officers retain at least 50 percent of the net after-tax shares from future equity awards until the increased ownership guideline is achieved. This ensures that executive officers have a significant and long-term financial stake in the company.

Furthermore, since 2011, certain executive officers have received a portion of their incentive compensation in the form of performance restricted stock units (PRSUs). PRSUs must be re-earned based on performance of key metrics. If the results are below minimum standards, the entire PRSU award is forfeited.

In 2016, our Incentive Compensation Forfeiture & Recoupment Disclosure Policy became effective. Pursuant to this Policy, we will disclose publicly the incentive forfeitures or clawbacks recovered from certain senior executives in the aggregate pursuant to our Detrimental Conduct and Incentive Compensation Recoupment policies, subject to certain privacy, privilege, and regulatory limitations.

Bank of America is committed to paying our employees equitably. We believe in equal pay for equal work, regardless of race or gender. We maintain robust policies and practices to ensure that we are fulfilling this commitment. We use a standard U.S. practice restricting how we solicit compensation information when hiring, so we determine compensation levels for new hires based on individual qualifications and roles, rather than how they may have been compensated in the past. And we solicit rigorous assessments from outside experts with oversight from our Board and senior leaders to analyze whether we are living up to our commitments on pay equity. And these assessments have confirmed that our equitable pay policies are having an impact. Results of our most recent review of employee compensation at Bank of America showed that compensation received by women is on average greater than 99 percent of that received by men. Results also showed that in the U.S., compensation received by people of color is on average greater than 99 percent of non-people of color teammates.

In 2018, the CEO to median employee pay ratio was 247:1.

Our compensation policies reflect the principles and requirements of Dodd-Frank. Transparent, equitable, competitive compensation is central to being a great place to work, which, in turn, is a fundamental element of Responsible Growth.

Employee Wellness

To be a great place to work for our employees, we focus on supporting their physical, emotional, and financial wellness; recognizing and rewarding performance through fair compensation structures; and building an inclusive workplace that makes all our employees feel welcome and empowered. And if any employee believes that we have failed to live up to these or any of our other responsibilities to them, we support their right to seek redress without recourse to mandatory arbitration.

We base our approach to providing a competitive, comprehensive health benefit on the principle that such a benefit is a core element of the total reward to employees and a driver of employee satisfaction. That is why we offer health care coverage to all U.S. benefits-eligible employees that costs no more than 7 percent of their wages. For employees who earn less than $50,000 in compensation, we reduced annual family coverage medical premiums by 50 percent in 2011 and have kept those premiums flat since 2012. Over that same period, premiums have risen more than 20 percent nationally. For higher paid employees, the average contribution increase since 2012 has been at or below the national trend. the By ensuring that our employees have access to affordable healthcare, we are able to help them and their families live healthy lifestyles. On average, 85 percent of employees and their partners have completed annual health screenings over the past five years.

Our commitment to wellness extends to emotional health. Bank of America policies and programs support team members through major life events. We offer 16 weeks of paid parental leave in the U.S. and up to 40 days of backup child and adult care. As part of our support for growing families, we provide a wide variety of support and resources related to fertility, pregnancy, infancy, and adoption.

We are also there for our employees when they experience loss or struggle. Bank of America has industry-leading paid bereavement leave that allows full-time employees to take up to 20 days off to address the loss of a spouse, partner or child. Our Life Event Services team has assisted more than 85,000 team members with needs related to survivor support, domestic violence, natural and man-made disasters, transitions in or out of military service, and other major life events. And in 2018, we doubled the number of free, confidential counseling sessions available through our U.S. Employee Assistance program.

As an element of competitive compensation, we include other financial benefits to help employees manage their financial lives, prepare for retirement, and provide long term for themselves and their families. Bank of America provides matching 401(k) contributions of up to 5 percent of eligible pay and an automatic annual company contribution of 2 percent of eligible pay (3 percent after ten years with the company). Also, as part of our support for growing families, we provide reimbursement for eligible adoption, fertility, and/or surrogacy expenses to a maximum of $20,000 during an employee's career. Our Benefits Education & Planning Center provides free personalized guidance for budgeting, debt management, retirement planning and more, while our Employee Financial Services group provides access to a full range of discounted banking and investing products and services.

When our employees are healthy—physically, emotionally, and financially—our company is healthy. By investing in their wellness, we enable our team to deliver on our purpose, live our values, and drive

Responsible Growth. We therefore view wellness programs as critical strategic investments in the success of our company.

Mandatory Employment Arbitration

Bank of America does not include mandatory arbitration clauses in our offer letters and the vast majority of our employees are not required to arbitrate disputes arising from their employment or termination of their employment outside of industry requirements imposed by FINRA. This has been the case for more than a decade.

Neither does Bank of America require employees at any level to sign non-competition agreements. Non-competition provisions are used in only two situations: (1) as a condition to receive separation payments in a limited number of voluntarily executed separation agreements (generally used only for executive-level employees), and (2) as a condition to receive continued vesting of equity and certain other long-term incentive awards after meeting the career retirement eligibility standard and retiring. Non-competition restrictions for equity and long-term incentive awards do not apply to employees who leave the bank in a workforce reduction scenario. These are common features of long-term incentive awards. While retirees may lose the value of their unvested deferred awards if they go to work for a competitor, they are not restricted in any way from working for another employer.

While the bank may negotiate limited restrictions on solicitation in the context of ongoing business relationships, such as vendor service agreements, those agreements are limited in duration and scope and have no restrictions on hiring Vendor employees who apply to the bank on their own.

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HEARING BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES COMMITTEE ON FINANCIAL SERVICES

April 10, 2019

Testimony of Ronald P. O'Hanley
President and Chief Executive Officer, State Street Corporation

Chairwoman Waters, Ranking Member McHenry, and members of the Committee, thank you for inviting me to testify today.

Who We Are and What We Do

I was honored to become State Street's CEO on January 1, 2019. Headquartered in Boston, Massachusetts, and founded in 1792 (the same year as the New York Stock Exchange and the Post Office Department), State Street has two core lines of business - investment servicing and investment management. Our purpose is to create better outcomes for the world's investors and the people they serve. Unlike many other major banks, we do not serve retail consumers directly. Our clients are large global institutions such as pension funds, mutual funds, central banks, sovereign wealth funds, and insurance companies. As of year-end 2018, our total consolidated assets were $245 billion, our assets under custody and administration on behalf of our clients were $31.62 trillion and our clients' assets under management were $2.51 trillion. We operate in 29 countries with more than 40,000 employees, about 16,000 of whom are based in the United States. We serve approximately 4,500 institutional clients globally.

State Street is organized as a U.S. bank holding company, with operations conducted through several entities, primarily our wholly-owned insured depository institution subsidiary, State Street Bank and Trust Company. State Street Bank and Trust Company is a Massachusetts state-chartered bank and member of the Federal Reserve System, and operates through three U.S. branches, including our main office in Boston and 11 non-U.S. branches around the world. State Street Global Advisors, our investment management arm, is a global leader in institutional asset management, managing assets for investors including pension funds, endowments, and foundations. State Street is also registered as a limited purpose (i.e., for foreign exchange trading only) swap dealer with the Commodity Futures Trading Commission (CFTC).

Because we are not a commercial, retail, or investment bank, we do not provide typical commercial or retail banking services such as traditional mortgages, consumer credit, commercial lending, savings or checking accounts, or underwriting securities. As a result, State Street does not encounter consumer-focused issues, such as forced arbitration clauses. Our capital markets trading business is focused on foreign exchange trading, largely to facilitate international investments by our institutional client base. We do not make markets in asset classes other than foreign exchange.

We serve institutions that are making investments on behalf of others. Our services, which can be broadly characterized as the safekeeping, servicing, and management of assets, allow the investment process to operate smoothly and as intended, ultimately allowing our clients' customers - individual citizens with savings - confidence that their investments will be available when they need them.

Our investment servicing line of business provides custody, accounting, daily pricing and administration, master trust and custody, record-keeping, cash management, foreign exchange, securities lending, deposit and short-term investment facilities, performance risk and compliance analytics, and financial data management.

Our investment management business provides a full range of investment options. Most of our assets under management are in low-cost, index-based funds. We are also a leading provider of exchange-traded funds (ETFs), including the SPDR ETF.

The nature of our core businesses results in a different risk profile compared with retail, commercial, or investment banks. Like all banks, State Street faces credit risk, market risk, liquidity risk, and operational risk. The extent to which we face each of these risks, however, is significantly different from that of other banking models. In general, our potential risk to the financial system is more related to operational risk than credit or market risk, compared with more traditional banking models.

State Street's Commitment to Diversity

I strongly believe that diversity contributes to better performance, decision-making, and outcomes, and I agree with the Chairwoman that our industry needs to do better in this area.

State Street's commitment to improving workforce diversity includes educational efforts (such as unconscious bias training), broad inclusion programs (such as more than 30 employee resource groups around the world), and a diverse slate requirement for more senior hires. Further, progress on achieving our diversity goals and support for diversity programs are considered (along with other factors) in making executive compensation decisions.

Today, close to 40 percent of our Management Committee and 25 percent of our Board are women. Over the past five years, we have seen improvement in the numbers of employees of color at our senior management levels. However, we have some distance to go with African-American, Latino and Hispanic representatives on our Board and Management Committee, where we currently have none. I am personally committed to ensuring that diversity is a key priority at all levels of our organization.

I am also proud of our ongoing efforts to promote the use of diverse contractors, such as our more than 15-year record of using diverse brokerage firms. In 2017, we spent more than $97 million with women-, minority-, and veteran-owned businesses and have recently initiated a formalized and more aggressive program to promote the use of minority contractors.

We are very proud of our 100% score on both the Human Rights Campaign Index for our inclusion of LGBTQ professionals in the workplace, and the Disability Equality Index for our disability inclusion policies and practices. We have also appeared six times on the Working Mother 100 Best Companies list.

State Street's Approach to Compensation

State Street unequivocally supports equal pay for equal work. Given the competitive, talent-driven industry that we operate in, we are focused on incentivizing, rewarding, retaining, and motivating superior employees through performance-driven compensation in a manner aligned with sound risk management and our corporate values.

Since the financial crisis, State Street has taken numerous steps to enhance our compensation practices to further support both long-term shareholder value and financial stability. This includes more closely aligning incentive compensation with the risks and performance results experienced by our shareholders, most notably through the use of significant levels of deferred equity-based compensation that vests over time. All incentive compensation awards are subject to multiple recourse mechanisms, including ex ante adjustment (downward adjustments to awards before they are made), and forfeiture (reduction or cancellation of awards after they are made but before vesting). In addition, all awards made to our Executive Vice President and Management Committee leaders are additionally subject to claw-back (repayment of historic awards already vested and delivered). In instances of violations of State Street's policies, we have and will continue to use all appropriate recourse mechanisms with respect to an executive's compensation.

State Street's Commitment to the Community

State Street is committed to supporting the communities in which we live and operate. For example, last year, our Foundation invested $21.5 million in grants to support local communities.

Our Boston Workforce Investment Network (Boston WINs) is our signature venture philanthropy initiative where we have brought together five non-profit organizations to pursue a common goal of helping prepare disadvantaged youth for the workforce. Boston WINs' goals are: 1) help increase college enrollment rates for Boston public high school students, 2) ensure that once Boston public high school students get to college, they stay there, and 3) enhance career pathways for Boston youth, resulting in more stable employment and economic mobility.

State Street's Investment in the Community

Despite the fact that we do not provide consumer or commercial banking services, we have achieved "outstanding" ratings from the Federal Reserve for eight consecutive Community Reinvestment Act (CRA) examinations, dating back to 2003. State Street, as a wholesale bank, meets the needs of low- and moderate-income populations in four main ways:

1. Our State Street Foundation and corporate sponsorships of education and workforce development nonprofits, as well as employee-driven matching grants to non-profits worldwide;

2. Affordable housing investing;

3. Mortgage-backed securities investing (low- to moderate-income borrowers) and small business (SBICs) investing; and

4. Community development services, including State Street executives serving on non-profit boards. Approximately three quarters of our Executive Vice Presidents serve on non-profit boards.

State Street since the Financial Crisis

More than ten years after the global financial crisis, I believe the banking system in the U.S. is safer and more resilient, thanks to post-crisis regulatory reforms including higher capital and liquidity requirements, rigorous stress testing, and extensive resolution and recovery planning requirements.

State Street was one of the nine banks asked by Secretary Paulson in 2008 to participate in the Troubled Asset Relief Program (TARP), and received $2 billion in TARP funds. Although State Street's business model was not the driver of the crisis, we are grateful to the Congress and to the American people for the role they played in supporting the stability of markets and the financial system. After passing the U.S. Federal Reserve's May 2009 stress test by a wide margin, we were the first of the original "TARP 9" banks to fully exit the program by both repaying the invested funds and repurchasing the associated warrant. In addition, we supported other U.S. government efforts to address the financial crisis, most notably in our collaboration in 2008 with the Federal Reserve Bank of Boston in connection with the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF), which successfully supported money market fund liquidity during the crisis. While I appreciate the importance of these government efforts to address the financial crisis, I am committed to learning lessons from those years, and avoiding the need for such actions in the future.

State Street was designated as one of the eight U.S. Global Systemically Important Banks (G-SIBs) by the Financial Stability Board in 2011. While most of the G-SIB criteria relate to financial intermediation and interconnectedness, State Street was designated as a G-SIB due to the importance of our global custody business to the ongoing operation of the financial system in times of stress. We are also designated as a U.S. Systemically Important Financial Institution (SIFI) under the Dodd-Frank Act, and, due to our G-SIB status, will remain a U.S. SIFI despite changes in SIFI designation recently enacted by Congress for other banks with under $250 billion in assets.

As a G-SIB and U.S. SIFI, we take our compliance responsibilities very seriously and we are subject to the highest levels of increased post-crisis supervision and regulation, which includes:

- Substantial increases in both risk-weighted and leverage capital --- State Street's Tier 1 capital has more than doubled since 2007, and all of our capital ratios are well over regulatory minimums;
- Increased and formalized requirements for liquidity, through the new Liquidity Coverage Ratio (LCR) and a new "Liquidity Program" (a horizontal assessment across large banks covering liquidity under both normal and stressed conditions). For State Street, the percentage of our balance sheet that qualifies as high-quality liquid assets (HQLA) has doubled since 2012;

- Extensive requirements to prove resolvability upon failure, through the new "living wills" process;
- Demanding stress testing of capital adequacy, through both the Dodd-Frank Act Stress Test (DFAST) and the Comprehensive Capital Analysis and Review (CCAR) process; and
- New loss absorbency requirements developed solely for large banks, through the new total loss-absorbing capacity rule (TLAC), under which we hold more than $26 billion of loss-absorbing capacity in the form of Tier 1 capital and long-term debt to provide, if necessary, the resources for an orderly recapitalization of State Street.

Like every major financial institution, State Street works hard to remain vigilant about potential cybersecurity threats. We take our role as a trusted provider extremely seriously and we continue to devote significant time and resources to improving the governance and controls of our information security processes through monitoring, surveillance, and testing.

State Street is currently executing a technology transformation program focused on retiring legacy applications and modernizing our systems. As a result, our total spending on information technology is approximately 25 percent of our total expenses, enabling us to extend cyber and information security protections throughout our global organization and aligned operations, including subsidiaries, affiliates, and joint ventures, around a common security framework overseen by dedicated personnel under the leadership of our Chief Information Security Officer (CISO). The CISO is responsible for information security and coordinates the global activities of Information Security Officers (ISOs) assigned to each organizational unit. We are active participants in numerous industry and government cyber-related forums, including the Financial Systemic Analysis and Resilience Center (FSARC) and the Financial Services Information Sharing and Analysis Center (FS-ISAC).

State Street's Commitment to Risk Excellence

In the years since the financial crisis, State Street has launched numerous initiatives intended to strengthen our corporate culture, most recently through our Risk Excellence initiative aimed at elevating the importance of risk and compliance excellence across our organization. This includes a programmatic education of our workforce, "Speak Up" training to encourage and facilitate all employees' reporting of issues, and risk excellence criteria for all employees' performance evaluations, compensation decisions, and executive promotions.

I strongly believe that trust is our greatest asset. We have, unfortunately, over the years since the crisis, had instances that led to enforcement actions and financial settlements with the government and clients. Since 2009, we have reimbursed clients and made payments to government agencies in settlements totaling approximately $1 billion. This amount is primarily attributable to seven matters involving enforcement.

We deeply regret these situations and have reimbursed clients and strengthened related risk and compliance controls. I am committed to continuing to ensure that we have learned from their causes and to advancing a culture of trust and accountability at State Street. We enforce strict policies against employee misconduct.

Lessons Learned from the Financial Crisis

I believe there are a number of important lessons we learned from the financial crisis, including:

- It is critical for supervision and regulation to keep pace with industry developments, and to be tailored according to the risk profile of the individual institution. While ongoing adjustments, such as legislation recently passed by Congress, are appropriate, the general approach adopted by the Dodd-Frank Act of applying heightened prudential requirements related to capital, liquidity, and resiliency for larger banks has made our financial system stronger.

- The crisis revealed weakness in the risk management functions of many banks, which were often siloed and uncoordinated. We have strengthened our top-down risk management systems at State Street so that we have better transparency around enterprise-wide risks. We now have stronger, independent control functions and higher-quality risk analytics.

- The crisis cast a bright light on the dangers of groupthink in corporate leadership. That is one of the reasons why we have stepped up our focus on board diversity, including gender diversity, to promote better business and investment outcomes. Our asset manager, State Street Global Advisors, launched a major initiative to focus on the value of board diversity across all industries, most visibly through the placement of the Fearless Girl statue, which now stands outside the New York and London stock exchanges as a reminder of the power of female leadership.

- The crisis also exemplified the risks of short-term decision-making at the expense of long-term value creation. Misplaced incentives rewarding short-term gains were clearly one of the root causes of the crisis. I believe we all will benefit from a focus on long-term goals, which includes asking ourselves and the boards of the companies in which we invest whether environmental, social and governance risks that might impact a company's ability to generate sustainable performance have been considered.

- We acknowledge that we must answer to stakeholders beyond our shareholders alone, including our employees, our clients, and our communities. With this in mind, we announced last year that some of the savings that we received from the recently enacted U.S. tax reform would be invested in retirement benefits for our employees, and used for increased support for charitable giving in our communities as well as increased investment in employee learning and development.

The legacy of the financial crisis, in addition to financial harm, includes an enduring lack of trust in our industry by the public. I know that State Street can only be as successful as the larger society in which it operates, and we are committed to engaging on those issues that will generate shared value for all of our stakeholders.

Conclusion

Ten years after the crisis, State Street is stronger and more resilient and, I believe, more nimble and responsive to emerging and new risks. I continue to believe that our financial system is the strongest, most innovative, and most productive in the world. I look forward to doing my part in ensuring that State Street is a source of stability to our financial markets, and providing services that support and protect the financial future of all Americans.

Thank you again for providing me the opportunity to testify today, and I am pleased to answer any questions from the Committee.

BNY MELLON

Statement of Charles W. Scharf
Chairman and Chief Executive Officer
The Bank of New York Mellon Corporation

Before the United States House of Representatives Committee on Financial Services
April 10, 2019

I. Introduction

Chairwoman Waters, Ranking Member McHenry, members of the Committee: Good morning and thank you for the opportunity to be here today. My name is Charlie Scharf, and, since July 2017, I have been privileged to serve as CEO of The Bank of New York Mellon Corporation. I have also been the company's Chairman since January 2018.

I appreciate this Committee's focus on accountability. I work hard to create a culture of compliance at BNY Mellon and to ensure we are the best that we can be.

I would like to begin by providing a bit of brief background about our bank and its business model before speaking to the financial crisis and the advancements we have made over the last decade.

BNY Mellon is proud of its historical relationship with the United States' financial system, a relationship that dates back to the founding era. In 1784, Alexander Hamilton, who would later serve as the first Secretary of the Treasury, invested in America and started what is today our nation's longest-running bank, The Bank of New York. In July 2007, The Bank of New York merged with Mellon Financial, a financial institution founded by another Secretary of the Treasury, Andrew Mellon.

Today, we are known as BNY Mellon, and we are a global custody bank, over 51,000 employees strong and operating in 35 countries. We provide investment services and management designed to help institutions and individuals succeed in markets all over the world.

II. BNY Mellon and Its Role as a Custody Bank

At BNY Mellon, we are a custody bank, and, in that capacity, we perform the nuts-and-bolts administrative functions of the financial system. Our business model is very different from a traditional retail bank, commercial bank, or investment bank. We do not operate typical retail banking branches in the United States. Unlike most banks, we do not focus on retail markets, nor do we provide financial products such as credit cards and auto loans. We also do not engage in proprietary trading, and the only mortgage loans offered by BNY Mellon are through our limited wealth management business.

The majority of our business includes providing custody and other basic operational services to governments; pension, municipal, and mutual funds; endowments; unions; and other institutional customers. Our revenues are largely generated from fees that we collect for the services we provide rather than yields on credit risk assets. At the close of 2018, we had $33.1 trillion in assets under custody and/or administration and $1.7 trillion in assets under management. Ten years ago, at the close of 2008, we had $20.2 trillion in assets under custody and/or administration and $0.93 trillion in assets under management.

With respect to our custody services, we focus on the recordkeeping and servicing of assets on behalf of others. As custodians, we secure and segregate the investment assets of our clients and their clients. We also maintain relationships with institutions that are members of securities depositories, and we provide administrative or "back office" functions, including the processing of payments, client reporting, fund administration, and accounting services. In many instances, these custody services are required by law (*i.e.,* some public funds) or practical necessity to meet compliance requirements (*i.e.,* ERISA plans).

Through the provision of custody and custody-related services, we assist clients in gaining access to global financial markets. Our clients rely on us to be a trusted partner to safeguard and service their assets, and we provide quality, timely, and easy-to-access information to help clients meet complex custody needs while maximizing efficiency and measuring and managing risk.

We maintain 15 international branches in Australia, Canada, Japan, and the United Kingdom, among other places, as well as other physical locations associated with our wealth management business. These branches are technical components of our operating structure and not retail branches in the traditional sense. We do not maintain retail locations with tellers providing services to consumers. We have minimal capital markets activities, as we are not a trading or investment bank. The primary capital markets activities we undertake are an outgrowth of our core custody and asset servicing businesses. For instance, we offer foreign exchange trading and agent securities financing services to facilitate client requests. We also own a broker-dealer, Pershing, whose lines of business are consistent with our general custody operations. Pershing provides an array of solutions to its clients, primarily in the clearing and settlement spaces.

III. BNY Mellon and the Financial Crisis

Looking back at the financial crisis of a decade ago, BNY Mellon understood then—and it understands now—the gravity of the situation our economy faced. We believe that the capital investments and other efforts undertaken by Congress, the Department of the Treasury, and the Federal Reserve greatly helped to stabilize markets and allowed us to do more than we otherwise could have to improve fund movements in the financial markets at that time.

We are grateful for the support that we and others received from the United States government and the American people. We all owe you our gratitude and also our resolve to make sure the system is never tested in this way again.

Because of our business model, BNY Mellon was not involved with the underwriting of subprime loans or the structuring of complex investments that contributed to the financial crisis. BNY Mellon had a strong capital position throughout the crisis. In October 2018, when the Treasury allocated three billion dollars in capital investment to us under the Capital Purchase Program ("CPP"), we agreed to participate.[1] We did so because we understood the goal of having a range of institutions participate in the program, including relatively healthy ones like BNY Mellon. The Treasury's investment in our bank allowed us to add liquidity to the markets. It also promoted confidence in the overall financial system.

Apart from receipt of this investment from the federal government, BNY Mellon also played an important role in assisting the Department of the Treasury with managing the crisis. BNY Mellon was appointed as the main custodian of the Troubled Asset Relief Program ("TARP") and aided in administering various TARP efforts. Specifically, BNY Mellon provided custodial, accounting, auction management, and other support services. We also maintained the account of record for the TARP portfolio, provided pricing and asset valuation services, and tracked asset attributes, as required by TARP's authorizing legislation.

In 2009, BNY Mellon repaid in full the three billion dollars it received from the federal government under the CPP. It also paid $231 million in dividends and warrant repurchases, which reflected revenue to the government and resulted in a return on investment for taxpayers. I am proud that we were among the first to repay funds received from the CPP.

In the years since the crisis, BNY Mellon has supported the significant global regulatory reforms that have been implemented. We believe that the global financial system is stronger today as a result of these safeguards, and we look forward to continuing to work with Congress and our regulators to ensure the continued stability of our industry and the nation's economy.

I can say with confidence that BNY Mellon is an even more resilient organization than it was a decade ago. Following the crisis, we developed more transparent and proactive relationships with our regulators, and we have strengthened our risk practices. We appreciate that our success depends on careful planning, prudent decision making, and ensuring sufficient protections are in place.

That is why we maintain a robust compliance and ethics program. Our Compliance and Ethics oversight function operates independently within BNY Mellon, reporting to the Chief Risk Officer and subject to the direct oversight of our Board of Directors. It is responsible primarily for helping to ensure the company's businesses maintain appropriate processes to comply with all applicable laws, regulations, company policies, and ethical norms. Many Compliance and Ethics processes have been added and significantly enhanced since the merger that created BNY Mellon in 2007. For example, BNY Mellon created the Anti-Corruption Office to provide guidance to businesses on risk mitigation strategies and controls for relevant business activities.

[1] The CPP was one of the five component programs of the Troubled Asset Relief Program, which was originally authorized by Congress in the Emergency Economic Stabilization Act of 2008.

BNY Mellon is also committed to its core values and its reputation for integrity and excellence. Building on this reputation for honesty, accountability, and transparency is essential to achieving our goal of making the company a trusted global leader in the financial services industry. We understand that our customers and shareholders expect the company and its employees to conduct business activities not only in full compliance with all laws and regulations, but also in accordance with the highest possible standards of ethical conduct. Accordingly, BNY Mellon maintains an Ethics Office and has developed the resources to support employees in meeting our high ethical standards.

These programs are crucial to our efforts to maintain compliance with all applicable laws and regulations, and we continue to look for ways in which they can be improved. At the same time, we recognize that there have been times when we have fallen short, and we have learned from those experiences. Since the financial crisis, we have been subject to ten public enforcement matters by our federal government regulators involving approximately $320 million in penalties and restitution, the largest of which involved foreign currency exchange rates. These matters include settlements with the Securities and Exchange Commission,[2] the Board of Governors of the Federal Reserve System,[3] and with the Departments of Justice and Labor.[4] In addition to federal actions, we have also entered into settlements with state regulators, including actions relating to the federal actions described here.

Most, if not all, of these matters pre-date my tenure as CEO, but as the leader of our bank, I fully accept the responsibility of ensuring that we learn the lessons of these settlements. There is no excuse for non-compliance with our laws and regulations, and we will respond swiftly and aggressively when we see conduct that does not meet the highest standards expected of all our employees.

IV. BNY Mellon Today

I would now like to provide you with an overview of where BNY Mellon stands today and to address the remaining topics raised in the Committee's letter inviting us to testify.

First and foremost, BNY Mellon is financially sound, and we work each day to make sure that continues. We hold a substantial capital buffer above minimum regulatory requirements, which has increased in quality and quantity over the past decade. We continue to be highly rated by the leading credit agencies, and we are constantly investing in our controls and risk systems.

One area of particular importance is cybersecurity. Given the nature of technology and markets today, cyber threats pose a significant risk to all businesses, and BNY Mellon is taking steps to guard against this hazard. The security of our data is of the utmost importance to our business,

[2] The settlements with the Securities and Exchange Commission include matters relating to trade timing oversight, foreign currency exchange rates, municipal bond disclosure statements, internship hiring, risk-based capital ratio reporting, disclosures, and pre-release American Depositary Receipts.
[3] The settlements with the Board of Governors of the Federal Reserve System include matters relating to collateral calculations for borrowing under the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility, risk-based capital ratio reporting, and the National Flood Insurance Act.
[4] The settlements with the Department of Justice and Department of Labor relate to foreign currency exchange rates.

our clients, and our regulators. To ensure that our data remains protected, we regularly assess, test, and upgrade our cyber defenses to meet the challenges posed by new and evolving threats.

Our cyber program includes controls that are aligned to national and international industry standards such as those promulgated by the National Institute of Standards and Technology and the International Standards Organization. As part of the program, we address multiple objectives, including vulnerability identification, asset protection, threat detection, incident response, and restoration of services.

Our Chief Information Security Officer regularly briefs me, our senior executives, and our Board of Directors on cybersecurity issues, and our teams conduct internal cybersecurity and resiliency exercises based on various scenarios to help raise preparedness, evaluate resiliency, assess communication protocols, and test alternative procedures in the event of a hypothetical adverse event.

BNY Mellon is not only making significant investments in technology and cyber-preparedness, we are also investing heavily in our most important asset, our employees. We value all of our employees, and our goal is to pay compensation that allows us to retain the best in the business at every level. Accordingly, we prioritize offering compensation that is competitive in the current market. For example, BNY Mellon recently invested benefits it received from changes in tax policy into our workforce by raising all employees' salaries to at least $15 per hour. When we benefit, we want our employees to benefit as well. We recognize that our success in recent years is, in no small part, tied to the success of the American economy as a whole.

BNY Mellon does not use forced arbitration agreements in our employment contracts or, for that matter, with investors or consumers.

The 2018 base pay of the median U.S. employee at BNY Mellon was $79,833. My total compensation is set by our Board of Directors. For 2018, my compensation was $18.03 million, three-quarters of which is deferred to ensure alignment with the long-term interests of the company.

BNY Mellon has a forfeiture and recoupment ("clawback") policy administered by the Human Resources and Compensation Committee of our Board. It applies to equity and cash awards granted to all of our employees, including our senior executives. This policy allows for the cancellation of all or any portion of unvested awards and the requirement to repay any shares of our stock or amounts acquired from the award in certain situations.

We also continue to make diversity a priority. We are proud of our diverse workforce's ability to deliver creative insights and solutions that lead to our continued success, and we believe that building a vibrant culture of inclusion creates a stronger, smarter, and more successful company. Diversity goals are also a factor by which we measure the performance and compensation of each of our executive committee members, including my own.

We aspire to be a top employer of the best talent. For us, being a top employer means creating the conditions to allow people to succeed, to challenge and enable them to do their best work, to value their unique perspectives and diverse backgrounds, and to empower them to thrive on a global stage. We strive to support all of our employees—regardless of age, race, gender, color, national origin, sexual orientation, sexual identity, or disability—with robust, relevant programs that ensure everyone has an equal opportunity to excel.

Diversifying senior leadership is a priority in our global diversity and inclusion strategy. This requires diverse talent pipelines at every level of BNY Mellon, from our employees and new hires, through our executive and senior leadership team, to our Board of Directors.

We set workforce representation goals to improve the diversity of our employee population, and we hold executive committee members and hiring managers accountable for achieving this improvement. Diversity and inclusion are embedded in our hiring processes and initiatives across the talent lifecycle, from recruitment and development to retention and advancement. We require diverse candidate slates, support diverse succession benches, and invest in creating more advancement opportunities for top diverse talent.

Assuming the election of all director nominees at this year's annual meeting, 50 percent of our Board of Directors will be diverse members. In 2018, women represented 41 percent of our total global workforce and 45 percent of our workforce in the United States. Women currently make up 28 percent of our executive leadership, 28 percent of our senior leadership (*i.e.,* director level and above) and 35 percent of our mid-level leadership (*i.e.*, vice president levels). Ethnic and racial diversity has also improved over the past two years. In 2018, our employees in the United States were 34 percent ethnically or racially diverse, up from 32 percent in 2016. And new hires were 42 percent ethnically or racially diverse. While we are making progress, we recognize that there is still more work to do.

We are also dedicated to fostering diversity among our external partners. We regularly work with diverse underwriters, including those that are female- and minority-owned. Indeed, we have doubled our spending with diverse suppliers over the past three years. In 2019, we are implementing a strategic supplier diversity program that will focus on further expanding our network of diverse suppliers and increasing our investments with them.

Additionally, we understand the importance of serving our community, and we have made significant investments in New York City, including financing the construction and preservation of approximately 5,700 affordable housing units. These types of projects coordinate funding sources from the public, private, and nonprofit sectors and leverage BNY Mellon's capabilities in navigating complex transactions. They include: a $200 million project in River Park for low-income and affordable housing; a $143 million Compass project focused on creating new affordable housing without gentrification; and a $100 million project focused on low-to-moderate income borrowers.

We are also proud of our philanthropic efforts, which include $120 million in contributions from our institution and our employees in the past three years.

V. Conclusion

At BNY Mellon, we recognize that we play an important role in our nation's financial infrastructure, and we do not take that responsibility lightly. We remain committed to retaining your trust as well as that of our regulators and the American public. Again, thank you for the opportunity to testify today. I look forward to answering your questions.

Testimony of David M. Solomon
Chairman and Chief Executive Officer of Goldman Sachs
Before the U.S. House of Representatives
Committee on Financial Services

Chairwoman Waters, Ranking Member McHenry, and members of the Committee, I appreciate the opportunity to discuss the changes our firm and the industry have put in place in the ten years since the financial crisis. As you may know, I am only months into my tenure as CEO and Chairman of Goldman Sachs, and I believe it is a core responsibility to engage with Congress and particularly this Committee on issues related to our industry and the broader economy.

Overview of Goldman Sachs

Goldman Sachs is a New York based global investment banking, securities and investment management firm with a relatively small and recently established but growing retail consumer banking arm. Our clients include pension plans and retirement funds, endowments and foundations, large and small businesses, state and local governments, start-ups, and high net worth individuals and retail consumers. This year marks the 150th anniversary of Goldman Sachs, and over the course of our history we have evolved considerably from a small enterprise to a global institution.

At Goldman Sachs, we direct people, capital and ideas on behalf of our clients to help them reach their goals. Specifically, as an investment bank, we advise companies on raising capital including by taking companies public, managing risks, and seeing opportunities for them to innovate and grow. We also help local and state governments finance their operations so they can invest in infrastructure (such as schools, hospitals and roads). As a market maker, we transact for our institutional clients in all key financial markets (including equities, bonds, currencies and commodities) so that capital flows, jobs are created and economies are strengthened. We help ensure markets are liquid and efficient to allow investors and companies to meet their needs, whether to invest, raise money, or manage risk. As an investment manager, we preserve and increase assets for institutions, including mutual funds, pension funds and foundations, as well as high net worth individuals.

We recently launched a retail banking franchise that while relatively small has been recognized for its consumer centric approach. However, compared to peers, we do not currently participate to a significant degree in broad-based retail or custody banking, or provide a full range of payment services, though pursuing new growth opportunities in these business areas is a strategic priority for the firm.

As of December 2018, we had 36,600 employees, with 54% based in the Americas. We have offices in over 30 cities in the United States and offices in over 30 countries around the world. GS Bank USA's principal office is located in New York City. The Bank operates two domestic branches, which are located in Salt Lake City, Utah and Draper, Utah. The Bank also has a foreign branch in London.

Reforms Since the Financial Crisis

The financial crisis was an incredibly difficult period for our country and our firm. We are grateful to Congress and the federal government for helping stabilize the economy through the Troubled Asset Relief Program (TARP). We held the government's $10 billion investment in Goldman Sachs for approximately 8 months and repaid it in full, along with a 23% return for taxpayers.

As a result of Dodd Frank, Basel capital and liquidity and other market reforms, today the U.S. financial system is substantially safer and more resilient against failure or disruptions in critical services, and the largest financial institutions are more resolvable under stressed conditions without threatening the financial system or needing any government capital support. Financial institutions have significantly more capital and usable total loss-absorbing capacity (TLAC). They have also reduced the percentage of their liabilities that consist of short-term wholesale funding and other runnable liabilities, while at the same time significantly increasing the percentage of their assets consisting of cash and other high quality liquid assets. At Goldman Sachs, since the end of 2007:

- Our common equity has doubled in absolute terms (from $40 billion to $79 billion); as of 4Q18, our common equity tier 1 ratio exceeded 13% under both the Standardized and Advanced approaches
- Our gross leverage has decreased by 61% (26.2x to 10.3x)
- Our TLAC (i.e., loss-absorbing long-term debt and equity instruments) was 45.7% of our risk-weighted assets as of 4Q18, exceeding our January 2019 minimum requirement of 22.0%
- Our liquidity pool has more than tripled in absolute terms (from $64 billion to $233 billion) and increased roughly 5x as a percentage of our total assets (from 5% to 26%)
- Our deposit funding has increased nearly tenfold (from $15 billion to $158 billion)
- Our Level 3 assets, which are illiquid, have decreased by more than 50% (they were only 2.4% of our balance sheet as of 4Q18)

Additionally, the percentage of our total revenues generated within our Institutional Client Services segment, where we report our market-making revenues, has declined from 53% in 2012 to 37% in 2018. In 2018 our Investment Banking, Investing & Lending, and Investment Management segments each contributed between 19 and 23% of our total revenues, demonstrating the diversified nature of our franchise.

Dodd Frank has undoubtedly made the system safer. Because of the substantial progress in adapting to this regulatory environment, we are confident that we would withstand a very substantial market shock, and the Federal Reserve's rigorous stress tests affirm that. The U.S. has the most stringent stress testing regime in the world. Stress tests are one of many reforms that our firm and our industry have implemented and support with respect to critical areas such as capital, liquidity and risk management. Additionally, and consistent with Dodd-Frank's resolution plan requirements, we believe that we could be resolved without threatening the U.S. financial system or needing government support despite our substantially greater resilience against failure.

Reduced Complexity

Since 2009, we have devoted substantial resources across the firm to not only improve the resilience and resolvability of Goldman Sachs, but also to reduce complexity in our structure and make our firm more efficient. We have taken several key initiatives since the crisis that have reduced our complexity:

- We reduced the total number of our legal entities by over 20% (from ~1,700 entities in 2010 to ~1,350 entities as of 4Q2018)
- We sold several non-core businesses and activities including:
    - our Americas reinsurance and European insurance businesses
    - our hedge fund administration business
    - our electronic trade management platform
    - our mortgage servicing business
    - our investments in several commodities-related businesses that hold physical commodities, including a metals warehouse, a coal extraction facility and power generation plants
- We sold our investment in the Industrial and Commercial Bank of China
- Pursuant to Volcker Rule requirements, and before the final rule went into effect, we exited all of our proprietary trading businesses

Moreover, in accordance with good risk management practices as well as the spirit of Dodd-Frank's Section 165 resolution plan requirements, when we have sought to enter new businesses or make an acquisition, we subject all decisions to our New Activities Committee, as well as other processes to ensure that the new business or acquisition would be properly capitalized, have sufficient funding support and would not unduly impede our resolution plan.

Enhancements to Business Standards and Practices

In addition to the significant reforms ushered in by Dodd Frank, we decided to make a number of other important enhancements as it relates to our business standards and practices. In 2010, we undertook a three-year review of the firm's business standards and practices, the most extensive review in the firm's 150-year history. The effort was led by a team of approximately 450 partners and 1,900 managing directors. It represented tens of thousands of hours of discussion, analysis, planning, execution, and, importantly, training and professional development which, alone, totaled approximately 100,000 hours. Ultimately, we implemented recommendations in six critical areas:

1. Client relationships and responsibilities
2. Conflicts of interest
3. Structured products
4. Transparency and disclosure
5. Committee governance
6. Training and professional development

While we have long prioritized a strong, independent, well-resourced global compliance and control function, we continue to make investments to make our compliance program even stronger. For example, since 2009, we significantly increased the number of our global Compliance professionals across the firm by 141% and we continue to look for efficiency through the use of various means, including compliance technology.

The changes we made are part of a much larger, ongoing commitment by our firm to strengthen the institution to withstand times of crisis, while continuing to be self-aware, to learn the right lessons from our experiences, and to operate with the utmost integrity in all our activities. We know we must meet the high expectations of our clients, shareholders, employees, regulators, and Congress as well as the broader public.

Consumer Finance Business: Marcus by Goldman Sachs

As it relates to our business strategy since the financial crisis, Goldman Sachs recently entered the consumer financial services market. In 2016, we launched our digital consumer platform called Marcus by Goldman Sachs because we saw an opportunity to serve consumers through consumer-centric products that are simple and transparent. We set out to build our consumer business from a clean sheet of paper. In designing Marcus, we spoke with more than 10,000 people across the country to understand their banking needs. Value, simplicity and transparency are at the core of our consumer products, which is based on this feedback.

Marcus offers online savings accounts and certificates of deposits. Because we are not operating with an expensive branch infrastructure, we are able to offer simple products with attractive rates when compared to other traditional banks. For example, our U.S. savings account offers a current Annual Percentage Yield of 2.25% with no minimum balance and no fees including no monthly fees, no transaction fees and no overdraft fees.

Marcus also provides no-fee, fixed rate personal loans that provide consumers an alternative to borrowing on credit cards. These loans range from $3,500 to $40,000 and are generally used to consolidate higher-interest rate debt but can also be used as an alternative to credit cards or other higher rate debt for a broad range of purposes such as home improvements or special occasions. Also, because we fund our personal loans from our own balance sheet, we can provide more flexibility to consumers, allowing them to select from various monthly payment and loan length options.

Marcus also provides personal financial management tools through its Clarity Money App. Clarity Money is available for free to all consumers and is designed to provide consumers with the opportunity to view their accounts across financial institutions in one place allowing them to understand the full picture of their financial situation, from paying down bills to managing debt.

As of the end of 2018, we had more than 3 million customers across our loans, deposits and personal financial management products, and we attracted $35 billion of deposits in the U.S. and UK, which is an important component of diversifying our funding.

In addition, we are currently partnering with Apple on a credit card (the Apple Card). The product is currently in development and testing phase. We expect that it will be available to consumers this summer. Similar to our other Marcus products, the Apple Card is meant to be simple, transparent, secure and on the side of the customer.

Investing in Underserved Communities through the GS Urban Investment Group

In line with our firm's broader efforts to drive economic growth for and alongside our clients, Goldman Sachs has committed approximately $7.8 billion through our Urban Investment Group (UIG) to benefit underserved people and places. Since UIG was founded in 2001, it has invested in over 350 projects across the country, including in New York City, Newark, New

Orleans, Detroit and Salt Lake City, bringing affordable housing, quality schools, new jobs, and growth capital for small businesses to neighborhoods in need. Approximately 80% of UIG's investments are located in or serve minority communities.

Overall, UIG's investments have facilitated the creation and preservation of more than 31,000 housing units – the majority of which are affordable to low, moderate, and middle-income families – as well more than 2,200,000 square feet of community facility space and more than 9,600,000 square feet of commercial, retail and industrial space.

For example, through our UIG, Goldman Sachs has:

- Financed one of the largest redevelopment projects in the United States, transforming 177 acres once home to railway yards and coal dumps in South Baltimore into a large mixed-use transformative development that will create approximately 80,000 new jobs, 14 million square feet of new, mixed-use buildings, and public infrastructure that includes 2.5 miles of restored waterfront and more than 40 acres of public green space. To ensure this project will be an asset for the surrounding community, project partners held extensive discussions with more than 180 stakeholders from the local community and entered into a Memorandum of Understanding with the City of Baltimore
- Financed the acquisition and pre-development of an underutilized site in Jamaica, Queens to be created into a $425 million development of a mixed-use, mixed-income community, including 650 affordable housing units and 18,000 square feet of community facilities space
- Led the recapitalization and was the lead investor to stabilize the largest black-owned bank in the United States, Carver Federal Savings Bank, allowing it to continue its critical role as one of the only capital providers in low income neighborhoods throughout New York City
- Financed the development or renovation of K-12 school facilities, which annually serve nearly 9,000 students, the majority of whom quality for free or reduced lunch. GS-financed schools are located in Brooklyn, Camden, Harlem, Los Angeles, Newark, New Orleans, and Salt Lake City. Many of the schools financed also provide services to the surrounding community, including healthy cooking and dieting classes and affordable summer youth programming

While UIG's loans and investments contribute to Goldman Sachs Bank USA's Community Reinvestment Act (CRA) performance – we've received three consecutive Outstanding CRA ratings (the highest possible) from the Federal Reserve since we became a bank holding company – we view this work as more than a compliance obligation. We started investing in underserved areas in 2001, well before we had a regulatory obligation to do so, because we strongly believed it made sense to invest in areas that others had overlooked and deploy our capital to make a real difference in these communities.

The firm has significantly increased its investing in underserved neighborhoods since the financial crisis. Between 2001 and 2008, the UIG invested approximately $341 million. Since then, UIG has invested over $7 billion, and is now investing over $1 billion annually. Before the financial crisis, our single largest community development investment was $32 million; since the crisis, it is nearly $500 million.

Goldman Sachs Impact on Society and Our Communities: Launch With GS, 10,000 Women, 10,000 Small Businesses and GS Gives

Last year, we announced Launch With GS, a $500 million commitment to invest in women-led companies and investment managers. Through this effort, we are harnessing our deep investment expertise to narrow the gender investing gap in three ways: committing firm capital in women-founded, owned or led businesses, directing client capital to invest in women-centered investing firms, and creating an ecosystem to help build future investment opportunities. We recently announced our first $100 million of investments have been made in women-led companies through this program. These companies are transforming healthcare, revolutionizing entertainment, delivering personal care essentials and democratizing big data. Looking ahead, we will expand our Launch with GS initiative to include businesses founded, owned or led by people of color.

A dedication to service and a commitment to using our expertise and convening power to help address broader issues has long been a core element of our culture. Over the course of many years, we have developed innovative and meaningful philanthropic programs that have improved business education and provided access to capital for thousands of women entrepreneurs and small businesses. In the last ten years, we have committed more than $2.5 billion to initiatives that provide more access to capital, training and broader community support.

Since the launch of our 10,000 Women initiative in 2008, we have invested over $150 million to help women entrepreneurs across 56 countries, providing practical business education, mentoring, networking and access to capital. Most recently, we have democratized access to business education on a global scale through the introduction of online business education courses.

Through our 10,000 Small Businesses program, launched in 2010, we have committed $500 million to provide education by partnering with community colleges, business support services, and greater access to capital to thousands of small businesses across all 50 states, Puerto Rico and DC. To date, we have graduated 8,200 small business owners, with 78% of graduates reporting revenue increases and 57% adding jobs within 30 months of graduation. I am particularly proud that Goldman Sachs is one of the largest private contributors to community colleges in the United States.

As a key element of the firm's overall impact investing platform, we established in 2007 our GS Gives program to coordinate, facilitate and encourage global philanthropy by our most senior leaders – partners. Since its inception, GS Gives has made more than $1.9 billion in grants and partnered with 6,000 non-profit organizations in 90 countries around the world. In 2018, GS Gives granted over $154 million to over 2,300 non-profit organizations.

GS Gives underscores our commitment to philanthropy through diversified and impactful giving, harnessing the collaborative spirit of the firm's partnership, while also inspiring our firm's next generation of philanthropists. Each year we ask our partners to make recommendations of non-profit organizations to receive grants from the firm's contributions to GS Gives. These organizations must be consistent with GS Gives' mission of fostering innovative ideas, solving economic and social issues, and enabling progress in underserved communities globally.

Diversity

Diversity is one issue that is central to our broader ability to compete. Since becoming CEO, I have been vocal about the importance of advancing our firm's diversity, including with respect to gender, race, sexual orientation, gender identity, veterans and disability or whatever contributes to who we are. Effectively serving a broad and diverse set of clients means having an appreciation and understanding of their different experiences, interests and values, and we are committed to building a team capable of that critical work. I believe a core part of my tenure as CEO will be defined by our progress on this front. I believe that we should have a company that looks like the regions and communities where our clients do business.

Board Diversity

At the top of our organization, we have made progress in recent years and have more diverse representation on our Board of Directors. To most effectively carry out its duties, we believe that the composition of our Board must reflect an appropriate diversity – broadly defined – of demographics, viewpoints, experiences and expertise. We have been, and will continue to be, committed to diversity on our Board, and in recent years, have maintained a particular focus in our director searches on diverse candidates. Our Governance Committee considers a number of demographics and other factors, including race, gender, ethnicity, sexual orientation, culture, nationality and work experiences (including military service), seeking to develop a Board that, as a whole, reflects diverse viewpoints, backgrounds, skills, experiences and expertise.

The last three people to join our Board as directors have been women: Dr. Drew Faust, Vice Admiral Jan Tighe (Ret. U.S. Navy) and Ellen Kullman. Our Board currently consists of 13 directors, with 2 directors retiring on the eve of our May 2 annual meeting. Of our 11 continuing directors, based on self-identified characteristics, our Board includes: four directors who are women, our Lead Director who is black, one director who is of Indian descent, one director with career service in the military and three directors who are non-U.S. or dual citizens. Three of our Board leadership roles are filled by directors that are diverse by race or gender (our Lead Director/Governance Committee Chair, Compensation Committee Chair and incoming Public Responsibilities Committee Chair). Overall, our Board is 54% diverse by race, gender or sexual orientation.

Diversity of Senior Leaders

Having a diverse Board is not enough to achieve where we want to be on our diversity efforts. Our most recent partner class had the highest percentage of women and black partners in our history. We also added three women to our Management Committee since I became CEO, bringing the total on the Committee to seven women. However, more work needs to be done to enhance the diversity of our senior leaders across the firm, and we are working to improve these efforts.

Recent Diversity Initiatives

When I became CEO, we created a Global Diversity Committee (with some of our most senior leaders) to specifically focus on developing and promoting diverse business leaders and developing better recruiting strategies for diverse candidates. We recently announced a new set of goals so that we continue to improve our diversity efforts across the firm. The fundamental task is to build our diverse pipeline from analyst to partner – that is the work that leadership at the firm has been focused on and where we still need to do better.

We are undertaking new initiatives aimed at increasing the representation of diverse communities at all levels across the firm. This includes increasing the representation of our analyst and entry-level associate new joiners — which represents more than 70% of our annual hiring — to 50% women, 11% Black professionals and 14% Hispanic/Latino professionals in the Americas. We have already started to make progress. We hired an exceptional campus analyst class this year and achieved a significant increase in the representation of women globally, black professionals in the Americas, and Hispanic/Latino professionals in the Americas. We are also exploring new ways to increase representation of the LGBT, disabled and veterans communities.

Additionally, to increase the representation of all diverse communities across all levels at the firm, we are requiring businesses to interview two or more qualified diverse candidates for each open role. We will hold senior managers in each business group accountable in advancing these goals, particularly as an important part of pay and promotion decisions, including by tying compensation awards to efforts made to meet these goals.

Additionally, we have a range of initiatives in place to increase diverse representation at all levels while fostering inclusion:

- Recruiting the best, most diverse talent by leveraging technology and engaging with new media outlets to search for people in new ways. Our aim is to engage with the broadest possible range of candidates, including pipeline programs designed to attract people who might never otherwise look to pursue a career in financial services
- We now use video interviews for all first-round interactions with candidates, which allows any candidate for any school (including community colleges) to apply. In 2015 we interviewed students from 798 schools around the world, compared with 1,268 for our most recent incoming class
- In the United States, where historically the majority of our student hires came from target schools, the opposite is now true: More students are hired from "non-target" schools.
- Building and sustaining an inclusive work environment requires building a common language, skills and accountability. Our diversity and inclusion curriculum includes offerings that increase awareness of the diverse backgrounds and experiences of our people. Most recently, we launched Identity Matters: Race & Ethnicity in the Workplace, a classroom curriculum which addresses inclusion barriers with a focus on race and ethnicity
- Enhancing the experience of our diverse professionals at every phase of their career, in all the regions where we do business. Examples include our Women VP Sponsor Programs, which support our highest performing Vice Presidents to assume larger

leadership roles, and our Asian Talent Initiative, which resulted in noticeable increased promotion rates for our Asian professionals

In 2018, we enhanced our efforts to recruit top, diverse talent by introducing several new programs and extending proven programs. We launched our inaugural Hispanic/Latino Leadership Summit to enhance connectivity with Hispanic/Latino students, particularly those attending Hispanic-Serving Institutions. The Summit featured career workshops, skills training, networking and on-site interviews for participants.

In addition, we expanded our efforts to source black talent from Historically Black Colleges and Universities (HBCUs). We now recruit black talent through on-campus and marketing efforts from the more than 100 HBCUs all across this country. We are proud that we were the first company across the industry to host a three-day summit at our firm exclusively for HBCU students (in 2017 and again in 2018). In 2018, in addition to skills-building workshops and networking, more than 100 students from 35 HBCUs were ultimately selected to attend our three-day summit and interview for analyst positions at the firm, resulting in our hiring of over 20 interns and new analysts from HBCUs.

Fundamental change takes time. We want to think creatively and take the right measures to embed a more diverse workforce across every facet of diversity; otherwise, we put in jeopardy our relevance to our clients and the markets we serve.

Promoting the Use of Diverse Contractors and Vendors

In 2018, we reaffirmed our commitment to our vendor diversity and inclusion strategy through our Vendor Diversity Program, which began in 2000 and seeks to drive opportunities with small and minority business owners. We continue to discover and partner with exceptional businesses through the program in our efforts to achieve a supply chain that reflects the diversity of our people and clients. For example, in New York, we spent more than $300 million with minority- and women-owned businesses while constructing our global headquarters, which was the most successful project in the history of New York State's Minority- and Women-Owned Business Enterprise Program at the time.

The Vendor Diversity Program is paramount to Goldman Sachs for three reasons: One, it helps us provide the best possible solutions to clients by bringing talented, experienced professionals into our network. Two, it drives growth opportunities for these businesses. And third, it is a chance for us to break down barriers that still exist for minority business owners – and that is critical for a healthy society. However, we believe we can always do better, and we have set

2020 targets accordingly, including reporting our business with diverse vendors, and increasing that business by 50% from our 2020 baseline.

Use of Diverse Asset Managers

Our asset management division works with over 20 external asset managers that are majority women-owned or ethnically diverse-owned firms. These firms manage equity, fixed income, hedge fund and private equity assets for Goldman Sachs institutional and private clients. In addition, the Goldman Sachs external manager selection team has begun to pilot a diversity due diligence questionnaire which asks its overall population of managers for data and information on each firm's diversity and inclusion metrics and practices.

Moreover, in 2018, our asset management group repositioned one of our Government money market funds to effect greater diversity and inclusion. Through our GS Financial Square Federal Instruments Fund, we are seeking to include firms that are women, minority and veteran owned broker-dealers in our trading partners. Disclosures will be added to the monthly fact sheet to allow investors to track how much of the fund's trading volume is being executed via women, minority and veteran owned broker-dealers. In the last year, approximately 65% of the fund's purchase transactions were placed with diverse-owned broker-dealers. The fund is approximately $1 billion and we hope to expand it significantly in the coming years.

Use of Diverse Broker-Dealers

Goldman Sachs is one of the largest issuers of corporate bonds in the investment grade capital markets. In the last 10 years, we have employed a range of diverse firms on every new USD benchmark financing we have issued for ourselves, representing $149 billion of aggregate issuance. We have endeavored to be inclusive across all diverse firm types with strong representation from Black, Hispanic, disabled veteran and women owned and operated firms.

The majority of these transactions have included four diverse firms, with some including as many as 12. Over this period, we have asked 22 different diverse firms to join our underwriting syndicate. We are proud to support these firms and their underwriting and distribution businesses. We manage our relationships with diverse firms on a continuous basis and regularly review our partner firms based on numerous criteria, including the commitment each makes to their community, the proportion of their staff that is representative of their demographic, and their distribution abilities.

Sustainability

We are a financial institution, operating in global markets, with a global client base — and we have a real opportunity to lead by example in how we run our organization, and to drive sustainable outcomes for our clients and for our communities.

That is why I am proud of our established track record of focusing on environmental matters. In fact, we were the first major U.S. bank to come forward in 2005 with a comprehensive Environmental Policy Framework, where we acknowledged the scientific consensus that climate change is real and that it is one of the most significant environmental challenges of the 21st century. Our Framework includes a plan to support the deployment of renewable energy and the transition to a low-carbon economy. At the end of 2018, we reached $80 billion in our goal to finance or invest $150 billion in clean energy by 2025, and we have a 100% renewables goal to meet our global electricity needs by 2020. These initiatives are very much market driven, good for business and a way for us to help our clients transition to a low carbon future, and we are staying the course.

Going Forward

Looking ahead, we also see tremendous opportunity to deploy our investing capital and expertise around core themes that define the country's success and progress, including the environment, health care, education, and infrastructure among other areas.

In the invitation from Chairwoman Waters to confirm my participation as a witness for this hearing, you asked us to include a discussion of (among the items described above) our approach to cybersecurity and protecting consumer data, our compensation and clawback policies, our arbitration provisions in certain contracts, and enforcement actions.

Cybersecurity

Cybersecurity is one of my top priorities. Like every firm, we face a steady stream of attempted cyberattacks every day, including from highly sophisticated adversaries. Our Board of Directors is equally focused on cybersecurity as a principal risk facing the firm. As a reflection of this commitment, Vice Admiral (ret.) Jan Tighe, formerly Deputy Chief of Naval Operations for Information Warfare, recently joined the Goldman Sachs Board (as described above), and Phil Venables, our former Chief Information Security Officer, recently joined the Goldman Sachs Bank USA Board.

We take very seriously our responsibilities to our customers to secure their financial data and to maintain the services upon which our clients rely. To maintain our customer's trust, we are focused on four main areas.

First, we work together across the financial sector and between government and industry to understand the adversaries who are targeting our institutions. We share information regularly with our industry and government partners to identify new threats and protect our systems from their techniques. Going forward, we continue to encourage even more information sharing between the financial sector and the U.S. Government.

Second, we actively identify and fix vulnerabilities in our network. We recently expanded our bug bounty program to benefit from the specialized expertise possessed by many security researchers to find possible vulnerabilities before potential attackers.

Third, the protection and responsible use of client data is deeply engrained in our culture and nowhere is that more critical and visible than the expansion of our consumer businesses. Our goal is always to consider privacy regulations as a floor rather than a ceiling when implementing privacy protections for customer data.

Fourth, we are focused on ensuring the resiliency and continuity of critical firm functions under all conditions. While it is impossible to prevent all incidents, we conduct regular tests of our business continuity plans and approaches to rapidly restore key systems in the event of a catastrophic event.

But we cannot solve the cybersecurity issue alone, which is why I am encouraged by the FBI and a number of strong regulators across the financial sector that stipulate cybersecurity and other controls to reduce the risk of major incidents. We continue to support the need for harmonization of regulations, domestically and globally, including through use of the Financial Sector Cybersecurity Profile as a common approach to assessing cybersecurity maturity across the industry.

Protecting Data of Goldman Sachs Customers

In addition to our cybersecurity measures, protecting consumer data is a critical priority and it certainly has been a central area of focus for us as we develop Marcus. While Marcus is new, the Firm's focus on protecting client data and confidences is not. In fact, protecting confidential information, such as a consumer's personal financial data, is one of the core principles that we live by at Goldman Sachs. That core principle is deeply wound into our DNA and helps to shape how we think of data protection as a firm.

Compensation Policies

Our Compensation Principles guide our Compensation Committee in its review of compensation for the most senior employees at our firm, including the Committee's determination of the compensation of our executive officers. In general, our Compensation Principles require that the more senior you become at Goldman Sachs, the more your total compensation is tied to the long-term health of the firm. For example, our senior executives across the firm receive the vast majority of their total compensation in the form of deferred equity (approximately 60-70%) that cannot be sold until five years after it is granted, which is tied directly to the long-term health of Goldman Sachs. Ultimately, we have successfully realigned our incentive and risk-taking structure to ensure short-term risk taking is not rewarded.

Our people are paid based on the performance of the firm as a whole, their group's performance and their individual performances (including based on nonfinancial factors such as compliance, teamwork and culture). Moreover, our Compensation Principles, which apply to all of our employees, specifically include:

- Paying for Performance. Firmwide compensation should directly relate to firmwide performance over the cycle
- Encouraging Firmwide Orientation and Culture. Employees should think and act like long-term shareholders, and compensation should reflect the performance of the firm as a whole

- Discouraging Imprudent Risk-Taking. Compensation should be carefully designed to be consistent with the safety and soundness of our firm. Risk profiles must be taken into account in annual performance reviews, and factors like liquidity risk and cost of capital should also be considered
- Attracting and Retaining Talent. Compensation should reward an employee's ability to identify and create value, but the recognition of individual performance should be considered in the context of the competitive market for talent

With respect to gender pay, we believe men and women in similar roles with similar performance should be paid equally, and each year we review pay equity across the firm to ensure that happens. Our previous analysis indicates that women at the firm on average made 99% of what men earned.

In addition to our Compensation Principles, in reviewing compensation for our most senior employees, our Compensation Committee is guided by our Compensation Framework, which more broadly governs the variable compensation process for employees who could expose the firm to material amounts of risk (such as our executive officers).

In addition, the Committee considers the following factors in determining the amount and form of compensation to be awarded to each of our executive officers:

- Stakeholder feedback, including specific feedback received from shareholders and other constituents and the results of our Say on Pay votes
- Chief Risk Officer input and risk management
- Market for talent
- Regulatory considerations

Clawback Provisions

In addition, the firm has a longstanding practice of including robust recapture (or clawback) provisions in compensation awards that, among other things, help ensure appropriate accountability among executives and other employees. This includes potential recapture for conduct that constitutes "cause" or certain "risk" violations. The firm's definition of "cause" is designed to reinforce to the firm's employees the importance of following the firm's policies and procedures and protecting the firm, its reputation and its business interests, by covering a variety of inappropriate conduct, including:

- Conviction in a criminal proceeding on certain misdemeanor charges, or on a felony or an equivalent charge

- Engaging in employment disqualification conduct under applicable law
- Willfully failing to perform his or her duties to the firm
- Violating any securities or commodities laws, rules or regulations of any relevant exchange or association of which the firm is a member
- Violating our policies concerning hedging, pledging or confidential or proprietary information, or materially violating any other of our policies

Beginning with awards granted in respect of the firm's 2009 fiscal year, the firm's incentive compensation award agreements have also included a "risk" provision that may result in the forfeiture of an employee's incentive compensation award if the employee, during the relevant fiscal year, participated in the structuring or marketing of any product or service, or participated on behalf of the firm or any of its clients in the purchase or sale of any security or other property, in any case without appropriately considering the risk to the firm or the broader financial system. Beginning in 2012, we made clear that this provision could, depending on the circumstances, include participation in a supervisory capacity.

The Board and Compensation Committee recently approved a new forfeiture provision in the 2018 year-end equity-based awards granted to our executive officers that provides our Board with the flexibility to reduce the size of the award granted to any executive officer prior to payment and/or forfeit the underlying delivered Shares at Risk if it is later determined that the results of a specified investigation would have impacted year-end compensation decisions for any such executive officer.

Median Compensation

In accordance with SEC rules, we calculated and disclosed the ratio between my 2018 compensation, and the median of the 2018 compensation of all of our other employees. For 2018, this ratio was approximately 151:1.

Arbitration Provisions

A central principle underlying the design and development of our Marcus products and servicing approach for our U.S. consumers is that the consumer is at the center of everything we develop. We believe that we have pro-U.S. consumer arbitration provisions for our Marcus consumers, which balance our simple and transparent Marcus product characteristics with the increased efficiency, cost-savings, flexibility and privacy afforded by arbitration. For example:

- **Consumers may opt out of the arbitration clause completely by calling a toll-free telephone number within 90 days after account opening**

- **We clearly and prominently disclose to each of our Marcus consumers the arbitration clause and their ability to opt out; this language is in all caps on the first page of each Marcus consumer agreement**
- **Consumers may also pursue claims in small claims court rather than in arbitration**
- Our approach is also designed to address a common concern raised regarding small dollar claims by providing that, if the consumer ultimately receives an award greater than our last settlement offer (i.e. last offer made before the arbitrator is selected), we will pay the greater of that amount or $10,000 plus reasonable attorney and expert fees
- We encourage early dispute resolution by encouraging mediation prior to arbitration
- We agree to pay the cost of the mediator
- The consumer may select for his/her arbitration hearing to take place in the judicial district where he/she lives
- Consumers can choose whether they would like to have their arbitration heard before the Judicial Arbitration and Mediation Services, Inc. (JAMS) or American Arbitration Association (AAA). We will pay all fees of JAMS or AAA

In addition to our Marcus agreements, we have employment-related arbitration agreements as a broker dealer through FINRA for employees who carry registrations. We also have arbitration agreements directly between the firm and our employees.

Enforcement Matters Involving Goldman Sachs Group, Goldman Sachs & Co. and Goldman Sachs Bank USA

Based on our internal payment records, Goldman Sachs paid approximately $3.5 billion to state and federal regulators and self-regulatory organizations in connection with potential regulatory actions and approximately $4.2 billion in settlements of civil actions, totaling approximately $7.7 billion over the past 10 years.

Goldman Sachs paid a substantial portion of the $7.7 billion ($3.25 billion) to state and federal regulators/federal agencies in connection with the Mortgage Task Force settlement in 2016 relating to mortgage underwriting activities in 2005 through 2007. We also agreed to provide $1.8 billion in consumer relief to borrowers in the form of debt forgiveness and grants paid to housing organizations as part of that settlement.

***

Thank you for the opportunity to present the changes we've undertaken in the last ten years and I'd be happy to answer any questions you have.

FINANCIAL SERVICES FORUM

The Value and Strength of America's Largest Financial Institutions

April 2019

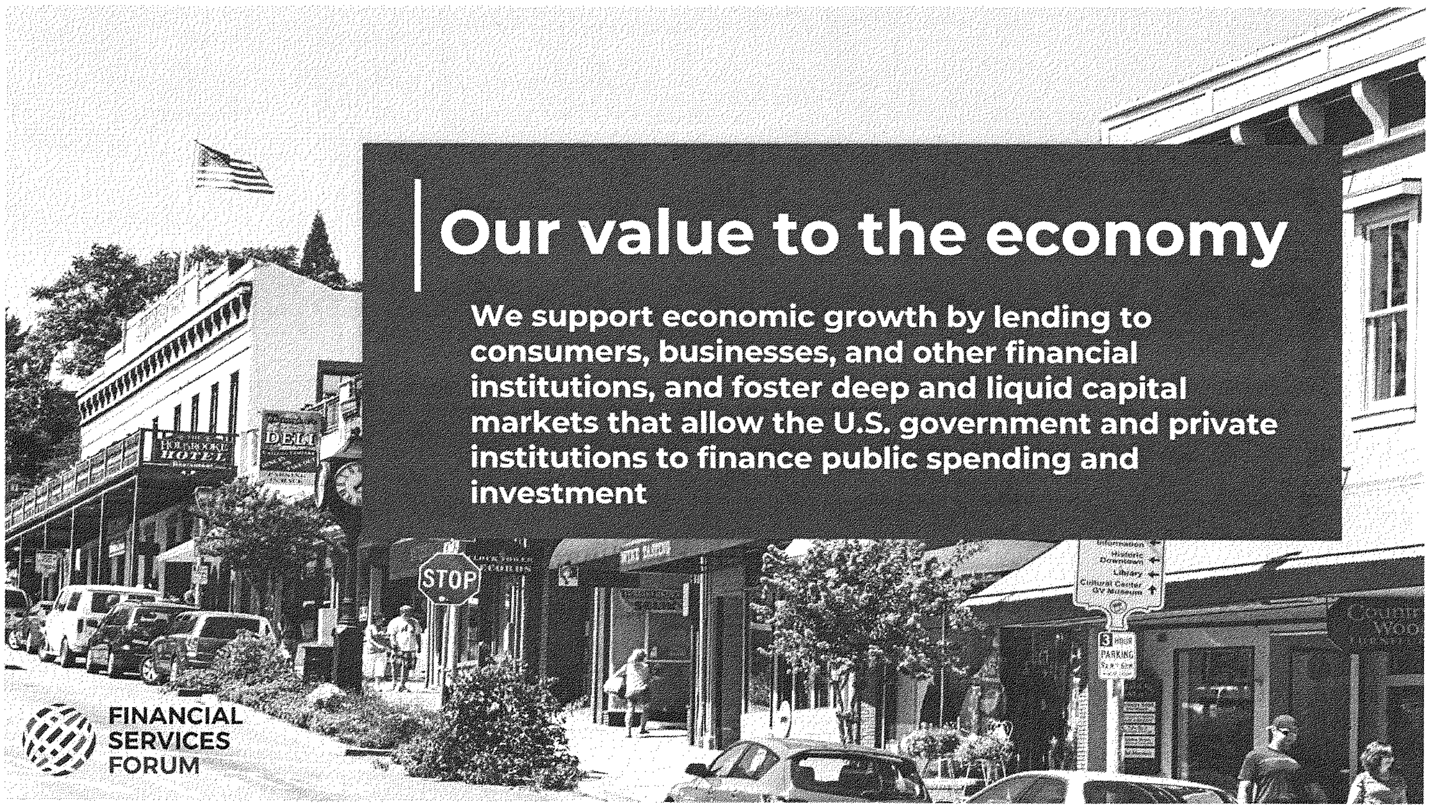
FINANCIAL SERVICES FORUM

About the Financial Services Forum

The Financial Services Forum is an economic policy and advocacy organization whose members are the chief executive officers of the eight largest and most diversified financial institutions headquartered in the United States. Forum member institutions are a primary source of lending and investment in the United States and serve millions of consumers, businesses, investors, and communities throughout the country. The Forum promotes policies that support savings and investment, deep and liquid capital markets, a competitive global marketplace, and a sound financial system.

OUR MEMBERS

Bank of America
BNY MELLON
citi
Goldman Sachs
JPMorgan Chase & Co.
Morgan Stanley
State Street
WELLS FARGO


Our value to the economy
We support economic growth by lending to consumers, businesses, and other financial institutions, and foster deep and liquid capital markets that allow the U.S. government and private institutions to finance public spending and investment
FINANCIAL SERVICES FORUM
STOP
DELI
HOTEL

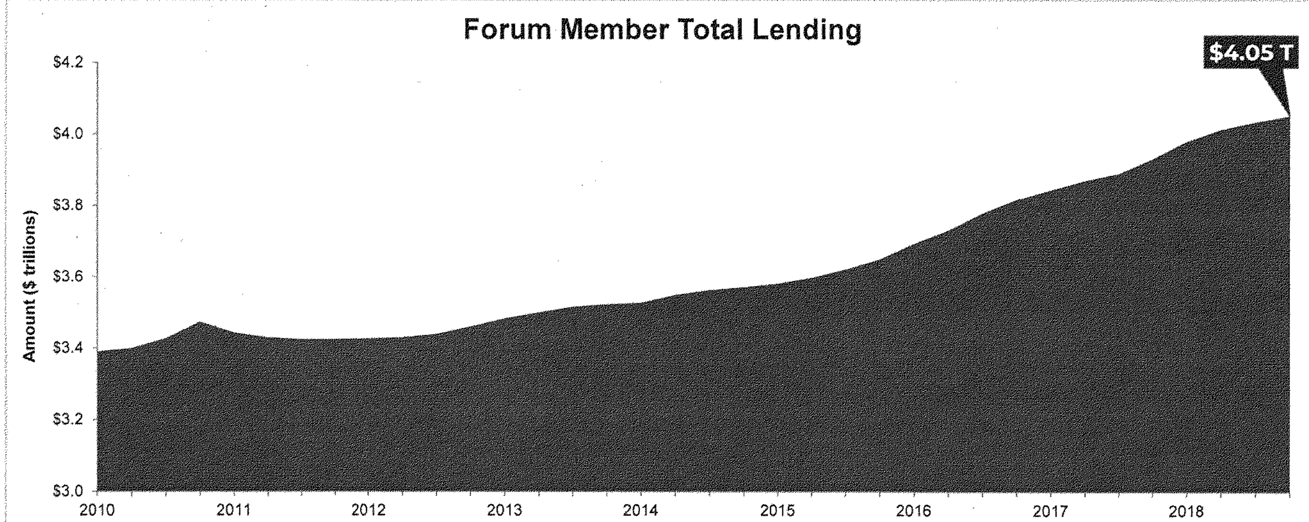
4

Supporting Savings and Investment Through Lending

FINANCIAL SERVICES FORUM

Total Lending

Forum members hold **nearly $4.1 trillion in loans**, accounting for **42.5 percent of total lending** by banks to businesses and households.

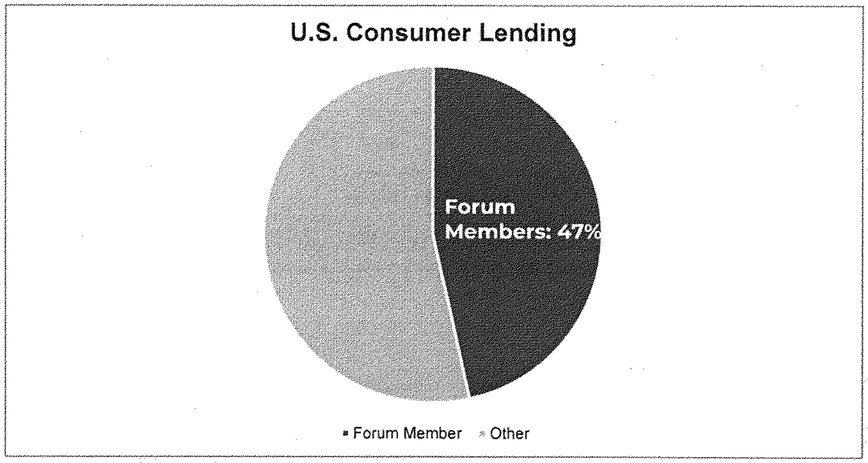


Sources: Federal Reserve data, Assets and Liabilities of Commercial Banks in the United States – H.8, available at https://www.federalreserve.gov/releases/h8/default.htm; FR Y-9C data, available at https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx
Note: Chart represents a rolling, previous four quarter average of data

FINANCIAL SERVICES FORUM

Lending to Consumers

Forum members provide $710.2 billion in consumer loans, accounting for nearly half of all consumer loans by banks in the United States. Consumer lending supports loans for a variety of household needs, such as the purchase of a car or furnishing a new home.

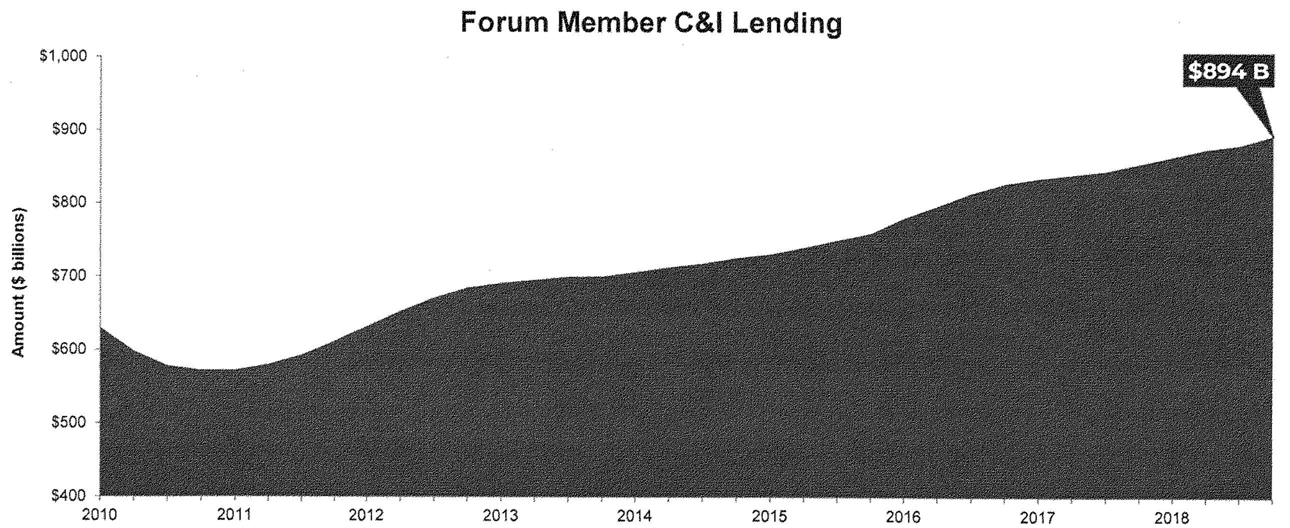


Sources: Federal Reserve data, Assets and Liabilities of Commercial Banks in the United States – H.8, available at https://www.federalreserve.gov/releases/h8/default.htm; FR Y-9C data, available at https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx
Note: FASB Statements 166 and 167 resulted in the consolidation of large amounts of securitized loan balances back onto banks' balance sheets in the first quarter of 2010. Although the total amount consolidated cannot be precisely quantified, the industry would have reported a decline in loan balances for the quarter absent this change in accounting standards; Consumer lending defined as credit cards, other revolving credit plans, automobile loans, and other personal loans held for trading

FINANCIAL SERVICES FORUM

Commercial and Industrial (C&I) Lending

We have increased C&I lending in each of the past eight years, accounting for **40 percent of total C&I lending by banks** in the market, helping businesses grow and contribute to the economy.



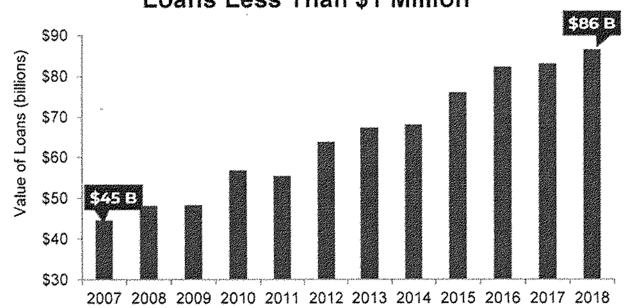
Sources: Federal Reserve data, Assets and Liabilities of Commercial Banks in the United States – H.8, available at https://www.federalreserve.gov/releases/h8/default.htm; FR Y-9C data, available at https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx
Note: Chart represents a rolling, previous four quarter average of data

FINANCIAL SERVICES FORUM

Small Business Lending

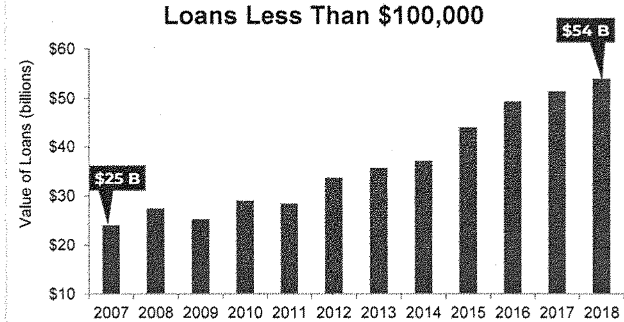
We are a major source of lending to small businesses, helping the economy grow at both a community and national level. Forum members hold **$86 billion in small business loans**.

Forum Member Amount of Outstanding Loans Less Than $1 Million



- For example, we provide $86 billion in business loans less than $1 million, representing one-quarter of all such loans by banks to small businesses

Forum Member Amount of Outstanding Loans Less Than $100,000



- We also provide $54 billion in business loans less than $100,000, representing a third of all such loans by banks to small businesses

Sources: Federal Reserve data, Assets and Liabilities of Commercial Banks in the United States – H.8, available at https://www.federalreserve.gov/releases/h8/default.htm; FR Y-9C data, available at https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx

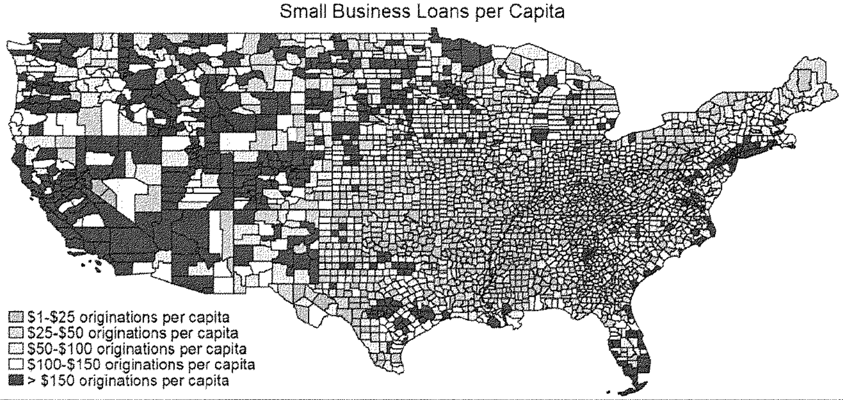
FINANCIAL SERVICES FORUM

Forum members lend to small businesses across the United States

Forum member small business lending supports entrepreneurship across the nation and in a wide array of communities.

Forum Member Small Business Lending

Small Business Loans per Capita



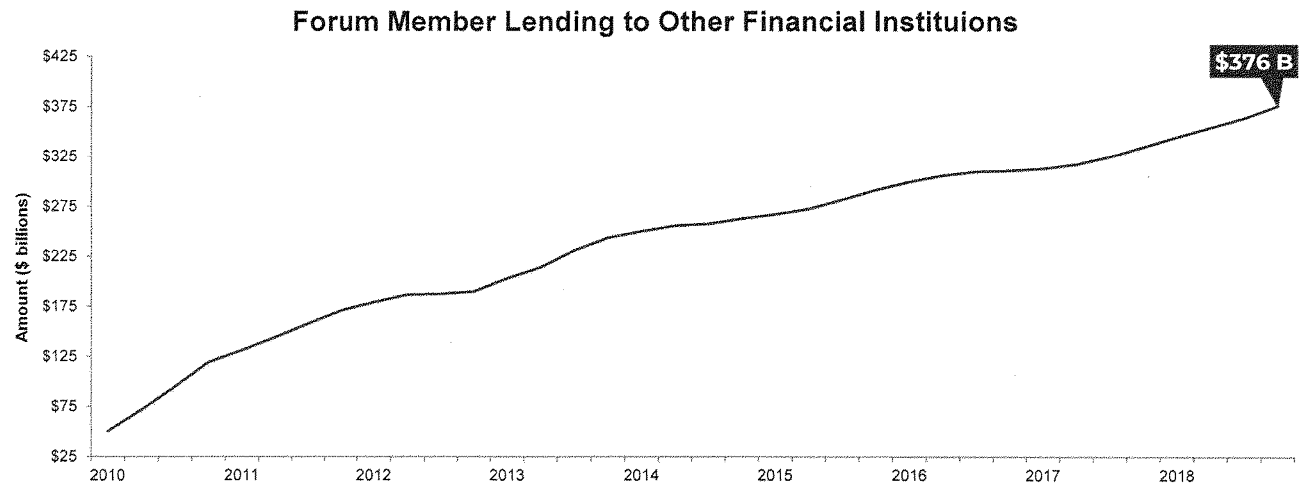
- These data reflect originations of small business loans from 2010-2017 by Forum members
- Small business lending is spread throughout the United States and areas with the highest percentage of small business lending per capita represent a diversity of geographic regions

Sources: FFIEC Community Reinvestment Act, available at https://www.ffiec.gov/cra/default.htm, U.S. Census Bureau County Population Totals, available at https://www.census.gov/data/datasets/2017/demo/popest/counties-total.html

FINANCIAL SERVICES FORUM

Lending to Other Financial Institutions

We meet three-quarters of the bank funding needs of other financial institutions. Lending to financial institutions supports the needs of community banks, insurance companies, and mortgage finance companies, which provide important services to businesses and households.



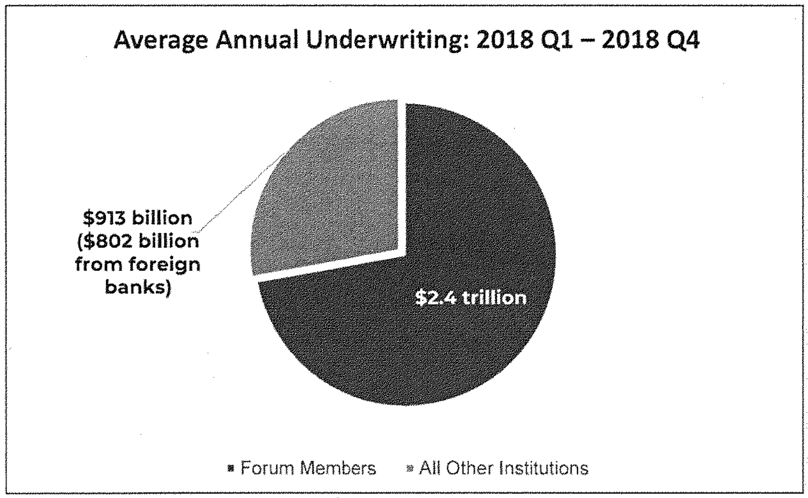
Sources: Federal Reserve data, Assets and Liabilities of Commercial Banks in the United States – H.8, available at https://www.federalreserve.gov/releases/h8/default.htm; FR Y-9C data, available at https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx
Note: Chart represents a rolling, previous four quarter average of data

Supporting Deep and Liquid Capital Markets

FINANCIAL SERVICES FORUM

Total Debt and Equity Underwriting Activity

Our members underwrite nearly three-quarters of debt and equity transactions—such as initial public offerings—among large institutions in the U.S., providing a critical service that other U.S. institutions cannot offer on a similar scale.



Our underwriting activities:

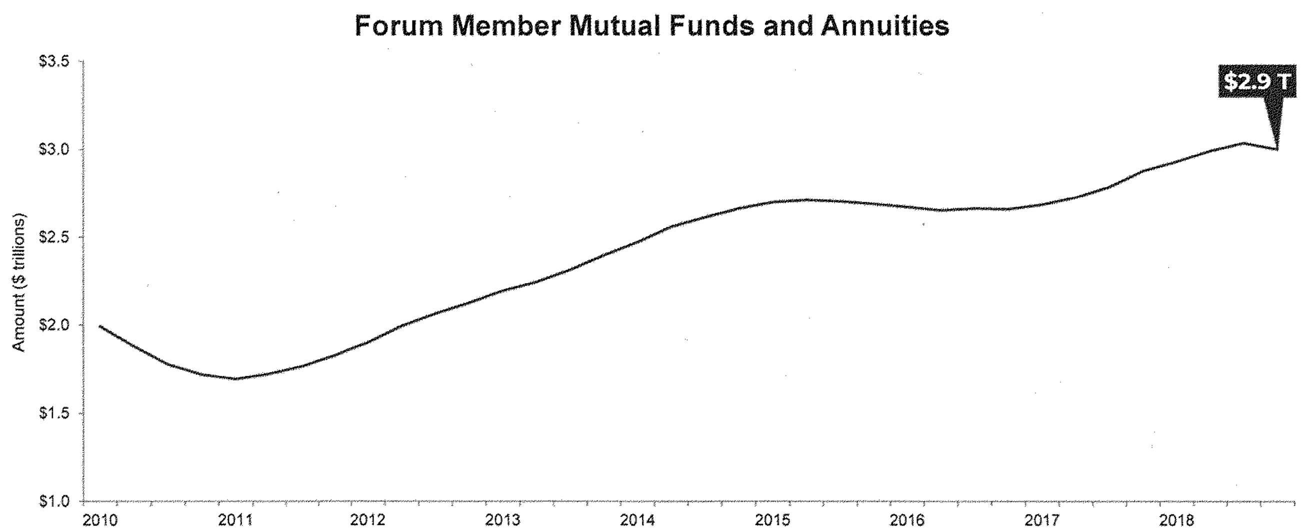
- foster deep and liquid capital markets
- support corporate investment in the real economy

Source: FR Y-15 data, available at https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx
Note: The data cover debt and equity underwriting for all holding companies with total consolidated assets in excess of $50 billion

FINANCIAL SERVICES FORUM

Mutual Funds and Annuities

With nearly **$3 trillion of mutual funds and annuities under management**, we support retirement and other saving needs.

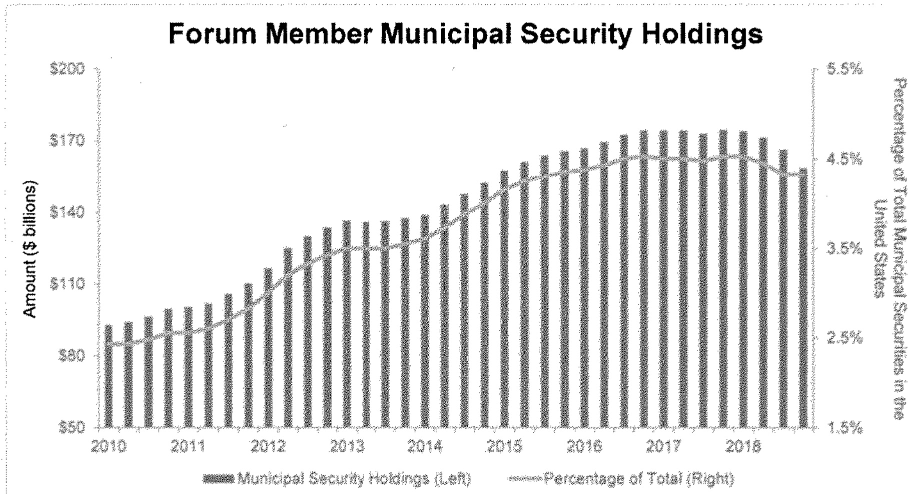


Sources: Federal Reserve data, Assets and Liabilities of Commercial Banks in the United States – H.8, available at https://www.federalreserve.gov/releases/h8/default.htm; FR Y-9C data, available at https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx
Note: Chart represents a rolling, previous four quarter average of data

FINANCIAL SERVICES FORUM

Municipal Securities Holdings

With more than $150 billion in municipal securities holdings, we finance a significant portion of state and local government expenditures, such as hospitals, roads, bridges, and schools.



- Our holdings of municipal securities also foster liquid secondary markets, thus improving the ease and cost with which state and local governments can access capital markets and finance public spending and investment

Sources: Federal Reserve data, Assets and Liabilities of Commercial Banks in the United States – H.8, available at https://www.federalreserve.gov/releases/h8/default.htm; FR Y-9C data, available at https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx
Note: Chart represents a rolling, previous four quarter average of data

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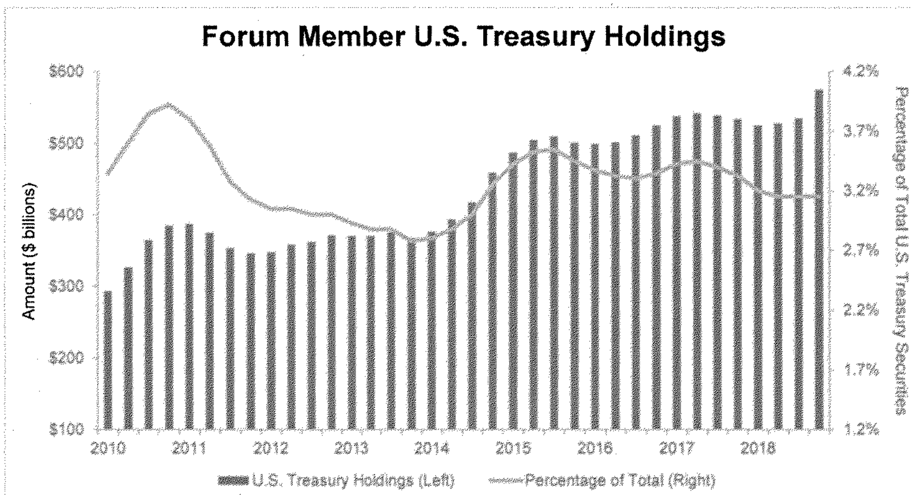
FINANCIAL SERVICES FORUM

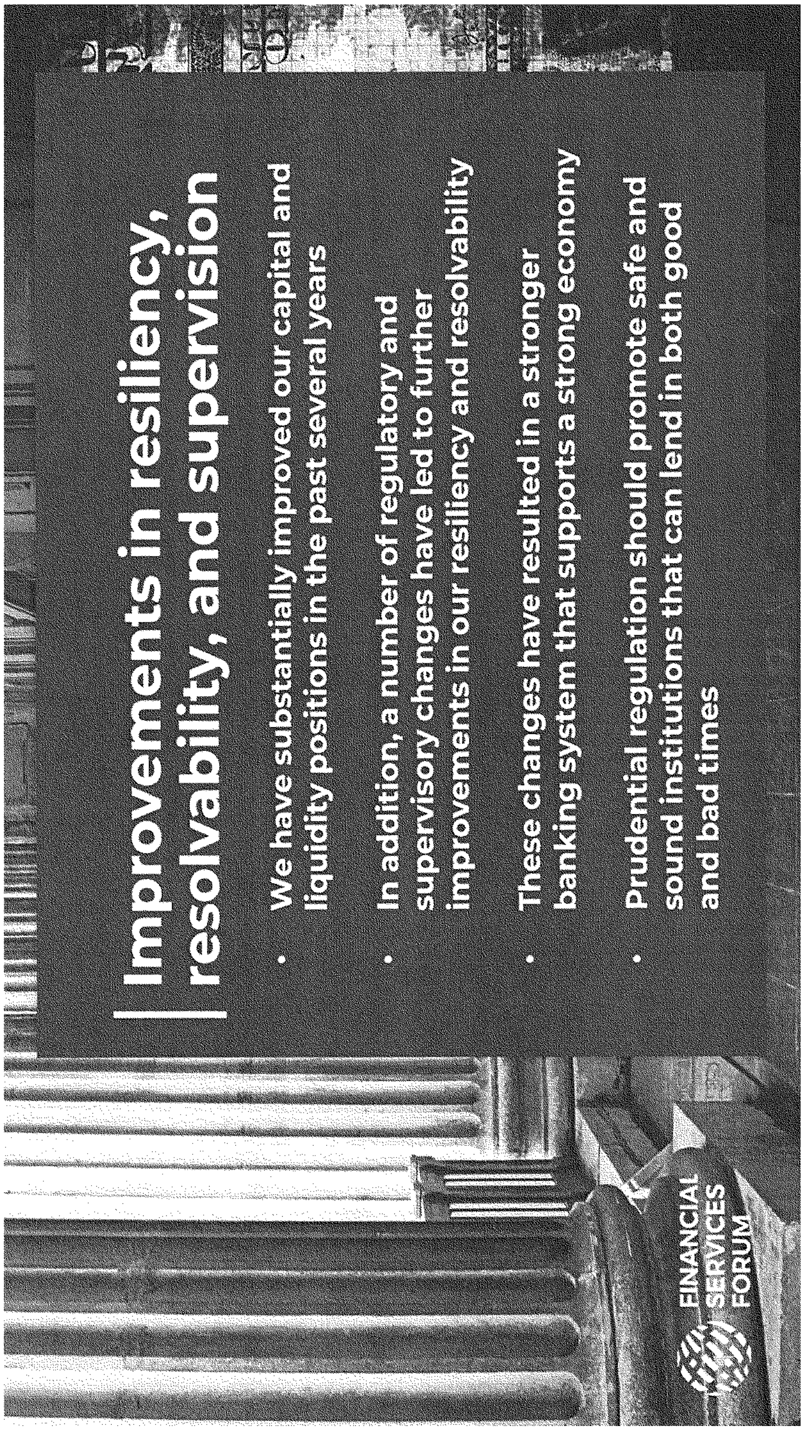
U.S. Treasury Securities

With nearly $680 billion in U.S. Treasury securities holdings, we also finance a significant portion of federal government expenditures.



- Our holdings of U.S. Treasury securities also foster liquid secondary markets, thus improving the ease and cost with which the U.S. government can access capital markets and finance public spending and investment

Sources: Federal Reserve data, Financial Accounts of the United States - Z.1, available at https://www.federalreserve.gov/releases/Z1/current/default.htm; FR Y-9C data, available at https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx
Note: Chart represents a rolling, previous four quarter average of data

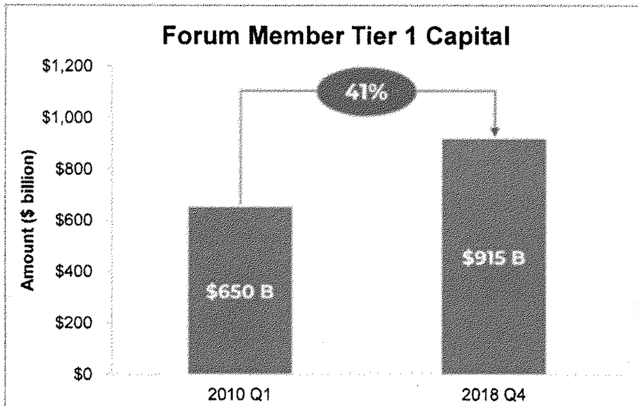

Improvements in resiliency, resolvability, and supervision
• We have substantially improved our capital and liquidity positions in the past several years
• In addition, a number of regulatory and supervisory changes have led to further improvements in our resiliency and resolvability
• These changes have resulted in a stronger banking system that supports a strong economy
• Prudential regulation should promote safe and sound institutions that can lend in both good and bad times
FINANCIAL SERVICES FORUM

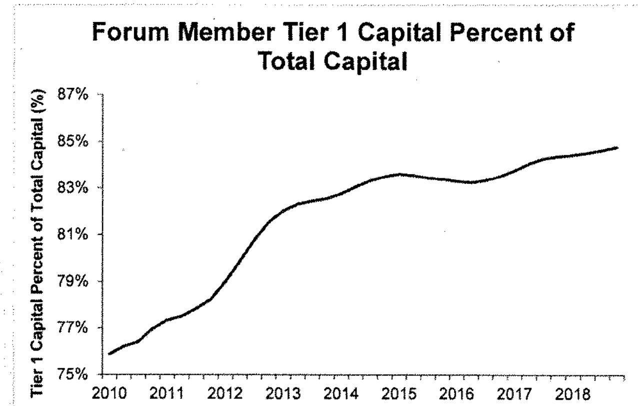
Improvements in Capital and Liquidity

FINANCIAL SERVICES FORUM

Improvements in Tier 1 Capital and Resiliency

We have significantly enhanced the quality and quantity of our capital over the past nine years. Since 2010, **Tier 1 capital has increased by nearly 40 percent** and has grown as a share of risk-weighted assets and total capital. Our members currently maintain **$915 billion of Tier 1 capital.**





- Both dollar amounts of capital and capital ratios have improved markedly since 2010

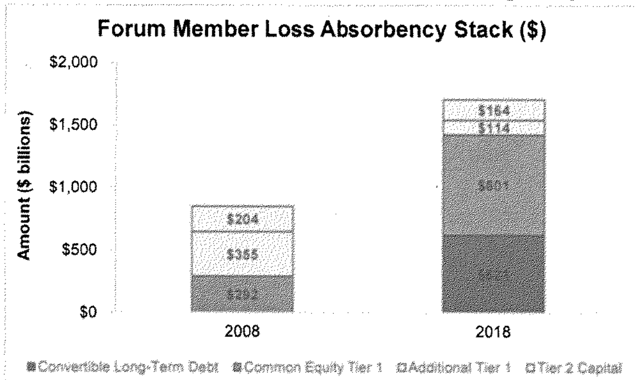
- The share of capital accounted for by high-quality and loss-absorbing Tier 1 capital has improved markedly

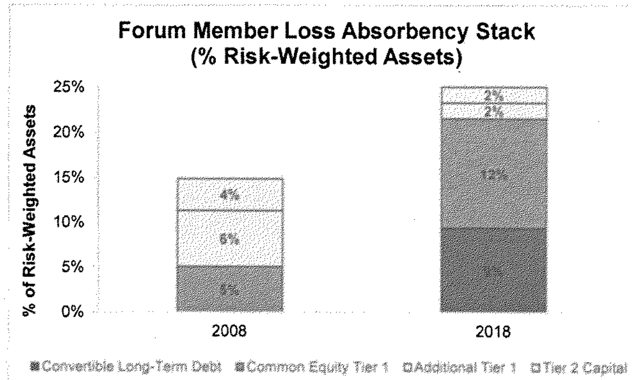
Source: FR Y-9C data, available at https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx
Note: Capital amounts are reflective of the regulatory definition of capital at each point in time; Chart represents a rolling, previous four quarter average of data

FINANCIAL SERVICES FORUM

Forum Member Total Loss Absorbency

Since 2008, **Forum member's total loss absorbency**—measured by convertible long-term debt, Tier 2 capital, common equity Tier 1 and additional Tier 1 capital—**has grown by $850 billion, a 100 percent increase that substantially improves Forum members' ability to withstand losses.**





- Common equity Tier 1, the most loss absorbing form of capital, has grown more than $515 billion since 2008, and has increased as a percent of total Tier 1 capital, from 45 percent to 87 percent

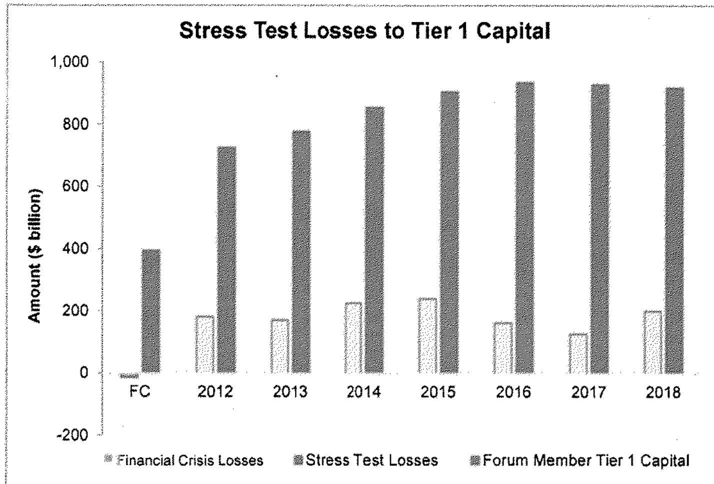
- Estimated convertible long-term debt, debt that may be converted into equity to absorb losses, will be required and in place by January 1, 2019

Sources: FR Y-9C data, available at https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx; Federal Reserve Board "The Supervisory Capital Assessment Program: Overview of Results, available at https://www.federalreserve.gov/newsevents/files/bcreg20090507a1.pdf

FINANCIAL SERVICES FORUM

Forum Capital Resiliency and Stress Tests

Stress tests have become an important part of the capital regime for Forum members. While losses sustained from stress tests are significant, they pale in comparison to the amount of Forum member Tier 1 capital.



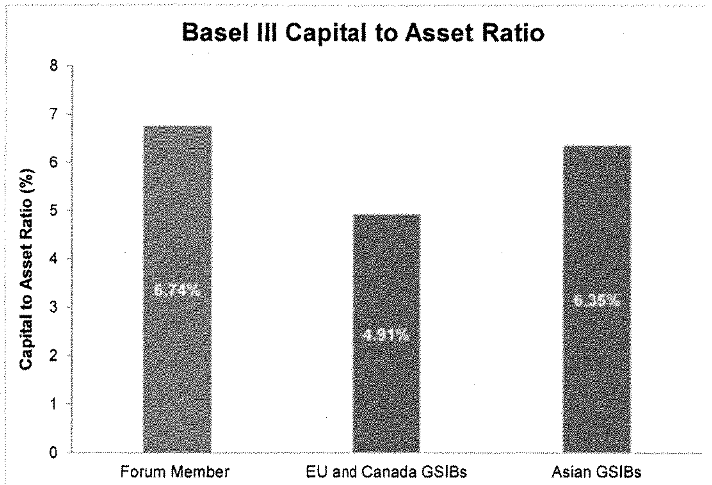
- Forum aggregate stress test losses range from 13.7 percent to 26.5 percent of Forum aggregate Tier 1 capital, demonstrating that Forum members maintain substantial capital to sustain losses as severe as those contemplated in the stress tests
- In addition, stress test losses are significantly more severe than the experience of the financial crisis

Sources: FR Y-9C data, available at https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx; Federal Reserve Board Dodd-Frank Act Stress Tests, available at https://www.federalreserve.gov/supervisionreg/dfa-stress-tests.htm, staff calculation. Note: Capital amounts are reflective of the regulatory definition of capital at each point in time.

FINANCIAL SERVICES FORUM

Forum Resiliency vs. International Peers

Forum members maintain significantly more capital than their foreign counterparts.
This enhanced resiliency leads to a strong banking system that supports economic growth.



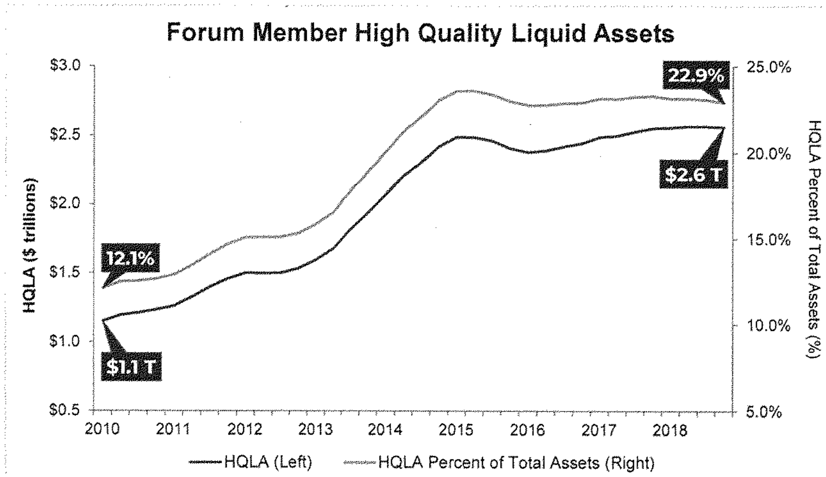
- Forum members have a higher capital-to-asset ratio when compared to their EU/Canadian and Asian counterparts
- This difference is especially large compared to EU and Canadian GSIBs, with Forum members' maintaining 37% more capital relative to assets

Sources: FDIC Capitalization Ratio (2017 Q4), available at https://www.fdic.gov/about/learn/board/hoenig/capitalizationratio4q17.pdf

FINANCIAL SERVICES FORUM

Improvements to Liquidity Profile

We have also greatly increased our liquidity profiles and now hold **more than $2.5 trillion in high-quality liquid assets** (HQLA). Since 2010, HQLA has doubled.



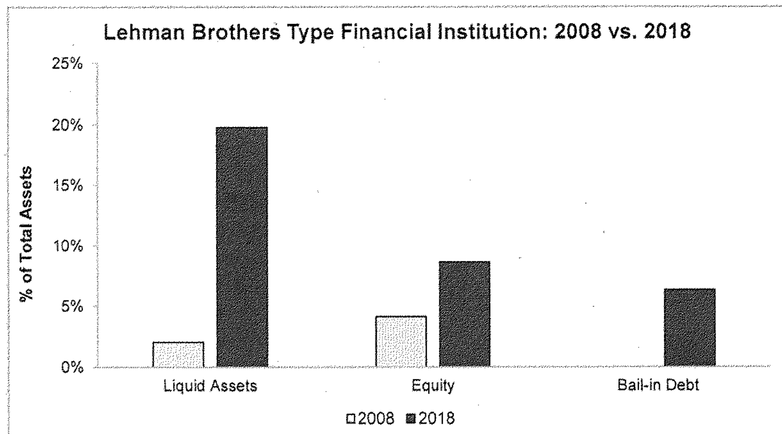
Source: FR Y-9C data, available at https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx.
Note: HQLA is reported according to Basel III at the Bank Holding Company level; Chart represents a rolling, previous four quarter average of data

- Increased liquidity complements increased capital and improves resiliency to adverse shocks
- We have substantially increased HQLA, both in dollar amount and relative to total assets

FINANCIAL SERVICES FORUM

Post-Crisis Reforms and Resiliency

The collapse of Lehman Brothers is often regarded as the turning point of the 2007-2009 recession. A similarly sized financial entity subject to today's regulatory standards would be significantly more resilient to large shocks like those experienced during the financial crisis.



- In 2008, Lehman held low levels of cash and liquid resources making it susceptible to adverse shocks. Post-crisis liquidity regulations require much higher levels of liquidity
- Post-crisis capital requirements would result in a near doubling of capital levels relative to 2008
- Large banks now issue significant amounts of debt that can be "bailed-in" to support a resolution event. Such debt was not available in 2008
- A number of additional regulatory and supervisory enhancements have strengthened the resiliency of the financial system

Sources: Federal Reserve FR Y-9C data, available at https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx, Lehman Brothers 2008 Q2 10-q, available at https://www.sec.gov/Archives/edgar/data/806085/000110465908045115/a08-18147_110q.htm

Improvements in Regulation and Supervision

FINANCIAL SERVICES FORUM

Additional Regulatory and Supervisory Developments

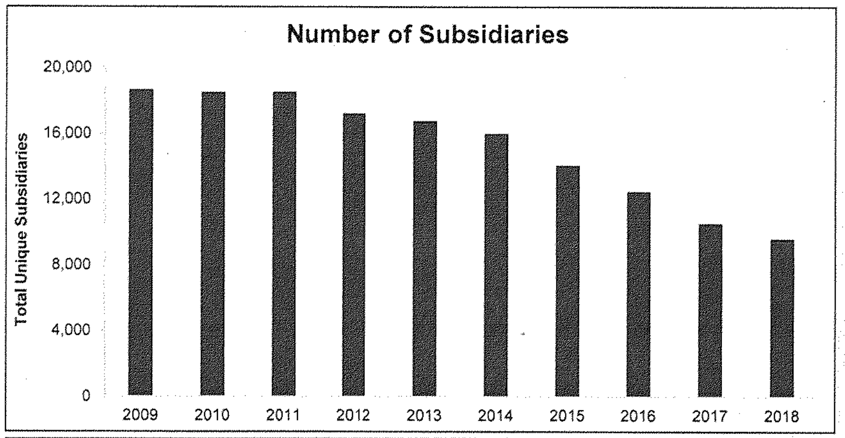
In conjunction with significantly higher levels of capital and liquidity, several post-crisis regulatory and supervisory reforms have greatly increased the resiliency of the U.S. financial system.

1	Enhanced Supervision	Increased supervision at member institutions further promotes safety and soundness
2	Title II – OLA	A new legal and structural framework for resolving large banks lowers the cost of resolving a member institution
3	Living Wills	Members have undertaken an extensive review and planning process designed to improve their resolvability under bankruptcy
4	Total Loss-Absorbing Capacity and Long-Term Debt Requirements	New requirements to issue long-term debt and equity support the Title II resolution process
5	Derivative Reforms	Mandates for central clearing, margin, and recognition of stays reduce systemic risks from derivatives

FINANCIAL SERVICES FORUM

Resolution: Overview and Improvements

Under a new regulatory requirement to submit annual resolution plans (often referred to as "living wills"), U.S. GSIBs have made **significant progress to reduce their organizational complexity and increase their resolvability**



Total subsidiaries at U.S. GSIBs have **declined by roughly 50%** since 2009, which suggests a significant decrease in organizational complexity

Through the annual submission of resolution plans to the FRB and FDIC, large banks explain how they would undergo a rapid and orderly resolution in the event of material financial distress or failure – decreased organizational complexity would facilitate such a resolution proceeding

Source: FFIEC National Information Center, HC > $10B Organizational Hierarchy, available at https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx

Holding Megabanks Accountable

CEO and Worker Compensation

The House Financial Services Committee has shined a light on the activities of megabanks, including hearings held on March 12 and April 10, and a recent update on the megabanks' record on diversity and inclusion. This update focuses on the compensation practices of megabanks for their CEO's and the rest of their workforce at a time when these banks are making record profits.

The eight U.S. global systemically important banks (G-SIBs), along with the rest of the banking sector, have made record profits in recent years. Over the last decade, the U.S. G-SIBs collectively $780 billion in profits. In 2018, the six largest U.S. banks made more than $111 billion in profits. At the same time, executives have steadily received exorbitant compensation packages, while many American workers have seen their wages remain stagnant.

By shining a light on megabanks through hearings, questions and analysis, Committee Democrats remain vigilant in holding megabanks and their executives accountable. For example, shortly after the Committee questioned the CEO of Wells Fargo, Timothy Sloan, about its ongoing management failures and repeated consumer abuses, it came to light that Mr. Sloan had received a $2 million bonus the previous year. Committee Democrats pushed for Mr. Sloan's removal, and days later, he resigned.

In addition, the day before the April 10th hearing, Bank of America announced it is raising the minimum pay for its workers to $20 per hour by 2021. While this is welcome news in response to the Committee's oversight, the banking industry has a long way to go to right-size its practices to ensure just compensation for all its workers.

Compensation for Megabank CEOs and other Employees

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), publicly traded companies, including megabanks, are required to disclose the ratio of what they pay their CEO to the median annual compensation of their workers. This important pay disclosure requirement, which megabanks began reporting in 2018, allows for workers to evaluate how their pay stacks up to their company's CEO, helping shed light on income inequality and unfair compensation practices for America's workers.

Megabank Executive Compensation				
Bank	CEO Pay, 2017 (Millions)	Ratio of CEO to Median Worker Pay, 2017	CEO Pay, 2018 (Millions)	Ratio of CEO to Median Worker Pay, 2018
Bank of America	$21.8	250:1	$22.4	247:1
Bank of New York Mellon	$19.8	354:1	$9.4	153:1
Citigroup	$17.8	369:1	$24.2	486:1
Goldman Sachs	$22	163:1	$20.6	151:1
JPMorgan Chase	$28.3	364:1	$30	381:1
Morgan Stanley	$24.5	192:1	$29	198:1

State Street	$19.5	236:1	$8.3	235:1
Wells Fargo	$17.6	291:1	$18.4	283:1

Sources: CRS, S&P Global Market Intelligence

Since the financial crisis, compensation for megabank CEOs has remained high if not steadily increased, while many American workers have seen little to no increase in wages during the same period. Since 2010, Jamie Dimon, CEO of JPMorgan, has made over $200 million. For comparison, JPMorgan is increasing its minimum wage for workers to between $15 and $18 per hour. A worker making $18 per hour would need to work about 5,574 years to earn the same amount. Even for the median JPMorgan employee, it would take them 2,644 years to make that much money.

Big Four Megabank CEO Annual Compensation (in millions)

Bank	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Bank of America	$1.9	$8	$12.1	$14	$13	$16	$20	$21.8	$22.4	$129.2 million
Citigroup	$.001	$14.8	$11.5	$11.5	$13	$16.5	$15.5	$17.8	$24.2	$124.8 million
JPMorgan Chase	$20.8	$23.1	$11.5	$20	$20	$27	$28	$28.3	$30	$208.7 million
Wells Fargo	$17.6	$19.8	$22.9	$19.3	$19.3	$19.3	$12.8	$17.6	$18.4	$167 million

Source: SEC filings?

Commented [SG1]: Pierre, can you either confirm this data came from SEC filings, or another source, like CRS?

Stock Buybacks help CEOs

Furthermore, since the passage of President Trump's 2017 Jobs and Tax Cut Act, megabanks have announced share buybacks at an alarming rate. In 2018, six megabanks – Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley, and Wells Fargo – spent over $84 billion in stock repurchases. According to one study, about 69 percent of the CEO's compensation is estimated to depend on stock and option-based pay, thus suggesting that these large share buybacks by the megabanks benefit their CEOs and wealthy shareholders, but not average Americans.

In fact, the wealthiest 10% of American households own 84% of the total value of the stock market, with the top 1% owning 40%. In addition, share buybacks makes it harder to evaluate CEOs job performance by reducing the number of shares outstanding, leading to higher earnings per share, a key metric for evaluating the financial performance of a stock. As a result, buybacks can artificially inflate share prices, making corporate executives and other shareholders even wealthier while worsening income inequality disparities.

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Rep. Porter Confronts Megabank CEO about Worker Pay

While any increase in worker pay is welcome, the Committee's oversight demonstrates modest pay increases may not be sufficient, especially in high-cost areas. In an exchange with JPMorgan Chase CEO, Jamie Dimon, during the April 12th hearing, Rep. Porter (D-CA) detailed how a person making $40,000 per year working in Irvine, California, would *still* be unable to make ends meet with salary provided to entry-level workers at JPMorgan.

A clip of the exchange between Rep. Porter and Mr. Dimon can be seen by clicking here with transcript of the exchange below.

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Rep. Porter: "I went to Monster.com and I found a job in my hometown of Irvine at JP Morgan Chase. It pays $16.50, and so I wondered if I could—if you would indulge me—when you do the math on this and you do the $16.50 out of 40 hours a week for 52 weeks a year, it comes out to an income of $35,070. Now this bank teller, her name is Patricia. She has one child who is 6 years old, she claims the one dependent, after tax she has $29,100. We divide that by 12 and she has got a monthly budget of $2,425. She rents a one-bedroom apartment. She and her daughter sleep together in the same room. In Irvine, California that average one bedroom apartment is going to be $1,600. She spends $100 on utilities. Take away the $1,700 and she has net $725. She is like me. She drives a 2008 minivan and has gas, $400 for car expenses and gas. Net $325. The Department of Agriculture says a low cost food budget that is ramen noodles. A low food budget is $400. That leaves her $77 in the red. She has a Cricket cell phone, the cheapest cell phone she can get for $40. She is in the red $117 a month. She has afterschool childcare because the bank is open during normal business hours. That is $450 a month. That takes her down to negative $567 per month. My question for you, Mr. Dimon, is how should she manage this budget shortfall while she is working full time at your bank?"

Mr. DIMON. "I don't know that all your numbers are accurate. That number is a start—is generally a starter job."

Rep. PORTER. "She is a starting employee. She has a 6 year old child. This is her first job."

Mr. DIMON. "Okay. And you can get those jobs out of high school and she may have my job one day."

Rep. PORTER. "She may, but Mr. Dimon she doesn't have the ability right now to spend your $31 million."

Mr. DIMON. "And I am wholly sympathetic."

Rep. PORTER. "She is short $567. What would you suggest she do?"

Mr. DIMON. "I don't know. I would have to think about that."

Rep. PORTER. "Would you recommend that she take out a JP Morgan Chase credit card and run a deficit?"

Mr. DIMON. "I don't know, I would have to think about it."

Rep. PORTER. "Would you recommend that she overdraft at your bank and be charged overdraft fees?"

Mr. DIMON. "I don't know, I would have to think about it."

Rep. PORTER. "So I know you have a lot of—"

Mr. DIMON. "I would love to call up and have a conversation about her financial affairs and see if we can be helpful."

Ms. PORTER. "See if you can find a way for her to live on less than the minimum that I have described."

Mr. DIMON. "It would be helpful."

Rep. PORTER. "Well, I appreciate your desire to be helpful, but what I would like you to do is provide a way for families to make ends meet so that little kids who are 6 years old living in a one-bedroom apartment with their mother aren't going hungry at night because they are $567 short from feeding themselves, clothing—we allow no money for clothing. We allow no money for school lunches. We allow no money for field trips. No money for medical. No money for prescription drugs. Nothing. And she is short $567 already. Mr. Dimon, you know how to spend $31 million a year in salary and you can't figure out how to make up a $567 dollar a month shortfall. This is a budget problem you cannot solve."

Mork Work To Be Done
In follow up questions to the April 10th hearing, Chairwoman Maxine Waters (D-CA) asked both JPMorgan Chase and Citigroup CEOs whether they would consider raising the minimum wage for their workers to $20 per hour over the next two years, like Bank of America. Their answer was effectively no. This was their response:

JPMorgan Chase Response: "In early 2018, for the second time in two years, JPMorgan Chase increased the firm's internal minimum base wage to a range between $15 to $18 an hour across 100 U.S. cities."

Citigroup Response: "As of June 1, 2019, we have increased our U.S. minimum wage to $15/hour."

While these banks have modestly raised pay for their workers, the Committee's oversight demonstrates it is insufficient and more must be done. As megabanks continue to earn record-breaking profits, spend billions on share buybacks, and reward their CEOs with outsized compensation packages, it is long overdue that all megabanks invest in their workers who help create those record profits by paying them their fair share. Furthermore, this analysis underscores the importance for financial regulators to finalize strong compensation rules that are long overdue.

Additional Info and Stats

Employee Compensation
With respect to overall employee compensation, Rep. Rashida Tlaib (D-MI) asked the megabanks to provide information on the wages they pay their workers. Excerpts from their written responses are below:

> **JP Morgan Response:** "For those earning between $12 and $16.50 an hour in the United States, we have been increasing hourly wages to between $15 and $18, depending on the local cost of living. For employees making $40,000 a year or less in the United States, our average pay increases are around $4,800."
>
> **Citigroup Response:** "As of June 1, 2019, we have increased our U.S. minimum wage to $15/hour. Citi's U.S. Employment was 67,814 in 2017 and 66,740 in 2018. Median pay was $48,249 in 2017 and $49,766 in 2018."
>
> **Bank of America Response:** "We are proud to be a leader in announcing that our minimum hourly wage for U.S. employees increased to $17 on May 1, 2019, and will continue to rise until it reaches $20 in 2021."
>
> **BNY Mellon Response:** "In 2018, BNY established a $15 per hour minimum wage for U.S. employees. Median pay for active full-time employees was $54,051."
>
> **Goldman Sachs Response:** "Median pay for U.S. employees increased $2,000 from 2017 to 2018."
>
> **Morgan Stanley Response:** "Median annual pay for all employees increased from $127,863 in 2017 to $142,604 in 2018"
>
> **State Street Response:** "No, as publicly disclosed earlier this year, the pay of our median employee did not increase."

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Minimum Wage, Median Salary
Bank of America: Effective May 1, 2019, the minimum hourly wage increased to $17, and will continue to rise until it reaches $20 in 2021. As a salary, $20 per hour represents $41,600 in annual compensation.
Citigroup: As of June 1, 2019, the U.S. minimum wage increased to $15. As a salary, $15 per hour represents $31,200 in annual compensation
JP Morgan: $15-$18 per hour for workers in high-cost living areas. As a salary, $15 per hour represents $31,200 in annual compensation for lower cost areas, while $18 per hour represents $37,440 for higher-cost living areas.
Wells Fargo: $15 per hour. As a salary, $15 per hour represents $31,200 in annual compensation.
BNY Mellon: $15 per hour. As a salary, $15 per hour represents $31,200 in annual compensation

2018 Median Employee Salary
Bank of America: $92,040
Citigroup: $49,766
JP Morgan: $78,923
Wells Fargo: $65,191
BNY Mellon: $61,380
State Street: $68,527
Goldman Sachs: $136,513
Morgan Stanley: $142,604

The Root:

Pinklining: The Financial Threat More Women of Color Are Facing

Damaso
7/10/16 5:13am

The Great Recession is over. The economy is back on its feet. That's the popular narrative Americans see and hear every day, but the impact of the financial crisis is still being felt across the country, especially by women of color. A new report (pdf) highlights how "pinklining," a term most people have probably never heard, is hurting women and especially women of color.

The term is inspired by redlining, the phenomenon that governments, banks and other lenders used for much of the 20th century to deny African Americans access to mortgages and credit. Those in charge of public policy and lending practices would literally draw a red line around certain neighborhoods with high concentrations of minorities and deny them home loans and other forms of credit if they lived within those red lines. This pervasive practice reinforced de facto ghettoization by not allowing minorities the chance to buy homes in other neighborhoods. Nor could whites get loans for homes inside those red lines.

In the 21st century those practices are banned, but the pinklining report highlights the way that predatory-lending practices, including in home and student loans as well as payday loans, target women in general and women of color in particular, saddling them with debt and sometimes forcing them out of their homes.

"The same communities denied access to loans [under redlining] were targeted by lenders for subprime loans," Suparna Bhaskaran, the independent researcher who wrote the pinklining report, told ***The Root*** in a telephone interview. These subprime loans seemed to offer attractive interest rates and low, and sometimes no, mortgage payments for a set time. But once that initial period expired, loan payments would balloon. When the subprime bubble collapsed in 2008, borrowers found themselves unable to renegotiate the suddenly onerous terms of their loans.

"A lot of black women were targeted based on their neighborhoods," Bhaskaran said. The lenders "opened up access to credit, but not to fair credit. It's reverse redlining: Those once who were denied were suddenly sought after for predatory lending."

Lorian S., a 63-year-old New Jersey resident who asked that her last name not be used, is one of the nearly 800 women surveyed for the report. She told ***The Root*** about how her dream of owning a home after working for nearly 40 years as a health care professional turned into a nightmare. She bought her first home in 2002 at a high interest rate that was set to go even higher in 10 years. When she was offered a chance to refinance at a lower rate in 2007, at the height of the subprime bubble, she took it, thinking that the lower payments would make life easier.

But then the bubble burst, one of her jobs laid her off and the other offered to let her stay, if she took a $20,000 cut in salary. At the same time, her interest rate rose, and other details of her agreement that she wasn't aware of came back to haunt her.

"I didn't understand all the requirements; there was a lot of fine print even my lawyer didn't understand," Lorian said. She fell into arrears and foreclosure proceedings began. "It has a really traumatic impact," she said of the experience of almost losing her home. "You leave the house and come back wondering if the sheriff will be there" ready to throw you out.

Lorian was able to save her home with the help of New Jersey Communities United, one of the nonprofits involved in the study. Together they fought the lender who had purchased Lorian's loan and were able to renegotiate the terms so that she could afford her payments. "I would not have been able to save my home without help," Lorian said.

Millions of Americans faced a similar crisis, but the pinklining report points out that during the subprime bubble, women were 30 to 40 percent more likely to receive such a loan, and black women were an astronomical 256 percent more likely to get a subprime loan. The Center for Responsible Lending (pdf) estimated that 44 percent of families who lost their homes were people of color. Among borrowers, 8 percent of black and Latina women were forced out of their homes, while just 4.5 percent of whites faced the same situation.

"There is an intergenerational gap in wealth" that particularly affects women of color, the study's author said. "This is the result of structural racism and sexism."

While many Americans felt the subprime crisis, the pinklining report also highlighted other lending practices, including payday loans and offers from for-profit colleges, as being especially destructive for women of color.

Payday loans—in which borrowers who usually have limited or no access to other forms of credit get small loans based on the idea that they will pay that loan back with their next paycheck—can carry annualized interest rates of up to 400 percent. If that loan is not paid off in a timely manner, hundreds of dollars in debt can balloon into thousands in no time flat. The practice is now so reviled that internet giant Google recently said that it would ban payday lenders from advertising on its search site. But the practice continues, and women of color are among the most likely to take out a payday loan because they are paid less than any other group, and when they experience a financial emergency, they have few other places to turn.

Fighting these predatory-lending practices takes the full strength of communities of color. Lorian, who felt that she couldn't turn to anyone she knew for help but eventually found it through a local organization, said it's important for women to seek help when they need it, no matter what.

"Stop hiding behind your pride and let people know what you're going through," she advised. "Get involved with an association that can help you."

Salon

"Pinklining": How women of color are disproportionately hurt by Wall Street's predatory practices

Report highlights how financial industry targets women of color, transferring their wealth & reinforcing inequality

Ben Norton

June 3, 2016 1:57PM (UTC)

A new report explains how women, and especially women of color, are disproportionately hurt by Wall Street.

"Pinklining: How Wall Street's Predatory Products Pillage Women's Wealth, Opportunities & Futures," details how sexism and racism are "increasingly exploited and exacerbated by Wall Street and the financial sector."

The report, which was written by scholar Suparna Bhaskaran, shows how "Wall Street takes advantage of women's precarious economic position and marginalization to push them deeper into debt," in a practice Bhaskaran calls "pinklining."

Structural sexism and structural racism make women and people of color more susceptible to pinklining, the report stresses.

It looks at three primary financial practices in which these inequalities are visible: subprime home mortgage lending, payday lending and higher education lending.

Subprime mortgages

Subprime home mortgage lending increased from $35 billion in 1994 to an enormous $600 billion in 2006.

At the peak of subprime lending, in 2005, women were 30 to 46 percent more likely to receive subprime mortgage loans than men. Black women were a staggering 256 percent more likely to receive subprime loans than white men.

Wells Fargo was a particularly egregious example. It targeted black and Latina/o Americans with subprime loans, leading to a $175 million settlement with the Department of Justice in 2012.

The bank forced high-interest subprime mortgages on black households five times more than it did on their white equivalents. Wells Fargo employees also called black Americans "mud people," and referred to subprime loans as "ghetto loans."

Payday lending

This disproportionate targeting is clear in payday lending as well.

In the past two decades, the predatory payday lending industry grew by 10 times. In 1996, there were just around 2,000 payday loan stores; now, there are more than 20,000. By 2015, it had exploded into a $46 billion industry.

Nearly 60 percent of customers in these payday loan stores are women. Interest rates of more than 300 or even 400 percent often leave women and their families trapped in spirals of debt.

A study cited in the report found that payday lending centers in California were eight times more concentrated in primarily black and Latina/o neighborhoods than they were in primarily white neighborhoods.

Student loans

Women and people of color are also disproportionately hurt by higher education lending.

From 1990 to 2012, student loan borrowing grew by 353 percent. Today, 40 million families have student loan debt.

Roughly 44 percent of men were able to pay off their student loan debt within three years, according to a 2009 study cited in the report. Just 33 percent of women were able to do the same. Among women of color, this figure is even lower: only 9 percent of black women and 3 percent of Latina women could pay off their student loans in 3 years.

For-profit colleges also disproportionately target women and people of color with predatory practices.

Although just 13 percent of undergraduate students in the U.S. are at for-profit colleges, nearly 40 percent of all student loan defaults are at for-profit colleges, which are usually more expensive than public institutions.

Despite this, enrollment in for-profit colleges increased by a staggering 565 percent from 1990 to 2013.

Women are disproportionately represented at these predatory institutions, making up nearly two-thirds, 65 percent, of students.

People are color are also disproportionately represented. Just 10 percent of white undergraduate students in the U.S. go to for-profit colleges, compared to 15 percent of Latina/o students and 28 percent of black students.

Getting worse, not better

"From the economic crisis triggered by the finance industry, to subprime mortgages, payday loans and student debt — again and again women and women of color are driven deeper and deeper into debt as a result of the practices of" Wall Street, the report notes.

In a statement, the author Suparna Bhaskaran stressed that Wall Street's "pinklining ultimately deepens, widens and renews existing gendered and racialized economic inequality through the significant transfer of income and assets from low to moderate income women and women of color to the financial sector."

These disparities have gotten even worse in recent years, as the 2008 financial crisis and the post-crash economy have taken a great toll on women.

The collapse led to shrinking public sector employment, and women bore the burden. In June 2009, women made up 57 percent of the public sector workforce. But from June 2009 to April 2011, 74 percent of public sector workers who lost their jobs were women.

In terms of post-recession job growth, women again got the short end of the stick. A net of 5.5 million jobs were created in the U.S. economy between June 2009 and July 2013. More than 3.5 million, nearly two-thirds, of those jobs went to men, while just around 2 million went to women. Many of those created were low-wage jobs, as well.

In the workplace, women of color have an even larger gender pay gap with men than white women. And yet, because of inequality, mass incarceration and employment discrimination, women of color are more likely to be single heads of households who need more resources for their families.

Minnesota Rep. Keith Ellison, who co-chairs the Congressional Progressive Caucus, recommended the report for drawing attention to how the financial sector exploits the most vulnerable.

"The wealth gap between women of color and white families remains shockingly large," he said in a statement. "This report highlights the harmful products and unfair policies that affects those with the fewest resources and calls us to take action."

In addition to reviewing existing research, the report includes surveys with 771 women and 50 in-depth interviews, relaying their experiences with debt.

One woman featured in the report, Lorian Smith of East Orange, New Jersey, explains how she has struggled with banks that have been trying to foreclose on her home. "I have played by all the rules," she said. "I got an education, I held down a career for 40 years, I bought a home where I raised my family."

"Despite playing by the rules, I am now in a position that I am uncertain I will ever recover from," Smith continued. "Debt has become a vicious cycle in my life and in the lives of many people I am in touch with."

The report was jointly released by the community groups Alliance of Californians for Community Empowerment, New Jersey Communities United and ISAIAH in Minnesota.

The groups called on the Consumer Financial Protection Bureau to investigate how women, and especially women of color, are targeted by the financial industry.

"This is part of a broader national effort to hold banks and corporations accountable for the role they play in causing and profiting off of economic inequality and austerity policies that harm working class communities across the country, particularly communities of color," the groups said in a statement.

They also expressed support for the new proposed regulations on predatory payday lending that the Consumer Financial Protection Bureau released on June 2. Consumer advocates have warned that the pending rules, at present, do not do enough to rein in the exploitative industry. These community groups likewise urged the bureau to strengthen its proposed regulations.

Unions as one solution

The "pinklining" research was funded by the Women's Equality Center, a non-partisan project that advocates for women's rights.

In a recent article, the Women's Equality Center also stressed how organizing into labor unions has helped women and people of color fight these forms of structural oppression.

"Women organized into unions gain the power to bargain for their working conditions, wages and benefits so they can achieve greater economic security for themselves and their families, moving them faster toward full equality with men," the organization wrote.

It highlighted "labor's specific role in advancing racial and gender justice for workers over the past few decades," and noted that organizing into unions can help women close the wage gap with men.

The article cites a 2015 study, "The Union Advantage for Women," which details how labor unions benefit women and people of color.

"Women of all races benefit from unions, but women of color, who are most disenfranchised in today's economy benefit most," the Women's Equality Center emphasized, noting that women in unions are also more likely to have benefits like health insurance, paid leave and pensions.

Sister Simone Campbell, the executive director of the NETWORK Lobby for Catholic Social Justice and the leader of the activist group Nuns on the Bus, applauded the pinklining report for bringing attention to systemic inequality.

“Predatory financial practices prey on women and people of color, thus eroding the common good. These debt traps mask the crisis of wages in our society," she said.

"This must be addressed for the sake of women workers, but also for the future of our nation. Our children are the victims in the long run. For this reason, we must mend the gaps. We must have an economy that puts people, not profit, at the center.”

Ben Norton

FOSSIL FUEL FINANCE REPORT CARD **2019** - SUMMARY VERSION

This is a summary of the 10th edition of the annual fossil fuel finance report card, Banking on Climate Change. Greatly expanded in scope, the report reveals the paths banks have taken in the past three years since the Paris Agreement was adopted, and finds that overall bank financing for the fossil fuel industry continues to be aligned with climate disaster. Read the full report at RAN.org/bankingonclimatechange2019.

The Intergovernmental Panel on Climate Change's 2018 Special Report on the impacts of a 1.5° Celsius increase in global temperature showed clearly the emissions trajectory we need to avert climate disaster. By 2030, carbon dioxide emissions will have to be slashed by 45 percent below 2010 levels. By midcentury, net emissions must be at zero.[1] Banks must align with that trajectory by ending financing for expansion of fossil fuels, as well as for particular fossil fuels spotlighted in this report — while committing overall to phase out all financing for fossil fuels on a timeline compatible with limiting global warming to 1.5°C.

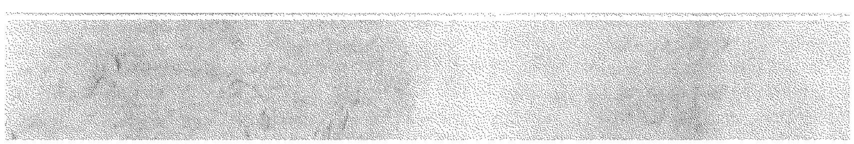
For the first time, this report adds up lending and underwriting from 33 global banks to the fossil fuel industry as a whole. The findings are stark: these Canadian, Chinese, European, Japanese, and U.S. banks have financed fossil fuels with $1.9 trillion since the Paris Agreement was adopted (2016–2018), with financing on the rise each year. This report finds that fossil fuel financing is dominated by the big U.S. banks, with **JPMorgan Chase** the world's top funder of fossil fuels by a wide margin. In other regions, the top bankers of fossil fuels are **Royal Bank of Canada** in Canada, **Barclays** in Europe, **Mitsubishi UFJ Financial Group (MUFG)** in Japan, and **Bank of China** in China.

This report also puts increased scrutiny on the banks' support for 100 top companies that are expanding fossil fuels, given that there is no room for new fossil fuels in the world's carbon budget. And yet banks supported these companies with $600 billion in the last three years. **JPMorgan Chase** is again on top, by an even wider margin, and North American banks emerge as the biggest bankers of expansion as well.

This report also grades banks' overall future-facing policies regarding fossil fuels, assessing them on restrictions on financing for fossil fuel expansion and commitments to phase-out fossil fuel financing on a 1.5°C-aligned trajectory. While some banks have taken important steps, such as **ABN Amro**'s exclusion of financing for companies building new coal power, overall major global banks have simply failed to set trajectories adequate for dealing with the climate crisis.

As in past editions, this fossil fuel finance report card also assesses bank policy and practice around financing in certain key fossil fuel subsectors, with league tables, case studies, and policy grades on tar sands oil, Arctic oil and gas, ultra-deepwater oil and gas, fracked oil and gas, liquefied natural gas (LNG, import and export terminals worldwide), coal mining, and coal power.

Banks face an increasing liability risk as more institutions, including the UN Working Group on Business and Human Rights, recognize bank responsibility for damages caused by clients. The fossil fuel industry has been repeatedly linked to human rights abuses, including violations of the rights of Indigenous peoples and at-risk communities, and continues to face an ever-growing onslaught of lawsuits, resistance, delays, and political uncertainty. The report shows that banks have a clear and growing responsibility for human rights impacts as fossil fuel companies are increasingly held accountable for their contributions to climate change.



By the Numbers

Bank financing for fossil fuels has **increased each year** since Paris.

2018: $654 B
2017: $646 B
2016: $612 B

33 global banks **financed fossil fuels** with **$1.9 trillion** since the **Paris Agreement**.
(more than all the currency in circulation in the U.S.!)[2]

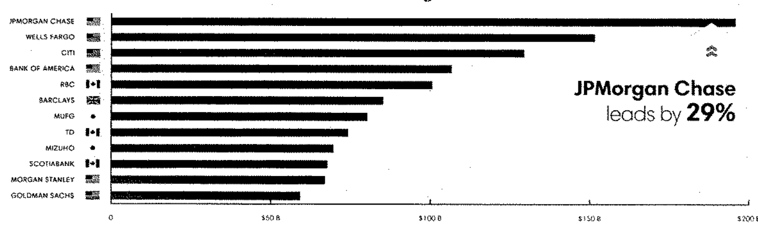
$600 billion of this went to **100** companies **aggressively expanding** fossil fuels.

Out of these 33 global banks...

21	have restricted some **coal financing**
10	have restricted some **tar sands oil** financing (all are European banks)
1	has restricted some **fracking** and **LNG** financing (BNP Paribas)
9	have issued **improved policies** on coal finance since last year's report card

Dirty Dozen: Worst Banks Since the Paris Agreement (2016-2018)

Finance for All Fossil Fuels Globally



How the Banks Stack Up: Fossil Fuel Finance and Policy Grades

Expansion and Phase-Out Policy Grade Key:

"A" RANGE	Bank prohibits all fossil fuel financing
"B" RANGE	Bank prohibits all fossil fuel projects and some/all companies expanding fossil fuels
"C" RANGE	Bank prohibits some fossil fuel projects and some companies expanding fossil fuels
"D" RANGE	Bank prohibits some/all coal projects
"F" FAILING	Bank has no exclusion of expansion or commitment to phase out fossil fuels

Fossil Fuel Subsector Policy Grade Key:

"A" RANGE	Bank prohibits all financing
"B" RANGE	Bank is phasing out or prohibiting some corporate financing
"C" RANGE	Bank has project-specific restrictions or a financing reduction commitment
"D" RANGE	Bank has publicly disclosed due diligence policies on financing
"F" FAILING	Bank has no publicly disclosed corporate finance policies

Tar Sands Oil: RBC, Toronto-Dominion Bank (TD), and **JPMorgan Chase** are the biggest bankers of 30 top tar sands producers, plus four key tar sands pipeline companies. In particular, these banks and their peers support companies working to expand tar sands infrastructure, such as Enbridge and Teck Resources.

Arctic Oil & Gas: JPMorgan Chase is the world's biggest banker of Arctic oil and gas by far, followed by **Deutsche Bank** and **Sumitomo Mitsui Financial Group (SMBC Group)**. Worryingly, financing for this subsector increased from 2017 to 2018.

Ultra-deepwater Oil & Gas: JPMorgan Chase, Citigroup, and **Bank of America** are the top bankers here. Meanwhile, none of the 33 banks have policies to proactively restrict financing for ultra-deepwater extraction.

Fracked Oil & Gas: For the first time, the report card looks at bank support for top fracked oil and gas producers and transporters — and finds financing is on the rise over the past three years. **Wells Fargo** and **JPMorgan Chase** are the biggest bankers of fracking overall — and, in particular, they support key companies active in the Permian Basin, the epicenter of the climate-threatening global surge of oil and gas production.

Liquefied Natural Gas (LNG): Banks have financed top companies building LNG import and export terminals around the world with $46 billion since the Paris Agreement, led by **JPMorgan Chase, Société Générale,** and **SMBC Group.** Banks have an opportunity to avoid further damage by not financing Anadarko's Mozambique LNG project, in particular.

Coal Mining: Coal mining finance is dominated by the four major Chinese banks, led by **China Construction Bank** and **Bank of China.** Though many European and U.S. banks have policies in place restricting financing for coal mining, total financing has only fallen by three to five percentage points each year.

Coal Power: Coal power financing is also led by the Chinese banks — **Bank of China** and **ICBC** in particular — with **Citi** and **MUFG** as the top non-Chinese bankers of coal power. Policy grades for this subsector show some positive examples of European banks restricting financing for coal power companies.

BANK	ALL FOSSIL FUELS GLOBALLY	FOSSIL FUEL EXPANSION (TOP 100 COMPANIES)	TAR SANDS OIL (TOP 34 COMPANIES)	ARCTIC OIL & GAS (TOP 30 COMPANIES)
	1			
	2			
	3			
	4			
	11			
	12			
	5			
	8			
	9			
	15			
	22			
	7			
	10			
	21			
	16			
	19			
	20			
	27			
	6			
	13			
	14			
	17			
	18			
	23			
	24			

ULTRA-DEEPWATER OIL & GAS (TOP 30 COMPANIES)		FRACKED OIL & GAS (TOP 40 COMPANIES)		LNG (TOP 30 COMPANIES)		COAL MINING (TOP 30 COMPANIES)		COAL POWER (TOP 30 COMPANIES)	
2016-2018 FINANCING	POLICY GRADE	2016-2018 FINANCING	POLICY GRADE	2016-2018 FINANCING	POLICY GRADE	2016-2018 FINANCING	POLICY GRADE	2016-2018 FINANCING	POLICY GRADE
$5.393 B	D	**$28.768 B**	D+	**$4.040 B**	D-	$1.156 B	C+	$2.979 B	C-
$294 M	D+	**$29.650 B**	D+	$177 M	D	-	C+	$3.037 B	D
$3.978 B	D+	**$16.866 B**	D+	**$2.867 B**	D	$1.121 B	C+	**$4.397 B**	C-
$3.620 B	D-	**$20.210 B**	D-	$2.110 B	D-	$194 M	C+	$2.797 B	C-
$2.450 B	D+	$7.563 B	D+	**$2.740 B**	D+	$346 M	C+	$1.957 B	C-
$1.137 B	D+	$8.386 B	D+	$1.538 B	D	$1.114 B	C-	$1.235 B	C-
$351 M	D	$12.724 B	D	$1.724 B	D	$177 M	D	$906 M	D
$19 M	D	$5.777 B	D	-	D	$160 M	D+	$488 M	D
$124 M	D-	**$15.961 B**	D-	$1.407 B	D-	$149 M	D-	$1.483 B	D-
-	D-	$998 M	D-	$20 M	D-	$414 M	D-	-	D-
$19 M	D-	$156 M	D-	$24 M	D-	$55 M	D-	-	D-
$1.033 B	D-	$11.906 B	D-	$2.156 B	D-	$149 M	D-	$3.516 B	D+
$2.298 B	D-	$12.372 B	D-	$2.418 B	D-	$224 M	D-	$3.057 B	D+
$451 M	D-	$3.062 B	D-	**$3.282 B**	D-	$125 M	D-	$827 M	C-
$349 M	F	$278 M	F	$1.278 B	F	**$9.206 B**	F	**$16.102 B**	F
$418 M	F	$463 M	F	$1.370 B	F	**$6.877 B**	F	**$16.096 B**	F
$66 M	F	$92 M	F	$160 M	F	**$9.424 B**	F	**$11.697 B**	F
$119 M	F	$166 M	F	$13 M	F	**$3.810 B**	F	**$9.588 B**	F
$1.614 B	D	$12.989 B	D	$1.450 B	D	$231 M	C+	$3.253 B	C+
$3.120 B	D	$1.891 B	D+	$1.653 B	D	$225 M	C	$1.981 B	C-
$471 M	D	$9.167 B	D	$1.427 B	D	**$2.064 B**	C	$1.929 B	C-
$1.210 B	D	$6.016 B	D+	$961 M	D	$1.645 B	C+	$589 M	C+
$2.197 B	D-	$1.330 B	B	$1.752 B	C+	$248 M	B-	$1.462 B	B-
$1.476 B	D	$2.041 B	D+	**$3.348 B**	D+	$531 M	B-	$361 M	B-
$1.729 B	D	$2.778 B	D+	$1.551 B	D	$168 M	B-	$461 M	B-
$526 M	D-	$1.724 B	D+	$736 M	D-	$316 M	C	$1.970 B	C-
$121 M	D	$107 M	D	$1.473 B	D	$283 M	B-	$205 M	B-
$137 M	D	$680 M	D+	$609 M	D	-	B-	$46 M	B-
$333 M	D-	-	D-	$1.046 B	D-	$748 M	D	$228 M	D+
$685 M	D	$92 M	D	$521 M	D	$246 M	C-	$993 M	C+
$2.528 B	D	$116 M	D	$1.204 B	D	$197 M	B-	$625 M	C+
$403 M	D	$783 M	D	$1.076 B	D	$149 M	B-	$217 M	C+
$42 M	D	$863 M	D+	-	D	$40 M	B	$30 M	C+
$38.710 BILLION		**$215.973 BILLION**		**$46.130 BILLION**		**$41.792 BILLION**		**$94.515 BILLION**	

Recommendations

To align their policies and practices with a world that **limits global warming to 1.5°C** and fully **respects human rights,** and **Indigenous rights** in particular, banks must:

- Prohibit all financing for all fossil fuel expansion projects and for companies expanding fossil fuel extraction and infrastructure.
- Commit to phase out all financing for fossil fuel extraction and infrastructure, on an explicit timeline that is aligned with limiting global warming to 1.5°C.
- Prohibit all financing for all projects in tar sands oil, Arctic oil and gas, ultra-deepwater oil and gas, fracked oil and gas, and liquefied natural gas, and all companies with operations or expansion plans in these subsectors.
- Prohibit all financing for all projects in coal mining or coal power, and all companies with operations or expansion plans in these subsectors.
- Fully respect all human rights, particularly the rights of Indigenous peoples, including their rights to their water and lands and the right to free, prior and informed consent, as articulated in the UN Declaration on the Rights of Indigenous Peoples.[3] Prohibit all financing for projects and companies that abuse human rights, including Indigenous rights.

Methodology

This report card analyzes fossil fuel financing and policies from 33 large, private-sector commercial and investment banks based in Canada, China, Europe, Japan, and the United States.

For the companies included in this analysis, we assessed each bank's involvement in corporate lending and underwriting transactions from 2016 through 2018 (in U.S. dollars). For subsector financing (30-40 top companies in each subsector), each transaction was weighted based on the proportion of the borrower or issuer's operations devoted to the subsector in question. For the league tables measuring financing for all fossil fuels (approximately 1,800 companies), and the top fossil fuel expanders (100 companies), transactions were adjusted based on each company's fossil fuel-based assets or revenue.

Transaction data were sourced from Bloomberg Finance L.P., where the value of a transaction is split between leading banks, and IJGlobal (via Profundo).

» For a full explanation of methodology and scope, and lists of companies included, visit RAN.org/bankingonclimatechange2019.

Endnotes

1 IPCC, 2018, "Summary for Policymakers," in "Global Warming of 1.5°C: An IPCC Special Report on the Impacts of Global Warming of 1.5°C Above Pre-Industrial Levels and Related Global Greenhouse Gas Emission Pathways, in the Context of Strengthening the Global Response to the Threat of Climate Change, Sustainable Development, and Efforts to Eradicate Poverty," edited by Valérie Masson-Delmotte et al. World Meteorological Organization, Geneva, Switzerland.
2 "FAQs," Board of Governors of the Federal Reserve System, 1 February 2019.
3 "United Nations Declaration on the Rights of Indigenous Peoples," United Nations, 07-58681, March 2008.

This report is endorsed by over 160 organizations around the world.

PUBLICATION DATE:

Tlaib's Questions

A new report finds that each of your banks benefited significantly from the 2017 corporate tax cut and also that each of your banks bought back at least several billion dollars in stock last year. We were promised going into that tax cut that corporations would spend that money on raising wages and creating jobs. For each of you:[1]

1. **What was the net change in your bank's U.S. employment last year?**

2. **Did median pay at your bank increase last year? If so, by how much?**

JPMC Response #1: According to the latest year end data, the number of U.S. employees measured at year- end 2017 was approximately 170,330. The number of U.S. based employees measured at year-end 2018 was approximately 170,490.

JPMC Response #2: Yes, when looking at the estimated median employee pay disclosed in the 2018 and 2019 Proxy Statements, the annual total compensation (including employee benefits) for the firm's estimated median employee in the 2019 Proxy Statement was $78,923 versus $77,799 in the 2018 Proxy Statement (about a 1 percent increase). However, this comparison does not take into consideration that the median employee in the 2019 Proxy Statement is a different employee from the 2018 Proxy Statement with different firm-paid employee benefits based on his or her specific circumstances and elections.

Citigroup Full Response: Citi's U.S. Employment was 67,814 in 2017 and 66,740 in 2018. Median pay was $48,249 in 2017 and $49,766 in 2018.

BofA Response #1: During 2018, we hired approximately 27,000 people in the company. Also in 2018, we announced our intent to hire 10,000 new employees in low-and moderate-income communities. We are halfway through that commitment. Our U.S. headcount was approximately 175,000 in 2017 and our U.S. headcount was approximately 170,000 in 2018, a decrease in headcount of approximately 5,000.

BofA Response #2: Being paid competitively and fairly for the work each of us does in our roles at all levels of our organization is a key component of how we invest in our teammates. Core to this is our support for a competitive minimum rate of pay. That's why we are proud to be a leader in announcing that our minimum hourly wage for U.S. employees increased to $17 on May 1, 2019, and will continue to rise until it reaches $20 in 2021. Our increase to $20 over the next two years builds on regular increases over the past several years of our internal minimum rate of pay for our U.S. hourly employees. As disclosed in the annual proxy statement our median pay changed from $87,115 in 2018 to $92,040 in 2019, an increase of $4,925 (or 5.7%}.

[1] In addition to these first two questions, Tlaib also asked two more questions, but we excluded since it did not pertain to hiring/wages. Those questions were (#3): In 2018, did your bank utilize the provision in the 2017 tax law that provides an exemption for a 10 percent return on your overseas tangible investments (such as facilities and equipment)? If so, how much did that exemption cut your bank's taxes? (#4): How much profit have you generated in your high-carbon energy portfolio?

<u>BNY Mellon Response #1</u>: US. employment decreased by less than 700 employees year-over-year, from 28,350 as of December 31, 2017 to 27,650 as of December 31, 2018.

<u>BNY Mellon Response #2</u>: Median pay for active full-time employees rose 4% year-over-year, from $51,750 in 2017 to $54,051 in 2018.

<u>Goldman Response #1:</u> The net change in our U.S. employees from 2017 to 2018 was +9% (from approximately 17,800 U.S. employees in 2017 to approximately 19,400 U.S. employees in 2018).

<u>Goldman Response #2</u>: The median pay at Goldman Sachs in the United States, from 2017 to 2018, increased by approximately $2,000.

<u>Morgan Stanley Response #1</u>: As of December 31, 2017, Morgan Stanley had 40,007 employees in the United States. As of December 31, 2018, Morgan Stanley had 41,746 employees in the United States.

<u>Morgan Stanley Response #2</u>: Yes. The median annual total compensation of all employees, other than the CEO, increased from $127,863 in 2017 to $142,604 in 2018.

<u>State Street Response #1</u>: See attachment: "Change in US. Headcount 2017-2018"

- *The attachment shows an increase of 38 employees (0.24% increase), from a headcount of 15,471 U.S. employees as of December 2017 to 15,509.*

<u>State Street Response #2</u>: No, as publicly disclosed earlier this year, the pay of our median employee did not increase.

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From Congresswoman Alexandria Ocasio Cortez

Question for Michael Corbat, James Gorman, Brian Moynihan, Ronald O'Hanley, Charles Scharf, and David Solomon:

Mr. Dimon indicated that JP Morgan Chase will no longer be financing or working with private prisons and detention centers. Earlier this month, the Wells Fargo and US Bank also announced that their banks would no longer be financing or working with private prisons or detention centers. When do your banks plan to cease providing lending or other services to companies in the private prison and detention industry?

Citi Response

We do not provide lending or other services to companies in the private prison industry.

Citi Responses to Questions for the Record

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Questions from Representative Ocasio-Cortez

Citigroup

Between 2011 and 2018, Citigroup paid over $14 billion in fines and criminal penalties to various federal and state agencies and law enforcement bodies for violations that included abuses in residential mortgage backed securities markets, mortgage servicing and foreclosure abuses, consumer banking violations, manipulation of foreign exchange markets, and manipulation of interest rate benchmarks. (For a full list see https://violationtracker.goodjobsfirst.org/parent/citigroup).

1) Was Mr. Corbat employed at Citigroup during the time that the conduct leading to these judgements of regulatory and criminal violations took place? What was his position?

2) Did Mr. Corbat personally make or approve any decisions related to the conduct leading to those judgements of regulatory and criminal violations?

3) Was Mr. Corbat in the reporting line for any of the individuals who participated in the conduct leading to these judgements, and/or in a position of direct or indirect management responsibility for their supervision during the time they participated in such conduct?

4) How much did Mr. Corbat earn in incentive pay or bonuses during the years in which the conduct leading to the above-mentioned fines and criminal penalties took place? Please give a total figure and tabulate by year.

5) Did Mr. Corbat ever have to return, pay back, or surrender any of this incentive pay or bonuses for the years during which the conduct leading to the above-mentioned fines and criminal penalties took place, due to any role in the direct or indirect supervision of individuals participating in this conduct? If so, how much?

Citi Response

Mr. Corbat was employed at Citi from 1/1/2011 to 12/31/2011 as CEO of Citi Holdings; 1/1/2012 to 10/14/2012 as CEO of Europe, Middle East and Africa (EMEA); and 10/15/2012 to the present as CEO of Citigroup Inc. While he did not personally make any decisions related to regulatory or criminal violations, he has taken accountability for mistakes or bad behavior by Citi employees. Further, even before he became CEO, Mr. Corbat had a long-held belief in leadership accountability. When he was named CEO, the then-Chairman of the Board cited Mr. Corbat's record of "holding people accountable and practicing sound risk management" among his qualifications for the job.

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Each year, the Personnel and Compensation Committee of the Board of Directors of Citigroup Inc. (the Compensation Committee) determines annual CEO incentive compensation through an objective framework that provides for the rigorous assessment of CEO performance against a range of annual goals, including compliance and controls-related goals. Early in the year, the Compensation Committee establishes and approves objective quantitative and qualitative CEO performance goals for the year, as well as the relative weightings of those goals. The metrics used in the quantitative goals are those used in Citi's annual business plan, which is based on anticipated operating performance. The qualitative goals include performance against compliance and controls-related goals and delivering value to clients. After year-end, the Compensation Committee assesses CEO performance against those goals and develops an overall performance rating. The Compensation Committee then compares the performance rating to market median pay for each executive (i.e., the 50th percentile within the range of pay at our peers for a given role). In general, a stronger performance rating for an executive points toward preliminary compensation above market median, while a weaker rating points toward preliminary compensation below market median. The Compensation Committee then reviews the results of the previous steps and finalizes CEO incentive compensation award, applying discretion. More information on the process used to determine CEO pay can be found in Citi's annual Proxy Statements (https://www.citigroup.com/citi/investor/annual-reports.html).

The Compensation Committee has used the discretion included in the executive compensation framework to vary Mr. Corbat's incentive compensation up or down as compared to the prior year according to Citi's performance. As shown in the table below, Mr. Corbat's incentive compensation has decreased as compared to the prior year two times and increased as compared to the prior year five times since 2011. In particular, the decrease from 2013 to 2014 was specifically related to legal matters that resulted in financial penalties to Citi. As was disclosed at the time, the Compensation Committee adjusted Mr. Corbat's pay downward to reflect leadership accountability for control matters while noting that Mr. Corbat had no involvement with any of the matters that led to the financial penalties.

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CEO INCENTIVE COMPENSATION TABLE

Year	Bonus	Stock Awards	Stock Options	Non-Equity Incentive Plan Compensation	Annual Total Incentive Compensation
2018	$ 6,750,000	$ 15,750,000	$ -	$ -	$ 22,500,000
2017	$ 6,450,000	$ 15,050,000	$ -	$ -	$ 21,500,000
2016	$ 4,200,000	$ 9,800,000	$ -	$ -	$ 14,000,000
2015	$ 6,000,000	$ 9,000,000	$ -	$ -	$ 15,000,000
2014	$ 4,600,000	$ 6,900,000	$ -	$ -	$ 11,500,000
2013	$ 5,200,000	$ 7,800,000	$ -	$ -	$ 13,000,000
2012	$ 4,180,324	$ 6,270,488	$ -	$ -	$ 10,450,812
2011	$ 3,000,000	$ 2,250,000	$ 2,039,836	$ 2,250,000	$ 9,539,836
				Total	$117,490,648

Amounts shown reflect incentive compensation amounts approved for the performance year shown. These amounts differ from the Summary Compensation Table in Citi's annual proxy filings, as under SEC rules, components of the total incentive for a given performance year may be reportable in different calendar years depending on their form.

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Questions from Representative Barr

What is one regulation, either implemented or proposed, that your institution is subject to, that you believe could potentially exacerbate an economic downturn or may impede recovery from a downturn?

Citi Response

We believe that post-crisis regulatory reforms have improved the overall resilience of the U.S. financial system through robust capital and liquidity standards and enhanced recovery and resolution planning. With that said, these reforms have yet to be tested in the context of an economic downturn. As has been noted in industry and trade association comment letters, it is important to reassess these reforms in view of the material changes in the financial system since these reforms were introduced, to address unintended consequences of these standards, and to mitigate identified issues in the current framework. As an example, liquidity regulations that have resulted in banks holding large stocks of liquid assets on balance sheet may unduly restrict the banking sector's ability to lend in a downturn as liquid resources come under pressure. Similarly, regulations restricting capital markets activities, such as the Volcker rule, may not have a discernible impact on market functioning and liquidity in the current environment when the economy is growing but may have much more pronounced and negative effects as the economy slows and the demand for liquidity rises. Moreover, U.S. supervisors have acknowledged the challenge of undue volatility of supervisory stress test, especially when the results of that process forms the basis of regulatory capital standards. While some volatility in annual results is necessary to preserve the dynamism of the stress test, a highly variable capital requirement from year to year can present a significant management and market challenges. Robust levels of capital and liquidity are important to ensuring financial stability and resiliency. At the same time, we must ensure that the level of regulation does not itself become an impediment to supporting the real economy during a downturn even if it seems appropriate during a period of economic expansion.

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Questions for Mr. Michael L. Corbat, Chief Executive Officer
Citigroup
As submitted by Congresswoman Joyce Beatty
Chair, Subcommittee on Diversity and Inclusion

House Committee on Financial Services Hearing
Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 years after the Financial Crisis
April 10, 2019

The 2008 financial crisis, in particular, revealed the depth of the problems in the financial services industry, including a lack of diversity in the industry's workforce and business activities. In response to this concern, Section 342 of the Dodd Frank Wall Street Reform and Consumer Protection Act created 20 Offices of Minority and Women Inclusion (OMWI) in the nation's most powerful financial regulatory agencies, to be responsible for all matters relating to diversity in regulated agencies' management, employment, and business activities. Section 342(b)(2)(C) of the Dodd-Frank Act also required the OMWI Director of each agency to develop standards for assessing the diversity policies and practices of entities regulated by the agency. The Final Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity and Policies and Practices of Entities Regulated (Joint Standards) was adopted in June 2015 by the lead prudential banking and consumer finance regulatory agencies to implement this requirement.

Unfortunately, a complete picture of diversity and inclusion in the financial services industry cannot be obtained until the financial services industry shares their diversity data and policies with the OMWIs, Congress, and the public. Under the Joint Standards, regulated entities were encouraged, but not required, to share diversity data and policies with the OMWI offices. Without access to this data, it is not fully possible to gauge whether regulated entities are meeting the spirit and intention of Section 342.

To best examine this concern about Citigroup's implementation of diversity and inclusion initiatives, please provide the following about your institution's diversity and inclusion data and policies from 2015 through present, including:

1. Demographic totals on your employees, including:
    a. Total number of employees (full- and part-time)
    b. Career level of employees (executive and manager versus employees in other roles);
    c. Gender, race and ethnic identity of your employees, as otherwise known or provided voluntarily;
    d. Employee compensation by gender, race and ethnicity;

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2. Number and dollar value invested with minority- and women-owned vendors and asset managers as compared to all vendor and asset manager investments, as applicable;
    a. Amount and percentage of company 401K plan and other pension plan assets invested with diverse-owned asset management firms and categorize each firm by gender and racial ownership type (i.e. women, African-American, Latino etc.)
    b. Amount and percentage of externally-managed wealth management platform assets invested with diverse-owned asset management firms and categorize each firm by gender and racial ownership type (i.e. women, African-American, Latino etc.)
    c. Amount and percentage of investments managed by diverse owned banks and underwriters and categorize each firm by gender and racial ownership type (i.e. women, African-American, Latino etc.)

Title(s) and reporting structure for your institution's lead diversity officer(s);

    d. Number of staff and budget dedicated to diversity initiatives;
3. Description of performance measures and compensation tied to diversity initiatives;
4. Company-wide diversity policies and practices, including:
    a. Recruitment strategies;
    b. Outreach to diverse organizations, such as historically black colleges and universities and professional organizations;
    c. Gender pay equity data and efforts to close any identified gaps;
5. Corporate board demographic data, including;
    a. Total number of board members;
    b. Gender, race and ethnic identity of board members, as otherwise known or provided voluntarily;
    c. Board position title, as well as any leadership and subcommittee assignments;
6. Your institution's diversity policies and practices; and
7. Any challenges your institution faces in implementing its diversity goals and initiatives.

Citi Response

Demographics

Information about our demographics, including our 2018 Consolidated U.S. Employer Information Report can be found in Citi's Citizenship report pages 101-103; and 116-118 (https://www.citigroup.com/citi/about/citizenship/download/2018/Global-Citizenship-Report-2018.pdf).

Supplier Diversity

The goal of Citi's supplier diversity program is to ensure the selection, inclusion and utilization of diverse suppliers best suited to conduct business with Citi. It also is designed to ensure programs and partnerships that will lead to capacity building and

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create access to, and awareness of, Citi's supplier selection processes. Citi supplier diversity efforts include tracking and reporting of spend, outreach, training and development, and partnership. We have annual spend goals for supplier diversity and feedback is provided to the Board each year. We have two specific ways we manage and track our spend efforts: the Tier 1 program ensures emphasis is placed on the consideration of diverse suppliers when Citi is directly procuring goods and services; the Tier 2 program encourages non-diverse suppliers to subcontract business to diverse businesses as well as develop a supplier diversity program of their own. In 2018, we spent $703.8 million dollars with diverse firms, including $391 million with minority business enterprises (MBEs), $185.1 million with women-owned businesses, $13 million with veteran-owned businesses and $113 million with small businesses. In Tier 2 as of 3Q 2018, we spent $210 million. Through these efforts, Citi works with suppliers that range from software providers to hardware vendors to staffing firms.

Regarding broker dealers, Citi is proud of its strong record and is committed to working with minority, veteran, women-owned, and LGBT+ businesses. In 2018, 17 percent of total fees paid went to Minority/Women-owned firms; and since 2007, Minority/Women-owned firms have received an average of 10 percent of the fees paid out. In 2018, Citi included three or more diverse broker dealers (minority/women/veteran-owned) in each of 16 USD denominated unsecured benchmark debt and capital offerings, utilizing 24 different firms throughout the year. Citi was proud to hire all women-owned firms for a $1 billion bond issuance earlier this year (read more at this link: https://www.citigroup.com/citi/news/2019/190308a.htm). In 2018, Citi included three minority dealers as part of the selling group in our public ABS transactions. In 2018, 84 percent of Citi's own debt securities issued in the United States encompassed underwriting syndicates that included women, veteran and minority owned firms (Minority Women Business Enterprises) as co-managers.

We understand the importance of diversity and inclusion throughout financial services. With respect to working with third parties to offer platforms for our assets under management, we recognize we can do more to create opportunities to have diverse firms considered as potential partners in these businesses. While Citi does not currently consider our limited partnerships with asset management firms as part of our broader supplier diversity program, we are reviewing our approach and are committed to pursuing ways to enhance our work with diverse asset management firms.

Diversity at Citi

Citi has for a number of years submitted diversity reports to the Office of Minority and Women Inclusion (OMWI) upon request by its regulators. As stated in Mr. Corbat's written testimony, building a truly diverse and inclusive culture is an important and critical goal for Citi. We are laying the groundwork today for real progress in the future. Citi's 15-person Board of Directors includes five women and two minorities, and the CEO's direct reports include five women and three minorities. We have set goals for female and U.S. minority representation in the company, reinforcing our commitment to make meaningful progress in our mission to be more representative of the communities Citi serves. In keeping with that commitment to diversity and inclusion, Citi was the first financial services firm to voluntarily disclose our adjusted pay gap between women and men in the U.S., U.K. and Germany and between minorities and non-minorities in the U.S. Accounting for a number of factors in the analysis to make comparisons meaningful, including job function, level, and geography, we found that women were paid on average 99 percent of what men were paid, and U.S. minorities were paid on average 99 percent of what non-minorities were paid. As a result, we made pay adjustments as part of the compensation cycle.

This year, we went even further and were the first bank – according to press reports, the first U.S. company – to disclose our unadjusted median pay gap. That is the simple difference between median pay for all female employees, compared to median pay for all male employees, at Citi. We found that the median pay for females globally is 71 percent of the median for men, and the median pay for U.S. minorities is 93 percent of the median for non-minorities. These numbers underscore the importance of achieving the representation goals we have set for more females and U.S. minorities to hold senior and higher-paying roles at our company. Citi has found the public disclosure of these numbers to be useful in terms of understanding the gaps and acting to close them. For more information on our diversity initiatives please see Citi's Citizenship report pages 101-118 (https://www.citigroup.com/citi/about/citizenship/download/2018/Global-Citizenship-Report-2018.pdf).

Affinity Groups and Senior Leaders in Action

Members of Citi's leadership team, along with other senior leaders across the company, co-chair our Affinity Groups to help provide accountability for an equitable and inclusive culture. The Affinity leaders act as public champions for the priorities and needs of each demographic, both within the company and externally. Our 10 Affinity Groups are designed to ensure that we understand, appreciate and respond to the needs of our entire employee base. In line with our representation goals, Citi executives are incorporating diversity and inclusion into their business priorities and commitments. From creating a systematic approach to networking between senior leaders and diverse talent to one-on-one career discussions with diverse talent, we are focusing on more direct engagement and accountability for developing and retaining key talent. Another critical area of focus is ensuring that our talent pipeline is more aggressively managed. As part of our annual, company-wide succession planning efforts, our leaders are working to ensure that we have a diverse talent pool that are ready now for promotion and that talent that is two to three years away from their next roles have appropriate development plans in order to facilitate career mobility.

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Unconscious Bias and Men as Allies

Following our Building an Inclusive Culture training in 2017 and in-person sessions with Dr. Mahzarin Banaji, we have created interactive sessions to recognize common unconscious biases and hold one another accountable to calling these out when we see them. With the understanding that creating a diverse and inclusive culture is the responsibility of all of our employees, not just those who identify with a certain gender, ethnicity or Affinity, Citi is creating opportunities for men to be involved in honest dialogue around female leaders' experiences in the workplace to reinforce male advocacy and allyship.

Targeted Recruiting

In order to continue making progress in increasing the representation of female and minority talent at all levels of the firm, we must enhance our focus on how we bring colleagues into Citi. Our goal is for our analyst and associate programs to include 50 percent female colleagues globally and 30 percent black and Hispanic/Latino colleagues in the U.S. Female representation in full-time analyst and associate roles globally increased from 36 percent in 2017 to 46 percent in early 2019. Likewise, women in summer analyst and associate roles have increased from 39 percent to 47 percent over the same time period. In the U.S., our black and Hispanic/Latino representation has increased from 12 percent in 2017 to 19 percent in early 2019, with our summer representation increasing from 15 percent to 26 percent over the same time frame.

We are also changing how we track and manage candidates who interact with Citi, to ensure we can connect them to appropriate opportunities across the firm. Our recruiting team has been building a comprehensive digital dashboard and is testing and validating predictive models that include diversity metrics in order to more effectively source and recruit the right talent. For managing director and director level hires, we continue to seek diverse slates, including at least one woman in our interviews for global hires and at least one woman or racial/ethnic minority in our interviews for U.S. hires. In 2018, 76 percent of interview slates for managing director and director roles included at least one diverse candidate. We have also continued to use diverse interview panels to promote a broader perspective on hiring decisions. In 2018, 80 percent of managing director level hires were interviewed by a panel with at least one diverse member.

Campus Recruiting

In the last few years, we introduced a Freshman Discovery Program to help educate underrepresented minority college freshmen on the various roles in the financial services industry. Through networking sessions, trainings and pairing with a mentor at Citi, students are introduced to firm-wide foundational concepts to help them understand our businesses and the impact Citi has on our clients. After the Freshman Discovery Program, 27 percent of program participants received an offer to join our Sophomore

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Leadership Program, and 13 percent were selected to join Citi's Early Identification Leadership (Early ID) Program.

The Early ID Program pairs each participant with a mentor from Citi and provides access to a virtual learning tool that includes weekly virtual trainings, as well as virtual panels and seminars given by Citi professionals. In 2018, we aligned the program with our Affinities and we explored various proactive sourcing methods to reach our traditional target schools to attract a wider variety of applicants. We also expanded the Citi University Partnerships in Innovation & Discovery (CUPID) Program, launched in 2017, to engage students from historically black colleges and universities, including Howard University in Washington, D.C., on innovation projects across Citi.

Developing Diverse Talent

Citi has a wide range of programs underway to engage and develop diverse talent across the firm as teams test new approaches with potential for scale. In the North America Global Consumer Banking team, for example, our Black and Hispanic Diversity Leadership Program helps employees progress to leadership and executive levels. The three-month program, launched in late 2018, includes one-on-one coaching sessions, peer mentoring circles and assessment tools to support the 30 participants to accelerate their professional development, expand their business acumen, and increase their exposure to executives and other leaders across the business.

Promotion Paths and Processes

A critical part of guiding the career progression of our employees is working to better understand what works and what does not so we can not only retain but also promote our talent. Career development is an important priority, and we promote from within wherever possible. In 2018, close to 40 percent of open positions were filled internally. This focus is particularly important for our diverse talent as we work to increase representation at more senior levels of the company. For example, with immense focus and continued investment in development, more than 25 percent of our Citi Country Officers (our country business heads) are female, and our ultimate goal is to increase this to 50 percent. Additionally, please refer to the Citi Citizenship Report pages 101-118 (https://www.citigroup.com/citi/about/citizenship/download/2018/Global-Citizenship-Report-2018.pdf).

Citi Responses to Questions for the Record

House Financial Services Committee

Congressman Cleaver's Questions for the Record for hearing entitled

"Holding Megabanks Accountable"

Economic Conditions and Big Bank Responsibility

The Kansas City Fed produced a report on low- and moderate-income individuals' economic conditions within their district. The report read that "more survey contacts still reported worsening conditions than improving conditions, and those who reported no change were in some sense comparing current conditions with a low base." This is to say that conditions for some of low-income people have been negative for so long it is like looking up from a hole that hasn't gotten any deeper but is still far underground.

Nationally, less than 75 percent of those younger than 65 with incomes less than $25,000 have health insurance coverage, compared with about 95 percent of those with incomes greater than $50,000.

Since 2008, more than 2.5 million new jobs were created in the most prosperous ZIP codes, while the least prosperous areas lost nearly 1.5 million jobs, according to research from the Economic Innovation Group.

People are struggling all over this country and when they hear about a tax reform bill that resulted in record stock buybacks and bonuses to senior executives—they are understandably upset.

What are your firms doing to create long-term, sustainable changes to help these struggling communities?

- **Specially, what measurable long-term commitments have your firms made to uplift struggling communities and where are you in achieving measurable benchmarks?**
- **If no such process exist would you be willing to develop such commitments?**

Are your firms planning to deploy recourses in the core of communities who need them through the opportunity zones program?

- **If yes, please articulate exactly how your firm plans to do that?**
- **If not, why not?**

How will you ensure your firms resources will deployed in communities that need them and not diverted to those that do not? What metrics and tools are you using to ensure your resources and investments will be deployed in the most needed areas?

Diversity

Adopted in 2003, the Rooney Rule is a National Football League policy that requires teams to interview ethnic-minority candidates for head coaching jobs. Since then, the Rooney Rule has been expanded to include general manager jobs. A similar rule requires that a woman be interviewed for every business front-office position that opens in the league.

Citi Responses to Questions for the Record

House Financial Services Committee

In all witnesses' testimonies diversity was noted as an important principal.

Would you all be willing to commit to abiding by a Rooney Rule when interviewing for every open executive level position in your firm?

Has your firm identified disparities in the promotion/retention rates of diverse employees? If so, what steps has your company taken to evaluate and address such disparities?

What steps does you firm take to ensure equal pay for equal work for women and minorities?

Do your companies currently set targets and/or goals for supplier diversity (including outside legal services)?

Fintech

There was a report released by Berkley University entitled "Consumer-Discrimination in the Era of Fintech."

The report highlights that, "the mode of lending discrimination has shifted from human bias to algorithmic bias."

"Even if the people writing the algorithms intend to create a fair system, their programming is having a disparate impact on minority borrowers—in other words, discriminating under the law."

All of your firms were included in this report.

I understand from our exchange during the hearing that you may not be aware of the report. I would request that you all committee to reviewing the report and its findings.

What steps are you prepared to take to address its findings?

How does your firm ensure compliance with fair lending laws while deploying algorithms? What steps do your firms take to monitor and evaluate the impact of automated decision making on racial subgroups? What forms of self-testing do you utilize in this area?

If your firm utilizes "alternative data" for evaluating credit worthiness and terms of contract, what data has your firm has definitively determined should not be used either because it is explicitly discriminatory or may serve as a proxy for discrimination?

Citi Responses to Questions for the Record

House Financial Services Committee

Citi Response

nclusive Communities

Citi and the Citi Foundation take action to effect positive and meaningful change in our communities, often working in tandem to increase our overall impact. From our focus on nfrastructure to affordable housing, from jobs to financial inclusion, we are helping to build more inclusive and resilient communities. For information about Citi's efforts to create and promote inclusive communities, please refer to the "Inclusive Communities" section in the Citi's Citizenship report pages 23-44 (https://www.citigroup.com/citi/about/citizenship/download/2018/Global-Citizenship-Report-2018.pdf).

Opportunity Zones

The Citi Foundation is also investing $10 million in the Local Initiatives Support Corporation (LISC) to help connect unemployed and underemployed Americans with obs in growth industries that need trained workers, including healthcare, transportation, echnology, construction and other industries facing shortages of skilled workers. Through an expanded network of local sites across the U.S., job seekers will have access to a range of services designed to increase their incomes, improve their credit and raise their standards of living. These services not only include skills training and career development, but also personal finance coaching, continued education courses o strengthen math and reading skills, and resources to help job seekers secure child care and housing arrangements, which can serve as impediments to career mobility. With this new funding, LISC will expand the Bridges model to a total of 40 communities across the U.S., with a strong emphasis on areas designated as Opportunity Zones, and aim to serve 10,000 job seekers over the next three years.

Citi is working to create a comparison tool that will help investors identify Opportunity Zones that are most in need of investments, even those that may not be top of mind due o lack of familiarity with those communities. By providing data on underserved communities, Citi aims to highlight areas that need investment, offer long-term growth opportunities and have an engaged community network that will help drive significant mpact for the local population.

Talent & Diversity

Citi strives to interview diverse candidates for executive positions. For managing director and director hires, we continue to seek diverse candidate slates, including at east one woman or minority in our interviews for U.S. hires. In 2018, 76 percent of nterview slates for managing director and director roles included at least one diverse candidate. We have also continued to use diverse interview panels to promote a broader perspective on hiring decisions. In 2018, 80 percent of managing director level hires were interviewed by a panel with at least one diverse member.

Citi Responses to Questions for the Record

House Financial Services Committee

For more information, please see pages 101-109 of Citi's Citizenship report from more information on Talent and Diversity (https://www.citigroup.com/citi/about/citizenship/download/2018/Global-Citizenship-Report-2018.pdf).

Supplier Diversity

The goal of Citi's supplier diversity program is to ensure the selection, inclusion and utilization of diverse suppliers best suited to conduct business with Citi. It also is designed to ensure programs and partnerships that will lead to capacity building and create access to, and awareness of, Citi's supplier selection processes. Citi supplier diversity efforts include tracking and reporting of spend, outreach, training and development, and partnership. We have annual spend goals for supplier diversity and feedback is provided to the Board each year. We have two specific ways we manage and track our spend efforts: the Tier 1 program ensures emphasis is placed on the consideration of diverse suppliers when Citi is directly procuring goods and services; the Tier 2 program encourages non-diverse suppliers to subcontract business to diverse businesses as well as develop a supplier diversity program of their own. In 2018, we spent $703.8 million dollars with diverse firms, including $391 million with minority business enterprises (MBEs), $185.1 million with women-owned businesses, $13 million with veteran-owned businesses and $113 million with small businesses. In Tier 2 as of 3Q 2018, we spent $210 million. Through these efforts, Citi works with suppliers that range from software providers to hardware vendors to staffing firms.

Fintech

Thank you for raising the Berkeley report. At Citi we have both preventive and detective measures in place to drive customer outcomes that are aligned with our firm's core values, including our commitment to fair and non-discriminatory access to credit. As we seek to innovate to better serve our customers, we also evolve our methods for preventing discrimination risks – including disparate impact. We recognize this is a moving target and we continue to be proactive in addressing it. In fact, we are in the process of developing an ethical framework for artificial intelligence and machine learning that will seek to complement our existing fair lending safeguards around algorithms. This process would equip Citi teams across businesses and functions with high-level ethical guidelines designed to prevent human or data bias in future AI and machine-learning work, and help ensure the right level of monitoring and control of these systems.

Citi Responses to Questions for the Record

House Financial Services Committee

Mr. Green's Questions for the Record

1. All: Has your firm ever had a woman or person of color in the position of Chair & CEO?

2. All: At the full Committee hearing on April 10, 2019, when asked about your likely successor, you each indicated that it is unlikely that a woman or person of color will replace you.
   a. Why do your likely successors exclude women and people of color?
   b. What are you doing to diversify the talent pipeline for very senior leadership roles at your bank?

3. All: Often a CEO's responsibilities include leadership planning. Is this one of your exclusive or shared responsibilities as CEO? If yes:
   a. Do you believe your leadership planning sufficiently prioritizes the development of diverse candidates for the bank's most senior roles?
   b. What changes in your bank's leadership development and planning would increase the likelihood that likely candidates to succeed you will include women, people of color, and LGBTQ people?
   c. Do you commit to making those changes to your bank's leadership development plan?

4. All: Produce documentation of your bank's leadership development plan.

5. *Question not directed to Citi*

6. Mr. Corbat and Mr. Scharf: At the full Committee hearing on April 10, 2019, you indicated by your response that your bank benefitted from slavery. With respect to all benefits that your respective bank derived directly or indirectly from slavery, indicate the following:
   a. The nature, amount, time period, and details of such benefits as well as the parties to all transactions conferring such benefit.
   b. How the bank quantified the benefits received, including the source of the information relied upon, and all findings relating to such benefits.
   c. The steps taken by the bank in response to the findings regarding benefits from slavery.

7. All: It often takes years to recover from the damage and loss caused by a natural disaster. I know this because my district of Houston is unfortunately still struggling to recover since Hurricane Harvey devastated countless homes and communities. That is why I believe we need to push banks to provide real assistance after the foreclosure moratoria expire. People need more time to rebuild and a way to deal with the inevitable missed payments through a modification or other form of relief that isn't just resuming their regular payment or paying back a lump sum. What options do you offer disaster relief victims after the first year for long term solutions that help borrowers keep their homes?

Citi Responses to Questions for the Record

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8. All: According to a recent study by Reveal from the Center for Investigative Reporting, fifty years after the Fair Housing Act banned discrimination in lending, African-Americans and Hispanic (or Latinx) Americans are still denied conventional mortgage loans at rates far higher than their white counterparts in 61 metro areas across the United States. Earlier this year, Citi entered into a settlement with the OCC for failing to give minority customers mortgage discounts that were available to many other borrowers. In 2017, JP Morgan Chase entered into a $53 million settlement for overcharging African-American and Hispanic borrowers higher rates and fees on mortgage loans.

    a. Do you agree that discrimination exists in mortgage lending?

    b. What changes, if any, have you made to your systems and procedures to prevent this type of discrimination in the future?

    c. What systems do you have in place to make sure your bank is not discriminating against borrowers of color?

Citi Response

Leadership Development

Citi's CEO and Chairman are two different roles. In the last 10 years Dick Parsons served as Chairman of the Board from February 2009 to April 2012 and Vikram Pandit served as CEO from December 2007 to October 2012. As Mr. Corbat signaled during the hearing, it's likely a woman or person of color could become CEO in the next decade. His current direct reports include five women and three minorities and Citi's 15-person Board of Directors includes five women and two minorities. We continue to build a diverse succession pipeline for CEO with a more diverse executive management team and for Board Chair succession with a more diverse Board of Directors.

Leadership Development at Citi provides for comprehensive learning and development opportunities for employees at all levels of the leadership pipeline: manager of self (individual contributor), manager of others, manager of managers, and executive leader. Learning initiatives and programs align to the expected leadership behaviors at each level of the leadership pipeline, as articulated in Citi's Leadership Standards (attachment: "Citi Leadership Standards"). The Citi Leadership Development Flyer (attachment: "Citi Leadership Development Flyer") summarizes global leadership development offerings, all of which are bespoke to Citi and include:

- Milestone Programs: Instructor-led courses with a duration of 1-3 days targeted to leaders and managers at key transition points in the leadership pipeline. Milestone programs include a leader-led session with a Citi executive to articulate expectations and share their own experience, and are facilitated by Citi employees (typically Learning & Development professionals).

Citi Responses to Questions for the Record

House Financial Services Committee

- Targeted Leadership Programs and Learning Resources: Learning programs and resources to support leader and manager development in the following critical skill and capability areas: performance conversations; development conversations; coaching; change management; leading virtual teams (for remote/dispersed teams); diversity and inclusion; and interview skills.

Slavery Impact Study

In 2005, Citi engaged an archives consulting company to assist in conducting an extensive review of records created by Citi and by banks acquired by Citi to determine whether there was evidence that Citi had historically profited from slavery. This review was conducted after the City of Chicago passed an ordinance requiring any company doing business in the city to search their records and disclose investments or profits from the slave industry in an Economic Disclosure Statement and Affidavit.

The review was extensive and involved internal and external resources to organize an archives search and conduct research. Historic company records such as articles of association, by-laws, official documents, bonds, stock certificates, ledgers, and cash journals were examined to identify any investments in or profits from slavery. This review found no evidence of any business dealings or investments that profited from slavery or insurance on slaves. The research was limited to the company's and predecessor companies' direct investments. It did not include investigation into business activities of Citi clients.

Damage and Loss

Citi offers a wide range of short-and long-term solutions including loan modifications for borrowers suffering any hardship including those caused by natural disasters. It has consistently been our goal, as being an original signatory to the Home Affordable Mortgage Program, to prioritize customers retaining their homes.

Discriminatory Lending

Citi has no tolerance for discrimination in any form, across its products; Citi provides equal access and opportunity for credit for applicants, regardless of race, ethnicity, or gender and is committed to ensuring that customers are treated fairly. However, we do agree that, very unfortunately, discrimination does still exist in the U.S.

Although Citi did enter into a Consent Order with the Office of the Comptroller of the Currency earlier this year, the errors in providing relationship pricing discounts were not limited to minorities. The errors impacted borrowers across gender, race and ethnicity. Citi conducted a comprehensive review and strengthened processes and controls to help ensure correct implementation going forward. We continue to closely monitor implementation and, if we identify an instance in which an eligible customer does not receive the full benefit of relationship pricing as intended, we act promptly to correct.

For decades, Citi has had oversight processes in place to review customer interactions no matter what the point of intersection, in person, in branch, on phone, by mail, via web or mobile – to ensure all customers are treated properly and fairly. For example, new products are required to go through a legal and fair lending review prior to launch. Additionally, as noted in my testimony, Citi utilizes other controls, including mystery shopping.

Citi Responses to Questions for the Record

House Financial Services Committee

Questions for the Record

Hearing: "Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 years after the Financial Crisis"
Date of Hearing: April 10, 2019
Member: Rep. Ben McAdams

1. For all witnesses:
    a. How do you survey and evaluate employee morale? And how do you incorporate that feedback into action plans to improve your companies?
    b. What steps does your company take to ensure employees can report concerns or grievances up the chain of command and/or to an independent entity outside the direct chain of command? How do you ensure these employees can report any concerns without fear of reprisal?
2. *Question not directed to Citi*

Citi Response

Employee Evaluation

Our annual survey, Voice of the Employee (VOE), provides every one of our employees with an opportunity to confidentially voice their feedback and perspectives on aspects of our work environment and management practices. This includes, but is not limited to, assessment of our employee morale and engagement, employee perceptions of our culture, leaders and managers, and employee suggestions for making Citi an even better place to work. Each manager with at least six team member respondents receives an aggregate VOE feedback report and gets access to an online tool that includes these results as well as a comprehensive action-planning tool with resources and suggested actions to address VOE insufficiencies. The VOE results are incorporated into our senior leaders' scorecards. Leaders take these results seriously and are expected to address the areas of opportunity.

Ethics

Citi believes that it is essential for employees to have multiple options to report concerns and to feel secure when raising a concern. Information concerning how to raise concerns is provided to employees in Citi's Code of Conduct, Code of Conduct Training, U.S. Employee Handbook, Escalation Policy, and intranet. Employees may raise concerns to members of management or to one or more independent functions such as Human Resources, Legal, Independent Compliance Risk Management, and Citi Security and Investigative Services. Employees are advised that they do not have to report a concern to anyone who is the subject of their concern.

Citi Responses to Questions for the Record

House Financial Services Committee

Employees may also raise concerns to the Citi Ethics Hotline, which provides five channels for employees and any third party, including members of the general public, to report concerns about unethical behavior to Citi's Ethics Office. A telephone line is available 24 hours a day, seven days a week, with live operators who can connect to translators in multiple languages. Other reporting channels include a dedicated email address, fax line, website (both internal and public-facing), and physical mailing address. Concerns may be raised either anonymously or with attribution, subject to applicable country laws and regulations. All concerns are thoroughly investigated by appropriate, independent functions. Investigations are treated as confidentially as possible, consistent with the need to investigate and address the matter. Investigations of complaints raised through the Citi Ethics Hotline are reviewed by dedicated, independent Ethics Office staff.

Citi prohibits any form of retaliation against anyone who raises a concern or question in good faith, or who participates in a subsequent investigation. Citi reinforces its prohibition against workplace retaliation extensively though multiple communications, policies and training. Expectations concerning non-retaliation are set forth in the Code of Conduct, U.S. Employee Handbook, and various Citi policies including the Escalation Policy, all of which are available online to all employees and are further reinforced through periodic messaging from Citi's CEO, Citi's Head of Compliance, and other leadership personnel. Under Citi's policies, each member of management is responsible for creating a work environment free of retaliation. Employees who engage in retaliation are subject to disciplinary action, up to and including termination of employment with Citi.

Employees are encouraged to report any concerns regarding retaliation through any of the channels or independent functions described above. Employees who conduct internal investigations at the request of the Citi Ethics Office receive training regarding Citi's prohibition against retaliation and are instructed to escalate to the Ethics Office if any witness alleges that s/he has been the victim of retaliation in the course of an investigation. Retaliation concerns are thoroughly investigated in accordance with Citi's processes.

Finally, Citi measures employees' shared view of Citi's culture, including Citi's commitment to ethical behavior and anti-retaliation, through the Voice of the Employee (VOE) Survey, where the Ethical Culture Index continues to be the highest scoring index on the Survey. Employees have been asked for their view as to whether they can "Report unethical practices without fear of reprisal," to which 83 percent of employees in Citi's most recent VOE survey have responded favorably and only 7 percent unfavorably. When compared to a database of 44 companies, Citi lies above the median.

Citi Responses to Questions for the Record

House Financial Services Committee

Questions from Representative Rose

To each CEO:

I am concerned with the recent trend of banks pulling financing from firearm industry participants. Responding to a question Chairman Mike Crapo asked in a Senate Banking Committee hearing in April 2018, Federal Reserve Vice Chairman of Supervision Randy Quarles responded: "I do not believe that lending to the NRA or to law-abiding gun firms in the gun industry raises security and soundness questions."

Can you outline how your bank ensures that any withholding of banking services for the firearm industry, or any lawful business activity, is based on legitimate concerns of federal and state law compliance or creditworthiness as opposed to activist groups' disfavor of a certain lawful business activity?

Citi Response

Citi's Firearms Policy is centered on current firearms sales best practices. There are millions of Americans who use firearms for recreational and other legitimate purposes, and we respect their Constitutional right to do so. Our policy is designed to respect that right while managing our corporate risk profile and responding to our investors and employees. We believe the Policy is a positive step in promoting gun safety and raising awareness. Our policy is not designed to impact the ability of individual consumers to use their Citi debit or credit cards at merchants of their choice, including merchants whose policies may differ from those we adopted.

Generally speaking, under the Policy, we require retail sector clients or partners to adhere to these best practices: (1) they don't sell firearms to someone who hasn't passed a background check, (2) they restrict the sale of firearms for individuals under 21 years of age, unless they have taken hunter safety or other training, or have military training and (3) they don't sell bump stocks or high-capacity magazines. These best practices are consistent with practices currently adopted by the country's largest retailer. They are also, in our business judgment, prudent guideposts for the responsible corporate risk profile we seek to maintain for our investors, employees and customers.

Citi Responses to Questions for the Record

House Financial Services Committee

Congressman Brad Sherman
Questions for the Record
House Committee on Financial Services Hearing: "Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 Years After the Financial Crisis"
April 10, 2019

Questions for Michael L. Corbat: Chief Executive Officer, Citigroup, James Dimon: Chairman and Chief Executive Officer, JP Morgan Chase and Co., James P. Gorman: Chairman and Chief Executive Officer, Morgan Stanley, Brian T. Moynihan: Chairman and Chief Executive Officer, Bank of America, Ronald P. O'Hanley: President and Chief Executive Officer, State Street Corporation, Charles W. Scharf: Chairman and Chief Executive Officer, Bank of New York Mellon, David M. Solomon: Chairman and Chief Executive Officer, Goldman Sachs:

1. The American with Disabilities Act is nearing its 30th Anniversary (July 26, 2020) and several subsequent pieces of legislation have worked to fulfill the promise of the ADA. The Workforce Innovation and Opportunity Act transformed our nation's workforce development system to become more accessible, the Section 503 regulations encouraged federal contractors to recruit qualified individuals with disabilities, the Achieve a Better Life Expectancy (ABLE) Act created tax-free savings account to help pay for disability needs and CRA applies to low income people with disabilities. Please explain what your Financial Institution is currently doing or planning to do to support low-income people with disabilities in these specific areas:

- Employment/Vocational Training
- Financial Literacy
- Promotion of ABLE Accounts
- Housing
- Education
- Socialization
- Public Policy

2. There are over 22 million working-age Americans and 70 percent of them are striving to work. However only one in three has a job. What is your financial institution's strategy for connecting with this pool of potential employees? How does your talent recruitment and employee education process meet the needs of job-seekers with disabilities? What processes are in place for when an employee with a disability requests a reasonable accommodation?

3. As a federal contractor, your financial institution has an aspirational goal to have 7 percent of your employees, in all job categories, be qualified individuals with disabilities. What efforts have you made to work towards this goal? How has your organizational culture evolved to include employees with disabilities? What

Citi Responses to Questions for the Record

House Financial Services Committee

percentage of your employees have disabilities? What barriers have you experienced to success? What successes have you achieved?

4. Fully 26 percent of people with disabilities live in poverty and fully 18 percent of households headed by people with disabilities are unbanked. What efforts have your financial institutions made to support people with disabilities who want to seek our financial literacy, open a savings account or overwise improve their financial status?

5. What are you doing to help people with disabilities start or grow their own companies or have access to credit for home ownership?

Citi Response

Citi demonstrates its commitment to individuals with disabilities in many ways, from recruiting and hiring, to Citi-sponsored policies and programs, and in its systems and facilities. In addition, Citi has taken an increasingly active role engaging with our communities and partners to support financial inclusion for people with disabilities, and has expanded our communications about disabilities of all forms to promote a culture of inclusion across our firm.

Recruiting and Retaining Employees with Disabilities

Citi is highly focused on maintaining a workplace that is accommodating to colleagues and candidates with disabilities, which will support our efforts to increase representation of those individuals in our workforce. At a firm-wide level, we have a committee focused on technology, facilities and process enhancements that are accommodating to colleagues and candidates with disabilities. Individual employees who are or become disabled may request an accommodation through Citi's reasonable accommodation process, which we have actively worked to streamline. Citi promotes transparency in the accommodation process by providing all employees who submit a request for reasonable accommodation with a written response to their request, and has also established a centralized budget to pay for the purchase of specialized equipment that may help disabled employees to perform their jobs.

Citi uses an applicant tracking system, which, among other things, records the number of applicants who self-identify as an individual with a disability, and the number of individuals with disabilities hired. Although Citi provides individuals with disabilities the opportunity to self-identify during the hiring and onboarding process, since reporting is strictly voluntary, the actual number of Citi employees who have disabilities is unknown. Citi's most recent "Voice of the Employee" survey results for 2018 indicate that 2.66 percent of U.S. employees have-identified as disabled. Starting this month, Citi has planned a self-identification campaign targeting all employees globally – where legally permitted, including in the U.S., – to encourage those with disabilities to voluntarily self-identify. At the same time, Citi has taken steps to address underrepresentation through various programs and processes such as participation in job fairs focused on the employment of individuals with disabilities, and developing relationships with state agencies of vocational rehabilitation. For example, in New York City we partner with the Mayor's Office for People with Disabilities ("MOPD") to post roles on their job boards. We also recently partnered with Cornell's Student Disabilities Services to host a diversity breakfast with a panel and networking opportunity.

Support for the Greater Disabled Community

Citi has long been a leader in advancing financial inclusion, and our work with municipalities and nonprofits to co-develop and support programs that enable vulnerable households to strengthen their financial security and resilience has expanded to focus on people with disabilities. Last year, Citi brought together the National Disability Institute (NDI) and the City of New York to launch Empowered Cities with the goal of promoting collaboration between municipalities, disability service providers, and financial stability/financial inclusion partners. The first municipal program of Empowered Cities, EmpoweredNYC, provides clear and accurate information to empower people with disabilities to navigate complex public benefit and healthcare programs and make sound financial decisions. Through this pilot, the EmpoweredNYC counselors look forward to conducting 2,700 financial counseling sessions with New Yorkers with disabilities and their families throughout the year. In the affordable housing arena,

Citi has financed over $380 million in housing that includes accommodations and services for disabilities since 2015. For example, in Los Angeles, Citi provided $15 million for the construction and permanent financing of a facility known as Metro @ Western, where half of the units are designated for homeless veterans with special needs. At another project called Promise at Brevard in Melbourne, Florida, Citi provided $9.3 million for the construction loan to build an affordable housing complex designed for young adults with special needs.

Citi will continue to expand its efforts, through external partner relationships and community outreach, as well as internally by raising the broader awareness of and engagement on disability issues and opportunities, improved technology and facilities accessibility and manager and human resources capability.

Citi Responses to Questions for the Record

House Financial Services Committee

Questions for the Record

Financial Services Committee

"Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 years after the Financial Crisis."

Representative Rashida Tlaib

Questions Directed To:

- Mr. Michael L. Corbat, Chief Executive Officer, Citigroup
- Mr. James Dimon, Chairman & Chief Executive Officer, JP Morgan Chase & Co.
- Mr. James P. Gorman, Chairman & Chief Executive Officer, Morgan Stanley
- Mr. Brian T. Moynihan, Chairman & Chief Executive Officer, Bank of America
- Mr. Ronald P. O'Hanley, President & Chief Executive Officer, State Street Corporation
- Mr. Charles W. Scharf, Chairman & Chief Executive Officer, Bank of New York Mellon
- Mr. David M. Solomon, Chairman & Chief Executive Officer, Goldman Sachs

A new report finds that each of your banks benefited significantly from the 2017 corporate tax cut and also that each of your banks bought back at least several billion dollars in stock last year. We were promised going into that tax cut that corporations would spend that money on raising wages and creating jobs. For each of you:

- **What was the net change in your bank's U.S. employment last year?**
- **Did median pay at your bank increase last year? If so, by how much?**
- **In 2018, did your bank utilize the provision in the 2017 tax law that provides an exemption for a 10 percent return on your overseas tangible investments (such as facilities and equipment)? If so, how much did that exemption cut your bank's taxes?**
- **How much profit have you generated in your high-carbon energy portfolio?**

Citi Response

Employment & Compensation

Citi's U.S. Employment was 67,814 in 2017 and 66,740 in 2018. Median pay was $48,249 in 2017 and $49,766 in 2018.

Citi Responses to Questions for the Record

House Financial Services Committee

Tax Cut and Jobs Act

We did not receive any benefit from the FDII provision of the TCJA. We would note that the TCJA specifically excludes financial service activity from benefitting from this provision.

Energy Portfolio

Citi finances clients across the continuum of the U.S. economy, including the energy sector. We have created specific targets, such as our $100 billion Environmental Finance Goal, to support Citi's finance of low-carbon projects. We have also developed specific Environmental, Social, Risk Management (ESRM) policies and sector standards, such as the coal mining policy and coal-fired power policy, and are engaged in implementing the G20 Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD) recommendations, including climate scenario analysis. We are actively assisting our clients in the transition to a low carbon economy, aligned with our sustainability goals.

Citi Responses to Questions for the Record

House Financial Services Committee

Chairwoman Maxine Waters
Questions for the Record
Full Committee Hearing: "Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 years after the Financial Crisis"
April 10, 2019

Consumer and Investor Harm (All Witnesses)

1. In the Committee's hearing invitation letter, I asked each bank to include in your testimony, "...a detailed description of... enforcement actions, including any consent orders and settlements, against your bank ***and the number of consumers or investors harmed by your bank's actions...***" (emphasis added). While your testimony provided some information related to enforcement actions, your testimony failed to provide the Committee with the number of consumers or investors harmed by your bank's actions in the context of any enforcement actions, consent orders and settlements, where consumer or investor harm was identified. Therefore, I ask again, please provide the Committee with a detailed description of enforcement actions, including any consent orders and settlements, against your bank, including the number of consumers or investors harmed by your bank's actions in the last 10 years.

Ongoing Misconduct and Need for Accountability (Bank of America, Chase, and Citi)

2. Running a federally-chartered or federally-insured bank is a privilege, not a right. When megabanks repeatedly exhibit indifference toward consumer protection and demonstrate that they are incapable of or unwilling to comply with U.S. laws and regulations, they should face real consequences, and if no improvements occur, those consequences should escalate, including having culpable executives removed if not permanently barred from working in the industry. I note that while certain institutions like Wells Fargo take the spotlight for negative actions and errors, many of your institutions also face various fines, regulatory actions, and settlements due to issues of mass misconduct, errors, and discrimination. According to a 2018 report, Bank of America, JPMorgan Chase, and Citigroup have each paid more in fines since the financial crisis than Wells Fargo has. These may be formalities or even annoyances, but for hardworking consumers, these types of mistakes if not intentional predatory behavior have devastating impacts from which some people may never fully recover. This is unacceptable. What is your bank doing to improve business practices and stay within the bounds of the law? How are you addressing those responsible in your leadership for misconduct and/or negligence?
    - Mr. Corbat, can you explain why your bank was fined more than Wells Fargo? Does your bank care less about following the law?
    - Mr. Dimon, your bank admitted two years ago that the bank's wholesale lending brokers engaged in unlawful, discriminatory practices when it charged minority borrowers more than white borrowers in the same position. Did anyone get fired for those discriminatory practices?
    - Mr. Moynihan, how many times has your bank been fined, and how much has it paid for those violations in the last 10 years?

Access to Credit (Citi, Chase, and Bank of America)

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3. Access to credit remains an under addressed issue in lending. There are millions of hardworking individuals and families, whom with the right outreach and underwriting can repay loans they take out and safely participate in the prime market. At a time when your institutions are steadily experiencing record profits, but when we still have modern day redlining in more than 60 metro areas, it seems as if there is more you could be doing. I've heard from many of you on educational efforts you are making to inform your customers and prospective borrowers of your products, but can any of you state specific programs of significance where you're providing financial services to communities, businesses and consumers, including to low- and moderate-income communities, communities of color, and small businesses?
   - Specifically, I want to know how you, Mr. Corbat, Mr. Dimon, and Mr. Moynihan have increased lending to these communities, businesses and consumers since the financial crisis. Please provide specific numbers in terms of the increase in people served and the value of the increased lending.

Disclosure of Diversity Data (All Witnesses)

4. Many of the banks have acknowledged the importance of data in identifying and addressing diversity gaps in your organizations. Despite this acknowledgment, Citigroup is the only bank represented on this panel who has made efforts to publicly disclose diversity statistics and openly report on its efforts to address gender pay equity. Citi's efforts are a step in the right direction but there is much more information that is needed so that regulators, through their Office of Minority and Women Inclusion (OMWI), and the public, via annual reports and proxy statements, can be aware of your diversity status.
   - Please explain why your bank has not done more to share your workforce and board diversity demographics with OMWIs and the public?
   - What immediate plans do you have to share this information and be accountable to Congress and the American people about your commitment to diversity?

Diversity Question for Panel (All Witnesses)

5. Diversity is an issue that is very important to me, which is why I am very pleased that the Financial Services Committee created the Diversity and Inclusion Subcommittee, the very first of its kind in Congress, headed up by my colleague, Representative Joyce Beatty. When institutions embrace diversity, more voices and more ideas have a chance for action and businesses thrive.
   - Please describe the current diversity of the directors of your board and C-Suite executives.
   - Please explain what your bank is doing to increase diversity of the directors of your board and C-suite executives, the policies and practices implemented at your institution to promote diversity and inclusion among your workforce, and the policies to promote the use of diverse contractors, including diverse asset managers, brokers, and underwriters, by your institution.

6. Question not directed to Citi
7. Question not directed to Citi
8. Question not directed to Citi

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9. Question not directed to Citi
10. Question not directed to Citi
11. Question not directed to Citi

Citigroup Mortgage Servicing Violations

12. In 2017, two subsidiaries of Citigroup, settled with the Consumer Bureau for $28.8 million for violating these rules. CitiMortgage sent thousands of letters demanding that borrowers seeking modifications to their mortgages submit dozens of irrelevant documents or documents they had already submitted. CitiFinancial failed to provide borrowers struggling to make payments with all their options, instead only offering them the opportunity to defer making payments for a limited amount of time while interest continued to accrue.
    - What steps has Citi taken to improve how it treats borrowers struggling to make their mortgage payments and how it handles applications for loss mitigation?
    - What policies and procedures has Citi put in place to ensure it is complying with mortgage servicing rules?

13. Question not directed to Citi
14. Question not directed to Citi

Toxic Sales Culture (Bank of America, JP Morgan, Citigroup)

15. On June 5, 2018, American Banker reported that the OCC had conducted a sales practice review of 40 large and midsize banks and found five systemic issues prevalent throughout the industry and over 250 specific items regulators wanted to see fixed at individual banks. A June 2018 report issued by the National Employment Law Project on the state of front line bank employees two years after the Wells Fargo scandal found that workers surveyed in both retail banking and collections, including those employed by Bank of America, JPMorgan Chase, and Citibank "reported that they were still compensated in part on meeting quotas."
    - What role do sales play in the incentive bonuses or compensation paid to front line employees at bank branches?
    - Are front line employees at bank branches evaluated in part based on sales?
    - Do collectors have targets in terms of the number of calls they are supposed to make per hour and the amount of money they are supposed to collect in a given time period?
    - Are collectors compensated based on the number of calls they make or the amount of money they collect?
    - What controls has the Bank put in place to make sure your customers are receiving only those products they need and affirmatively select?

16. Question not directed to Citi

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Citigroup Consumer Abuses

17. In March 2019, the OCC fined Citibank $25 million for violating the Fair Housing Act. The Bank had a program to provide discounts on closing costs or reductions in interest rates to certain eligible customers seeking a mortgage. The Bank failed to offer these benefits to all eligible customers. Some customers were adversely affected because of their race, color, national origin, or sex. The Bank agreed to provide approximately $24 million in redress to 24,000 customers impacted by the Bank's discrimination.
    - What policies and procedures did the Bank have in place to ensure that it did not illegally discriminate when it implemented a program to provide benefits to certain customers seeking a mortgage? Why did those policies and procedures fail?

    - In 2015, the Consumer Bureau fined various Citigroup subsidiaries $35 million for **deceptive marketing and unfair billing of credit card add-on products and services that affected approximately seven million accounts. The Bank agreed to pay $700 million in restitution. Has Citigroup stopped selling add-on products across all its business lines?**

18. Question not directed to Citi
19. Question not directed to Citi
20. Question not directed to Citi
21. Question not directed to Citi

Minority Depository Institutions (All Witnesses)

22. Since the Crisis the six largest banks have grown tremendously in both assets and deposits, however, the number of Minority Depository Institutions (MDIs) have seen a rapid decline. Could you briefly inform the Committee of how many business relationships your bank currently has with MDIs, if any, and describe the amount of investments you have made to or in partnership with MDIs?

Bank Capital (Citi and Chase)

23. Recently, the Federal Reserve Board decided not to activate the countercyclical capital buffer this year, but banks are very profitable, making a record $237 billion in profits last year.
    - Mr. Corbat, is this not the best time for them to build more capital, so they can be in a better position to weather a future downturn? Would you support the Fed activating the countercyclical capital buffer?
    - Mr. Dimon, the Fed and OCC have proposed weakening the supplementary leverage ratio by approximately $121 billion, according to the FDIC, for lead depository subsidiaries compared to the current eSLR standard. JPMorgan Chase benefits the most by this proposal, which would reduce your depository institution's tier 1 capital by more than 20%, or $34 billion, according to the FDIC. That is a larger reduction than the $25 billion your bank received in financial crisis bailout funds. Why should your bank reduce capital by 20

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percent? Is that good for taxpayers who bailed your bank out and the rest of the industry 10 years ago?

Payday Lending and Small Dollar Credit (Citi, Chase, Bank of America, Goldman Sachs)

24. Mr. Corbat, Mr. Dimon, Mr. Moynihan and Mr. Solomon, recently, the CFPB announced that it would rescind its Payday Lending Ability to repay requirement. As you all are aware, payday loan products often result in consumers being seriously harmed and targets low-income communities.
    - Do you currently offer any small dollar credit products? If so, what is the annual percentage rate your customers are paying for these products?
    - Are there any safeguards to ensure customers are not caught in a never-ending debt trap in using your bank's product, the same way they can be with payday loans?
    - What percentage of your portfolio is comprised of small-dollar loans?

Pay Parity (Bank of America and Citigroup)

25. In an effort to push companies toward transparency on the pay gap between men and women, recently, an investment firm released its second annual gender pay scorecard where it graded 46 large companies, 19 of which were financial services companies. Of the 19, ten received an "F" on the scorecard. BNY Mellon, JP Morgan, Wells Fargo earned a "B." Bank of America earned a "C." Goldman Sachs received an "F." Citigroup received an "A" rating for voluntarily disclosing that women made 29% less than men. Alarmingly, Arjuna Capital filed shareholder proposals urging financial services companies to disclose their raw pay-gap numbers.
    - Mr. Moynihan, Bank of America asked the SEC to block the shareholder proposals. Why?
    - Since Citigroup publicly disclosed the data, Mr. Corbat would you support all public companies publicly disclosing this data?

Bank Merger/Consolidation—Small Business Lending. (Bank of America, Chase, Citi, and Goldman Sachs)

26. Mr. Corbat, Mr. Dimon, Mr. Moynihan and Mr. Solomon, earlier this year, BB&T and SunTrust announced they would be merging to create the sixth largest bank in the United States with around $442 billion in assets. One notable recurring theme that has been reported is the ability to compete against the largest banks in the country as a primary driver for the merger, which was the latest of bank consolidation within the industry. According to the Federal Reserve Bank of New York' s 2017 Small Business Credit Survey, community banks and CDFIs achieved net lender satisfaction scores of 73 percent and 76 percent, respectively, which measures the overall experience small businesses have with their lenders. That compares with 49 percent for large banks and 35 percent for online lenders. This is a clear sign that community banks play an integral role in supporting small businesses.
    - Could you please explain why small businesses reported such lower scores when banking with large banks compared to community banks and CDFIs?
    - At the current rate of consolidation within the industry, will small businesses be left with only megabanks in a decade or two to seek credit from instead of the more familiar community banks they prefer to do business with?

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Corporate Social Responsibility (All Witnesses)

27. Recently, in his annual letter to shareholders, Mr. Dimon noted, that, quote, "America should and can afford to provide a proper safety net to our elderly, our sick and our poor," as well as help generate more opportunities for more Americans. This comes on the heels of Mr. Dimon's noting that the Trump tax cuts added almost $4 billion to JP Morgan's profits. This also comes at a time when income inequality is at an all-time high, limited affordable housing, and rising homelessness across the country.
    - Should G-SIBs do more to address these issues?
    - With the Trump tax cuts benefitting your bank's bottom line, what percentage of the tax benefits did your bank spend on affordable housing?

Climate Change (All Witnesses)

Recently, EPA scientists published a peer reviewed report entitled *Climate Damages and Adaptation Potential Across Diverse Sectors of the United States.* The report echoes and confirms the dire findings of the Fourth National Climate Assessment published in 2018 by the United States Global Change Research Program. This new study "....show[s] complex patterns of projected changes across the country, with damages in some sectors (for example, labor, extreme temperature mortality and coastal property) estimated to range in the hundreds of billions of US dollars annually [in each such sector] by the end of the century under high emissions. Inclusion of a large number of sectors shows that there are no regions that escape some mix of adverse impacts. Lower emissions, and adaptation in relevant sectors, would result in substantial economic benefits."

28. How should the extremely well-known and increasingly well-documented material risks associated with current and projected climate change impacts on the US economy be communicated by the management of publicly traded companies to their shareholders and to the average investor?

29. Specifically, how should the management of publicly traded companies discuss and disclose the risks to their shareholders value and a company's assets and operations of the legislative, regulatory, business and market impacts of current and projected trends in climate change, including those documented and forecast by the Fourth National Climate Assessment?

30. If you do not concur with the US government's findings or the overwhelming preponderance of scientific studies documenting the increasing risks to our economy and public health from increasing greenhouse gas concentrations in the atmosphere, please explain why.

31. If you do not believe that climate change impacts are a material risk that should be managed, discussed, and disclosed by leaders of public companies to protect shareholder value and corporate assets and operations, please explain why.

    Raising the Minimum Wage (Chase, Citigroup) On April 9, 2019, Bank of America announced that it would raise its minimum wage to $20 dollars per hour over a two-year period.

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32. Mr. Dimon, will Chase commit to raising its minimum wage to $20 per hour over the next two years?
33. Mr. Corbat, will Citi commit to raising its minimum wage to $20 per hour over the next two years?

Citi Response

Enforcement Actions

Attached to our response is a PDF list ("Citi Enforcement Actions") of Citi's material enforcement actions with U.S. Federal Regulators since August 2015 when Citi submitted a detailed response to Senator Brown's office, which we understand the Committee has received. Where readily available or provided in the settlement documents pertaining to those matters, we have identified the number of investors or customers harmed.

Accountability

Citi is absolutely committed to following the law and has established extensive programs to help ensure we do so. Over the last decade, we have improved both our culture and controls, as we resolved issues arising out of the financial crisis, such as a variety of regulatory matters and Consent Orders related to mortgage practices. Although we have made significant strides since the financial crisis, we recognize that we have more work to do. These experiences reinforced the need to continue to examine our practices and procedures, which includes implementing and promoting firm-wide controls and establishing clear escalation processes that enable senior managers to quickly understand emerging issues. Over the last several years we can point to multiple instances in which we self-identified problems and escalated them, both within the firm and to our regulators.

Access to Credit

In response to concerns that overdraft fees could place consumers in financial trouble, in 2014, Citi launched the Access Account, a checkless banking account with low or avoidable monthly charges and no overdraft fees. Since its launch, adoption of the Access Account has been very successful, and 74 percent of Access Accounts are not assessed a monthly service fee. In addition, Citi employs a longstanding practice never to authorize ATM or point-of-sale debit transactions in instances when we know there is not enough money in the account nor does the bank impose "continuous overdraft" fees. Lastly, Citi offers customers Overdraft Protection services through Safety Check or Checking Plus. We will transfer funds to cover an overdraft in a customer's checking account through their Checking Plus line of credit or will automatically transfer from

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linked savings account or money market account through Safety Check. We charge a $10.00 Overdraft protection Transfer Fee for each automatic transfer.

Diversity

Citi has for a number of years submitted diversity reports to the Office of Minority and Women Inclusion (OMWI) upon request by its regulators. As stated in Mr. Corbat's written testimony, building a truly diverse and inclusive culture is an important and critical goal for Citi. We are laying the groundwork today for real progress in the future. Citi's 15-person Board of Directors includes five women and two minorities, and the CEO's direct reports include five women and three minorities. We have set goals for female and minority representation in the company, reinforcing our commitment to make meaningful progress in our mission to be more representative of the communities Citi serves.

The goal of Citi's supplier diversity program is to ensure the selection, inclusion and utilization of diverse suppliers best suited to conduct business with Citi. It also is designed to ensure programs and partnerships that will lead to capacity building and create access to, and awareness of, Citi's supplier selection processes. Citi supplier diversity efforts include tracking and reporting of spend, outreach, training and development, and partnership. We have annual spend goals for supplier diversity and feedback is provided to the Board each year. We have two specific ways we manage and track our spend efforts: the Tier 1 program ensures emphasis is placed on the consideration of diverse suppliers when Citi is directly procuring goods and services; the Tier 2 program encourages non-diverse suppliers to subcontract business to diverse businesses as well as develop a supplier diversity program of their own. In 2018, we spent $703.8 million dollars with diverse firms, including $391 million with minority business enterprises (MBEs), $185.1 million with women-owned businesses, $13 million with veteran-owned businesses and $113 million with small businesses. In Tier 2 as of 3Q 2018, we spent $210 million. Through these efforts, Citi works with suppliers that range from software providers to hardware vendors to staffing firms.

Regarding broker dealers, Citi is proud of its strong record and is committed to working with minority, veteran, women-owned, and LGBT+ businesses. In 2018, 17 percent of total fees paid went to Minority/Women-owned firms; and since 2007, Minority/Women-owned firms have received an average of 10 percent of the fees paid out. In 2018, Citi included three or more diverse broker dealers (minority/women/veteran-owned) in each of 16 USD denominated unsecured benchmark debt and capital offerings, utilizing 24 different firms throughout the year. Citi was proud to hire all women-owned firms for a $1 billion bond issuance earlier this year (read more at this link: https://www.citigroup.com/citi/news/2019/190308a.htm). In 2018, Citi included three minority dealers as part of the selling group in our public ABS transactions. In 2018, 84 percent of Citi's own debt securities issued in the United States encompassed underwriting syndicates that included women, veteran and minority owned firms (Minority Women Business Enterprises) as co-managers.

We understand the importance of diversity and inclusion throughout financial services. With respect to working with third parties to offer platforms for our assets under management, we recognize we can do more to create opportunities to have diverse firms considered as potential partners in these businesses. While Citi does not currently consider our limited partnerships with asset management firms as part of our broader supplier diversity program, we are reviewing our approach and are committed to pursuing ways to enhance our work with diverse asset management firms.

Mortgage Servicing

Over the last decade, we have worked hard to improve both our culture and controls, as we resolved issues arising out of the financial crisis, such as a variety of regulatory matters and Consent Orders related to mortgage practices. Citi was one of the original signatories of the Home Affordable Modification Program (HAMP) and has embedded those principles to provide a variety of short and long-term loss mitigation opportunities for any customer suffering hardships.

Citi has robust policies and procedures to comply with all applicable laws. In addition, Citi has implemented a three-lines-of-defense structure to ensure and oversee controls. The first line (in-business control) is responsible for ensuring policies and procedures are implemented and sustainable. The second line (independent functions including Risk and Compliance) provides a credible challenge to policies and procedures. Finally, the third line (Independent Audit) regularly reviews for compliance with these policies and procedures. Citi is exiting the direct mortgage servicing business, which we anticipate to be completed in October 2019.

Sales Practices

We take great care in designing our incentive plans to encourage behaviors that are in our clients' interests. We reward our people when they identify and provide products and services aligned to customers' financial needs – those that clients will use and/or benefit from because they offer value. Our incentive plans reward individuals and teams that build quality long-term relationships and include customer retention and satisfaction measures. Our collections team does not have specific targets for either calls per hour or dollars, but instead is measured against criteria that includes customer assistance.

Importantly, we have processes in place to identify, investigate and escalate any unusual activity. We monitor these activities very closely and do not tolerate misconduct. Our Code of Conduct requires employees at all levels to report any violations of which they become aware. If we do see violations of our Code of Conduct, we take the appropriate disciplinary action. We have strong procedures, controls, monitoring, and governance in place regarding sales practices, goals, and incentives. This includes documenting customer consent and ensuring product disclosures are provided to customers. Acting ethically in all that we do is a cultural and business imperative.

Relationship Pricing/Add-on Products

The errors underlying Citi's OCC Consent Order earlier this year impacted borrowers across gender, race and ethnicity. The errors arose due to the timing and complexity of the product which requires the borrower to have a banking relationship with Citi at the time the mortgage is originated. All products go through a legal and fair lending review prior to launch. After self-discovery and self-reporting of the errors, Citi conducted a comprehensive review, and strengthened processes and controls to help ensure correct implementation going forward. We continue to closely monitor implementation and, if we identify an instance in which an eligible customer does not receive the full benefit of relationship pricing as intended, we act promptly to correct.

Citi no longer provides add-on product offerings for our U.S. customers.

Minority Depository Institutions

Citi established the Citi ATM Community Network, a program that provides more than 440,000 customers of 25 participating minority-owned banks, community banks, and local community development credit unions with fee-waived access to Citibank branch ATMs in the United States. The Citi ATM Community Network is strengthening these trusted local institutions by greatly expanding their ability to offer safe, convenient ATM access to their customers.

In 2018, Citi partnered with the Department of Treasury and the Bureau of the Fiscal Service to establish a program to facilitate the inclusion of a broader segment of the financial institution community in the Treasury contracting process. Through this program, Citi is assisting minority-owned and women-owned banks that have qualified to participate in the Minority Bank Deposit Program, to serve as financial agents (FAs). As an FA, a bank could compete in the Financial Agent Selection Process and be able to bid on U.S. Treasury contracts.

After helping to create the program, Citi was the first bank to participate as a mentor, helping Industrial Bank (IB), a Washington, DC based, 3rd generation black bank founded in 1934, to become a FA. Citi is currently training IB on its first Treasury business opportunity. IB has made an FTE investment in the program in order to be in a position to learn and take on specific duties on a contract held by Citi.

We are measuring success by looking at how we increase the quality of technical capabilities of protégé banks; increase the number, dollar value, and percentage of FA agreements that include arrangements with protégé banks; and increase the number of minority-owned and women-owned banks that express interest in serving as an FA.

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Bank Capital

In 2016, the Federal Reserve finalized a Policy Statement describing the framework it will follow under existing capital rules in setting the amount of the Countercyclical Capital Buffer (CCyB). The CCyB supplements the capital requirements in Regulation Q and other existing capital buffers – which are designed to provide substantial resilience to unexpected losses created by normal fluctuations in economic and financial conditions – to increase the resilience of large companies when there is an elevated risk of above-normal losses. Citi believes that the process and analytical framework employed in the Federal Reserve's Policy Statement establishes an appropriate basis to determine the level of the CCyB. As the Federal Reserve announced on March 6, 2019, and as described in more detail in a speech from Federal Reserve Vice Chair for Supervision Randal Quarles, application of the Policy Statement supported the affirmation of the CCyB at the current level of 0 percent.

The Policy Statement describes the framework that the Federal Reserve will follow in setting the amount of the CCyB for U.S.-based credit exposures. The framework consists of a set of principles for translating assessments of "systemic vulnerabilities" into the appropriate level of the CCyB. Under the Policy Statement, the CCyB would be increased when systemic vulnerabilities are "meaningfully above normal." For these purposes "meaningfully above normal" would reflect an assessment by the Federal Reserve that financial system vulnerabilities were above normal and were either already at, or expected to build to, levels sufficient to generate material unexpected losses in the event of an unfavorable development in financial markets or the economy.

In making assessments concerning the level of systemic vulnerabilities in the financial system, the Federal Reserve is informed by a broad array of quantitative indicators of financial and economic performance and a set of empirical models. In addition, the framework includes a discussion of how the Board would assess whether the CCyB is the most appropriate policy instrument (among available policy instruments) to address the highlighted financial system vulnerabilities. A notable feature of the Policy Statement is that the CCyB would be maintained at 0 percent when "levels of system-wide vulnerabilities are within or near their normal range of values." As Vice Chair Quarles explained in his March 29 speech, "[b]ecause we set high, through-the-cycle capital requirements in the United States that provide substantial resilience to normal fluctuations in economic and financial conditions, it is appropriate to set the CCyB at zero in a normal risk environment."

In that same March 29 speech, Vice Chair Quarles explained the basis of the Federal Reserve's determination under the Policy Statement that the current level of financial system vulnerabilities is not outside their normal range and to, therefore, affirm the current level of the CCyB. Vice Chair Quarles reiterated that "[t]he overall capital framework in the United States has been designed to ensure high capital levels without having to activate the CCyB, with the implication being that the bar for activation would be a high one . . ."

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Citi believes that the Federal Reserve's decision to affirm the current level of the CCyB is appropriate and consistent with the relevant factors discussed in the Policy Statement.

Payday Loans

Citi does not offer any small-dollar credit products (payday loans) as described.

Pay Parity

Citi was the first financial services firm to voluntarily disclose our adjusted pay gap between women and men in the U.S., U.K. and Germany and between minorities and non-minorities in the U.S. Accounting for a number of factors in the analysis to make comparisons meaningful, including job function, level and geography, we found that women were paid on average 99 percent of what men were paid, and U.S. minorities were paid on average 99 percent of what non-minorities were paid. As a result, we made pay adjustments as part of the compensation cycle.

This year, we went even further and were the first bank – according to press reports, the first U.S. company – to disclose our unadjusted median pay gap. That is the simple difference between median pay for all female employees, compared to median pay for all male employees, at Citi. We found that the median pay for females globally is 71 percent of the median for men, and the median pay for U.S. minorities is 93 percent of the median for non-minorities. These numbers underscore the importance of achieving the representation goals we have set for more females and U.S. minorities to hold senior and higher-paying roles at our company. Citi has found the public disclosure of these numbers to be useful in terms of understanding the gaps and acting to close them.

For more information on our diversity initiatives please see the Citi Citizenship report pages 101-118 (https://www.citigroup.com/citi/about/citizenship/download/2018/Global-Citizenship-Report-2018.pdf).

Small Business Lending

Banks of all shapes and sizes are necessary to support lending and growth in the U.S. economy. And large banks are responsible for a significant amount of lending to small businesses all across the country. Importantly, as of Q1 2019 the eight U.S. GSIBs have extended $87.3 billion in small business loans and $55 billion in small business loans with a loan amount under $100,000. Large banks strive to service the needs of small business customers by offering innovative and competitive financial products to a wide range of businesses. Moreover, large banks support a variety of ongoing lending initiatives that are targeted at small businesses including initiatives that lend to veterans, minority entrepreneurs, and community development financial institutions.

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According to research conducted by economists at the Federal Reserve Board, most of the consolidation that has occurred in the past decade has been among more moderate-sized banks with total assets less than $50 billon. Moreover, public data indicates that since 2008 the largest U.S. bank holding companies have comprised a progressively smaller fraction of total banking assets in the U.S. economy. Accordingly, the U.S. banking sector remains vibrant, competitive and comprised of a range of banks all across the size spectrum. The significant diversity in banks' sizes across the U.S. supports a strong economy that can meet the financial needs of small businesses everywhere.

Corporate Social Responsibility

As mentioned in Citi's written testimony, one overarching lesson we learned since the crisis is that to fulfill our promise and potential, we must demonstrate that we provide not just economic value to our clients and customers but also societal value to the communities we serve.

Citi Foundation is in the midst of a $100-million effort to connect more than 200,000 young people in the U.S. to jobs and training programs. The Foundation is also piloting a $10-million initiative to re-skill low-income adult workers and connect them to jobs and support services.

Last year, we provided almost $12 billion in small business lending across various products. We also work with government agencies at the national, state and local levels to finance sustainable infrastructure, including housing, transportation, schools and other vital civic projects. In 2018 alone, our Public Finance Department catalyzed the investment of more than $26 billion in U.S. infrastructure capital projects, including bridges, hospitals, airports, water, and public power, on behalf of a wide range of municipal and nonprofit clients. We often take on these projects when smaller financial firms do not have the resources to tackle these complex challenges. Recent projects include financing the new MLK Hospital in South Central Los Angeles and helping the City of Detroit rebuild its street lighting grid.

We are especially proud of our role as the country's leading affordable housing financier, a title we have held for nine straight years. In 2018 alone, we provided $6 billion in financing for more than 36,000 affordable housing units. We have financed the renovation of the New England Home for Veterans in Boston. And we have helped restore the Ocean Bay Apartments in Far Rockaway New York, a public housing complex that was severely damaged by Superstorm Sandy. These are just a few of the many transactions we have conducted that strengthen the communities we serve.

We view tax reform as a long-term proposition to support growth in the U.S. economy. While these investments were not driven specifically by tax reform, the changes in the tax law help to free up capital to support these kinds of important investments.

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Climate Change

The risks posed by climate change should be considered through rigorous analysis and, where such information is material, communicated to shareholders and the average investor in a clear and accessible fashion. We think it is helpful for such analysis and disclosure to use common, well-accepted frameworks to allow investors to better contextualize them and compare companies' climate risk analysis and risk mitigation efforts. As a global bank, standardized reporting allows us to more easily understand the risks posed to our business through exposure to our clients' risks. Preferably such analyses reference the climate risk scenarios produced by the international community of scientists and organizations who are expert on these issues.

Given this, Citi was an early supporter of the disclosure framework put forward in the Recommendations issued in June 2017 by the G20 Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD). Citi published our first TCFD report, *Finance for a Climate-Resilient Future* *(https://www.citigroup.com/citi/sustainability/data/finance-for-a-climate-resilient-future.pdf)*, in November 2018 – the first major U.S. bank and one of the first globally to do so. In addition to publishing this in-depth analysis, Citi has discussed aspects of how we assess and manage the risks associated with climate change in various public reports for over a decade, including in our annual Global Citizenship Report (https://www.citigroup.com/citi/about/citizenship/download/2018/Global-Citizenship-Report-2018.pdf) and, since 2009, in our Annual Report (https://www.citigroup.com/citi/investor/annual-reports.html) and Form 10-K (https://www.citigroup.com/citi/investor/data/q1804c.pdf).

Minimum Wage

As of June 1, 2019, we have increased our U.S. minimum wage to $15/hour.

Matter Name	Date	Regulator	Description of Allegations	Economic Sanction	Number of Customers	Settlement Document
In the matter of Citigroup Global Markets, Inc. File No. 3-16764	August 19, 2015	SEC	SEC enforcement settlement, alleging that Citi failed to: (i) enforce policies and procedures to prevent and detect securities transactions that could involve the misuse of material, nonpublic information; and (ii) adopt and implement policies and procedures to prevent and detect principal transactions conducted by an affiliate.	$15,000,000 civil penalty	To the extent this matter affected customers, this settlement does not provide specific information about any such customers.	https://www.sec.gov/litigation/admin/2015/34-75729.pdf
In the Matter of Citibank N.A., File No. 2016-CFPB-0003	February 23, 2016	CFPB	February 2016, Citi entered into a Consent Order covering asset sales practices identified in an earlier Cards exam, including UDAAP violations arising from errors in the APR provided to debt buyers and delays in forwarding payments received by Citi to debt buyers. Citi issued refunds to: Customers who made payments on accounts sold to debt buyers who had used incorrect APR's by Citi; Customers who made an overpayment after Citi failed to forward payments to debt buyers on sold accounts.	$3,000,000 in penalties & fines: $4,890,000 estimated remediation	2,482	https://files.consumerfinance.gov/f/201602_cfpb_consent-order-citibank-na.pdf
In the Matter of: Citibank, N.A., Department Stores National Bank, and CitiFinancial Servicing, LLC, File No. 2006-CFPB-0004	February 23, 2016	CFPB	In June 2014 (prior to issuance of the Consent Order), Citi refunded customer payments collected after the filing of complaints in actions involving altered affidavits filed in debt collections lawsuits. In 2011, Citi uncovered issues with respect to affidavits filed in collections cases by three collection firms Citi used in New Jersey. Following Citi's disclosure of the matter to the New Jersey Office of Court Administration, the Court issued an Order in June 2014 approving a remediation plan, pursuant to which Citi dismissed pending cases and agreed to refrain from further collections on the affected accounts. The CFPB issued its Consent Order in this matter on 2/23/2016. The Consent Order required no additional remediation and included no penalty.	$11,000,000 estimated remediation	3,033	https://files.consumerfinance.gov/f/201602_cfpb_consent-order-citibank-na-department-stores-national-bank-and-citifinancial-servicing-llc.pdf
ISDAFIX - In the Matter of Citibank, N.A., No 16-16	May 25, 2016	CFTC	CFTC enforcement settlement, alleging that Citibank on multiple occasions attempted to manipulate, and made false reports concerning, the U.S. Dollar International Swaps and Derivatives Association Fix, a global benchmark for interest rate products.	$250,000,000 civil penalty	To the extent this matter affected customers, this settlement does not provide specific information about any such customers.	https://www.cftc.gov/sites/default/files/idc/groups/public/@lrenforcementactions/documents/legalpleading/enfcitibankisdaorder052516.pdf
USD LIBOR/Yen LIBOR/Euroyen TIBOR - In the Matter of Citibank, N.A.; Citibank Japan Ltd.; and Citigroup Global Markets Japan, Inc., No. 16-17	May 25, 2016	CFTC	CFTC enforcement settlement alleging Citibank NA, Citibank Japan Ltd., and CGM Japan Inc., engaged in violative conduct in connection with the London Interbank Offerred Rate for Yen and the Euroyen Tokyo Interbank Offered Rate from the spring of 2008 through August 2010.	$175,000,000 civil penalty	To the extent this matter affected customers, this settlement does not provide specific information about any such customers.	https://www.cftc.gov/sites/default/files/idc/groups/public/@lrenforcementactions/documents/legalpleading/enfcitibanklibororder052516.pdf
In the Matter of Citigroup Global Markets, Inc., No. 17-06	January 19, 2017	CFTC	CFTC enforcement settlement, alleging spoofing — bidding or offering with the intent to cancel the bid or offer before execution — in U.S. Treasury futures markets and failing to diligently supervise the activities of its employees and agents in conjunction with the spoofing orders.	$25,000,000 civil penalty	To the extent this matter affected customers, this settlement does not provide specific information about any such customers.	https://www.cftc.gov/sites/default/files/idc/groups/public/@lrenforcementactions/documents/legalpleading/enfcitigroupglobalorder011917.pdf
In the Matter of: Citimortgage Inc., File No. 2017-CFPB-0005	January 23, 2017	CFPB	CFPB issued a Consent Order to address concerns identified with the clarity of NOII letters and impacts of requesting more documentation than might be required. Citi agreed to pay $400 to each borrower sent an NOII letter between January 2014 and December 2014 that did not fall out in one of the CFPB's defined exclusions.	$3,000,000 in penalties & fines; $17,000,000 estimated remediation	41,903	https://files.consumerfinance.gov/f/documents/201701_cfpb_CitiMortgage-consent-order.pdf
In the Matter of: CitiFinancial Servicing, LLC (DE), CitiFinancial Company (DE), CitiFinancial Services, Inc. (MN) and CitiFinancial, Inc. (WV), File No. 2017-CFPB-0004	January 23, 2017	CFPB	CFPB issued a Consent Order regarding the following CFS Servicing practices: clarity of deferment disclosures, not treating deferments as loss mitigation under Regulation X, untimely cancellation of credit insurance products and failure to perform reasonable investigations of credit disputes as required by FCRA.	$4,400,000 in penalties & fines: $4,400,000 estimated remediation	25,006	https://files.consumerfinance.gov/f/documents/201701_cfpb_CitiFinancial-consent-order.pdf

Matter Name	Date	Regulator	Description of Allegations	Economic Sanction	Number of Customers	Settlement Document
In the Matter of Citigroup Global Markets, Inc., No. 3-17808	January 24, 2017	SEC	SEC enforcement settlement, alleging that Citi made false and misleading statements about the marketing and sale of the FX Alpha Liquidity, a foreign exchange trading strategy sold to investors.	$2,250,000 civil penalty and $713,735.61 of disgorgement and prejudment interest	To the extent this matter affected customers, this settlement does not provide specific information about any such customers.	https://www.sec.gov/litigation/admin/2017/33-10288.pdf
In the Matter of Citigroup Global Markets, Inc., No. 3-17817	January 26, 2017	SEC	SEC enforcement settlement, alleging that CGMI violated various provision of the Investment Advisers Act of 1940 by: (i) overcharging advisory fees and by failing to keep proper books and records with respect to maintenance of client contracts (reflecting advisory fees) and; (ii) failing to have adequate policies and procedures to prevent the above-referenced violations.	$14,300,000 civil penalty and $3,200,000 of disgorgement and prejudgment interest	As described in the SEC's order, "[f]rom at least 2000 until 2015, CGMI overcharged or caused to be overcharged at least 60,000 advisory client accounts an estimated $18 million in unauthorized advisory fees. These overcharges have since been reimbursed with interest, to the extent they have been identified."	https://www.sec.gov/litigation/admin/2017/34-79882.pdf
Banamex USA Criminal Investigation	May 22, 2017	DOJ	DOJ non-prosecution agreement, where parties stipulated that Banamex USA willfully failed to estbalish and maintain an anti-money laundering compliance program with appropriate policies, procedures, and controls to guard against money laundering and willfully failed to report suspicious transactions.	$97,440,000 civil forfeiture	To the extent this matter affected customers, this settlement does not provide specific information about any such customers.	https://www.justice.gov/opa/press-release/file/967871/download
In the matter of Citibank NA and Citigroup Global Markets Limited, No. 17-26	September 25, 2017	CFTC	CFTC enforcement settlement, alleging that Citi made numerous errors in swap data reporting.	$550,000 civil penalty	To the extent this matter affected customers, this settlement does not provide specific information about any such customers.	https://www.cftc.gov/sites/default/files/idc/groups/public/@lrenforcementactions/documents/legalpleading/enfcitibankorder092517.pdf
In the Matter of Citibank, N.A., File No. 2017-CFPB-0021	November 21, 2017	CFPB	The CFPB issued a Consent Order against Citi for student loan servicing failures that harmed borrowers. The Consent Order states that Citi: misled borrowers about their tax-deduction benefits; incorrectly charged late fees and interest on loan balances to students still in school; overstated the minimum monthly payment due on account statements; and failed to disclose required information after refusing to release a cosigner. This Consent Order covered Citi's servicing practices between 2011 and 2015, on the private student loans owned and serviced by Citi as of the 11/21/2017. The redress floor was $3.75MM and the Civil Money Penalty was $2.75MM.	$2,750,000 in penalties & fines; $3,750,000 estimated remediation	32,091	https://files.consumerfinance.gov/f/documents/cfpb_citibank-n.a._consent-order_112017.pdf
In the Matter of Citibank, N.A.	December 27, 2017	OCC	The OCC issued a Consent Order requiring Citibank to pay a $70 million penalty after finding that Citi failed to timely achieve compliance with the 2012 Consent Order and violated the 2012 Consent Order (from September 30, 2015, to the date of the Order).	$70,000,000 civil penalty	To the extent this matter affected customers, this settlement does not provide specific information about any such customers.	https://www.occ.gov/static/enforcement-actions/ea2017-104.pdf
In the Matter of Citibank, N.A., File No. 2018-BCFP-0003	June 28, 2018	CFPB	Citi entered into a Consent Order with the CFPB to address a violation related to the Truth in Lending Act for: failing to reevaluate and reduce the Annual Percentage Rates (APRs) for a population of consumer credit card accounts consistent with regulatory requirements, and failing to have reasonable written policies and procedures to conduct the APR reevaluations consistent with regulation. The Consent Order requires Citi to correct these practices and provide restitution to customers for excess interest charged. The Consent Order contains a payment floor of $335 million in restitution to consumers. These violations were self-identified and self-reported to the CFPB with remediation initiated prior to the issuance of the Consent Order.	$356,000,000 estimated remediation	1,360,275	https://files.consumerfinance.gov/f/documents/bcfp_citibank-na_consent-order_2018-06.pdf

Matter Name	Date	Regulator	Description of Allegations	Economic Sanction	Number of Customers	Settlement Document
In the Matter of Citigroup Global Markets, Inc., No. 3-18647	August 16, 2018	SEC	SEC enforcement settlement concerning three mismarking incidents that occurred from 2014 to 2016, alleging that Citi failed to adequately supervise the traders who engaged in the conduct, and, as a result, that Citi's books and records were inaccurate.	$5,750,000 civil penalty	To the extent this matter affected customers, this settlement does not provide specific information about any such customers.	https://www.sec.gov/litigation/admin/2018/34-83859.pdf
In the Matter of Citigroup Global Markets, Inc. and Citi Order Routing and Execution, LLC., No. 3-18766	August 8, 2018	SEC	SEC enforcement settlement, alleging that: (i) Citigroup misled users with assurances that high-frequency traders were not allowed to trade in Citi Match, a premium-priced dark pool operated by Citi Order Routing and Execution (CORE); (ii) Citigroup failed to disclose that over a period of more than two years, close to half of Citi Match orders were routed to and executed in other trading venues, including other dark pools and exchanges, that did not offer the same premium features as Citi Match; and (iii) CORE failed to register as a national securities exchange in connection with its operation of Citi Match.	$7,500,000 civil penalty and disgorgement and prejudgment interest of $5,437,475	To the extent this matter affected customers, this settlement does not provide specific information about any such customers.	https://www.sec.gov/litigation/admin/2018/33-10545.pdf
In the Matter of Citigroup, Inc.	August 10, 2018	FRB	The FRB issued a Civil Money Penalty in the amount of $8.6 million to Citigroup as a result of CitiFinancial's improper execution of certain Lost Note Affidavits. Thereafter, the FRB terminated its 2011 Consent Order against Citigroup and CitiFinancial.	$8,600,000 civil penalty	Approximately 440	https://www.federalreserve.gov/newsevents/pressreleases/files/enf20180810a.pdf
In the Matter of Citigroup Inc., File No. 3-18646	August 16, 2018	SEC	SEC enforcement settlement, alleging failure to devise and maintain adequate internal accounting controls when Citigroup subsidiary Grupo Financiero Banamex S.A. de C.V. loaned approximately $3.3 billion to Oceanografia, S.A. (OSA) between 2008 and 2014 based on invoices and work estimates for services that OSA provided to Petroleos Mexicanos (Pemex), the Mexican state-owned oil company when many of the OSA work estimates were fraudulent and did not reflect amounts Pemex actually owed OSA.	$4,750,000 civil penalty	To the extent this matter affected customers, this settlement does not provide specific information about any such customers.	https://www.sec.gov/litigation/admin/2018/34-83858.pdf
In re Deborah Jean Fazzon, Debtor Chapter 13 Case No. 15-20874-JRS, and Other Similarly Situation Persons; Miscellanous Proceeding No 18-201	September 24, 2018	EOUST	In August 2015, Citi self-reported Proof of Claim (POC) signing issues arising from work performed by a Macy's vendor, Transworld Systems, Inc. (TSI), to the Executive Office of the US Trustee ("Executive Office"), the bankruptcy arm of the Department of Justice, as well as other regulators. After an internal match process with Citi's systems was completed, 80,221 Macy's cardholders were identified where a POC was filed by TSI during the applicable period. On September 25, 2018, Citi reached a settlement with the Executive Office of the U.S. Trustee for $5,000,000. Letters and checks for the amount of $62.33 were mailed to impacted cardholders on January 18, 2019.	$5 million total remediation amount	80,221	https://www.justice.gov/opa/press-release/file/1096126/download
In the Matter of Citibank, N.A., No. 3-18886	November 7, 2018	SEC	SEC enforcement settlement, alleging that Citibank improperly provided ADRs to brokers in thousands of pre-release transsettlements when neither the broker nor its customers had the foreign shares needed to support those new ADRs. Such practices resulted in inflating the total number of a foreign issuer's tradeable securities, which resulted in abusive practices like inappropriate short selling and dividend arbitrage that should not have been occurring.	$13,587,507.86 civil penalty and disgorgement and prejudgment interest of 25,162,751.96	To the extent this matter affected customers, this settlement does not provide specific information about any such customers.	https://www.sec.gov/litigation/admin/2018/33-10571.pdf
In re the Matter of: Citibank, N.A., Sioux Falls, SD	March 19, 2019	OCC	The OCC found that the bank had certain control weaknesses related to its Relationship Loan Pricing (RLP) program designed to provide eligible mortgage loan customers either a credit to closing costs or an interest rate reduction. As a result of these control weaknesses, some bank borrowers did not receive the RLP benefit for which they were eligible and were adversely affected on the basis of their race, color, national origin, or sex. Based on these findings, the OCC has determined that the bank violated the Fair Housing Act, 42 U.S.C. § 3601—19, and its implementing regulation, 24 C.F.R. Part 100.	$25,000,000 in penalties; $24,000,000 estimated remediation	24,000	https://www.occ.gov/static/enforcement-actions/ea2019-009.pdf

Advance your leadership development in three steps.

1 Review the proficiency scales to understand the knowledge, skills and behaviors that great leaders demonstrate to achieve high performance. Assess how well you demonstrate the expected leadership behaviors: Manager of Self | Manager of Others | Manager of Managers | Executive Leader

2 Identify development actions that will grow your leadership capability. Then, use these insights to create an Individual Development Plan in GTMS. Use the 3Es as a guide, and check out the resources in GTMS for ideas that will help you write SMART goals to build skills and achieve high performance.

3 Plan Development Discussions with your manager.

Global leadership programs at-a-glance

Citi's Global Leadership Programs help to position leaders for success when they advance to new leadership level or continue in their current level. Most programs are open enrollment, but some require nomination. Use the chart below to see the programs and learning resources that suit your leadership level. Click here for program details and to enroll.

Questions? Contact your region's Leadership and Performance Solutions Team: APAC | EMEA | LATAM | NAM.

	Milestone Programs							Targeted Leadership Programs and Learning Resources								
	Individual Leadership	Senior Leading at Citi*	New Manager Experience	Managing at Citi	Leading at Citi 1	Leading at Citi 2	Leading at Citi 3	Effective Performance Conversations	Effective Development Conversations	Coaching for Results	The Change Leader	Leading at Citi: Virtual Teams	Building an Inclusive Culture	Interview and Selection Skills Program	Team Talks	The Citi Leader
Executive Leader												•	•	•	•	•
Manager of Managers						•	•	•	•	•	•	•	•	•	•	•
			•	•	•			•	•	•	•	•	•	•	•	•
Manager of Self	•	•										•	•			•

*Directors and Managing Directors

Click each program name for a detailed program description or enroll. Most programs are open for enrollment, but some require nomination.

MoS: Manager of Self | MoO: Manager of Others | MoM: Manager of Managers | EI: Executive Leader

Individual Leadership (MoS)
A five-module virtual course that develops leadership and influence skills to successfully lead without having direct authority. Enroll

Senior Leading at Citi (MoS, Directors and Managing Directors)
Acquire the leadership and influence skills to successfully lead without having direct authority in this highly interactive two-day program. Email

New Manager Experience (New MoO and Newly Hired MoO)
A global onboarding experience that positions new managers for success. It provides tools for setting expectations with employees, enabling execution against key responsibilities, and building a leadership mindset. Enroll on Degreed. Enroll

Managing at Citi – Classroom (New MoO and Newly Hired MoO)
An in-person course focusing on fundamental skills needed to become an effective new manager. Key practices and skills include: goal setting, delegation, feedback and coaching, and coaching conversations. Enroll

Managing at Citi – Virtual (New MoO and Newly Hired MoO)
A five-module virtual course focusing on fundamental skills needed to become an effective new manager. Key practices and skills include: goal setting, delegation, feedback, and coaching conversations. Enroll

Leading at Citi 1 (MoO, 1 year in role)
An in-person, two-day workshop focusing on the transition from manager to leader. It develops skills to build more effective business relationships, drive team performance and achieve results. Enroll

Leading at Citi 2 (MoM)
An in-person, two-day workshop focused on building strategic alignment and developing leadership skills and style. Participants learn approaches that help their people managers become better managers and coaches. Enroll

Leading at Citi 3 (Nomination Only - High-Performing MoO and MoM, Directors and Managing Directors)
An in-person, three-day workshop for Citi's highest-performing, senior Managers of Managers. The program challenges and prepares participants to move beyond day-to-day management to become more strategic leaders. Email

Leading at Citi: Virtual Teams (MoS, MoO, MoM, EI)
Adopting behaviors and practices that bridge geographic distance, cultural norms and communication styles to build relationships, work collaboratively, enhance individual contributions and encourage diverse thinking. Enroll

Building an Inclusive Culture (MoS, MoO, MoM, EI)
Learn how to be aware of your unconscious biases so that you become more open to perspectives, people, and ideas that can drive greater business results and enable growth and progress for yourself, your colleagues, and Citi. Building an Inclusive Culture is a 30-minute online course. Enroll

Effective Development Conversations (MoO, MoM)
A highly interactive virtual course that helps managers plan and conduct effective development conversations focused on career potential and learning opportunities to enable growth. Enroll

Effective Performance Conversations (MoO, MoM)
A two-hour, interactive virtual course that helps managers maximize their on-going and year-end performance conversations. Enroll

Coaching for Results (MoO, MoM)
A highly interactive virtual course that helps managers develop employees through coaching and feedback. Enroll

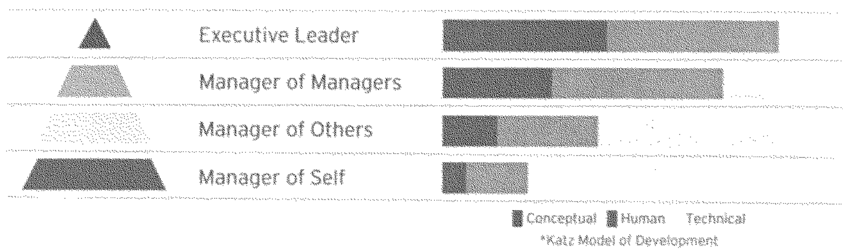
Interview and Selection Skills Program (MoO, MoM)
Enables Citi's managers to identify the best talent with a common standard for interviewing and assessing candidates objectively and effectively. This simulation focuses on preparing for and conducting interviews using the Leadership Standards as a common framework. Enroll

The Change Leader (High-Performing MoO and MoM)
A highly interactive virtual course for experienced managers focused on leading through various types of change. Participants examine tools and develop skills to champion progress, embrace change and challenge the status quo while continuing to create value for their clients and organization. Enroll

Understanding Citi's Leadership Pipeline

Citi's Leadership Pipeline includes four levels: Manager of Self, Manager of Managers, Manager of Others, Executive Leader. Each has a unique set of goals and responsibilities that require a different focus, frame of mind, allocation of time, and management skill set.

As leaders progress through the pipeline, the emphasis and time spent on work tasks (technical), interactions with other people (human), and strategy/vision (conceptual) shifts.*



Manager of Self – is an individual contributor, often closest to the client, who relies on their own technical proficiency to get work done. S/he does not formally manage other employees. Many individual contributors become specialists in their field, and may be promoted into more senior individual contributor roles. Other Managers of Self may move up the pipeline into a Manager of Others role.

Manager of Self (Non-Officer) – is an individual contributor that is a non-officer. S/he performs job functions that directly interface with our clients and many of these roles are in the collections, credit, and customer service functions and are supporting our contact center environments.

Manager of Others – is a first-line manager of individual contributors who is responsible for the success and performance of their unit. Transitioning into this level is a meaningful change in the way an individual operates. Instead of doing the hands-on work that made them successful as an individual contributor, Managers of Others need to delegate much of that work to their team. A lot of time and effort in this role is spent interacting with people on their team and communicating with other teams.

Manager of Managers – is a manager of other managers who oversees the success and coordination of several different teams. A lot of time and effort in this role is spent on reflection and analysis, coaching direct reports toward managerial excellence, and staying current with external trends. Individuals at this level include new Managers of Managers who are early in their career as well as seasoned managers who have been managing teams for many years.

Executive Leader – is an individual with executive level oversight and responsibility, identified as being in the top 1% of the company as a whole. Leaders in this category can have many different roles, from managing large functions and businesses to regional country officers to corporate executives. At times, very senior individual contributors may be included in the top 1% and reside in the Executive space. A lot of time and effort at this level is spent evaluating and creating mid to long-term business strategy, and communicating and interacting with key internal and external stakeholders.

Citi's Leadership Standards

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DEVELOPS OUR PEOPLE

Builds talent and teams for Citi by creating a culture of meritocracy and transparency, and celebrating excellence, initiative and courage

- Inspires and empowers the team to work collaboratively to achieve superior results
- Creates an environment where people hold themselves to the highest ethical standards
- Models personal growth and consistently provides coaching and feedback in support of ongoing development and retention
- Attracts great talent, builds a diverse talent pipeline, and recognizes, rewards, promotes based on performance

DRIVES VALUE FOR CLIENTS

Enables economic value and positive social impact for clients, companies, governments, and communities

- Puts clients first by anticipating, understanding, and exceeding their expectations and needs
- Acts as a trusted partner to clients by delivering superior advice, products and services
- Brings the best of Citi and knowledge of global issues and market trends to create value and good will with clients
- Drives innovation, competitive differentiation and speed to market by actively learning from others

WORKS AS A PARTNER

Works collaboratively across the firm and encourages others to achieve the best results for Citi and our clients

- Exemplifies global leadership by embracing unique perspectives from across Citi to achieve the best solutions
- Challenges self and colleagues to higher levels of performance by actively listening and engaging in constructive dialogue
- Treats people with respect and assumes the intentions of others are based on common goals and shared purpose

CHAMPIONS PROGRESS

Champions a culture of high standards, pushes for progress, embraces change and challenges the status quo in support of Citi's vision and global strategy

- Communicates a vision that is forward looking and responsive to changes in the environment
- Inspires enthusiasm and mobilizes resources for productive and innovative change
- Exhibits confidence and agility in challenging times
- Sets a positive tone when implementing Citi-wide change initiatives

LIVES OUR VALUES

Ensures systemically responsible outcomes while driving performance and balancing short and long term risks

- Sets the standard for the highest integrity in every decision
- Leads by example; willing to make difficult choices in support of Citi and our stakeholders
- Makes Citi better for all by putting the clients' and Citi's interests ahead of individual or team interests
- Has the courage to always do what's right and the humility to learn from mistakes

DELIVERS RESULTS

Sets high standards and achieves performance objectives by creating a clear path toward ethical and sustainable results

- Translates Citi's strategy into effective business plans while proactively overcoming obstacles
- Prioritizes and provides a clear line of sight to the most critical work
- Sets goals and measures progress to ensure the organization is focused on ethics, execution, and results
- Expects self and team to consistently meet/exceed expectations

JPMORGAN CHASE & CO.

Jamie Dimon
Chairman & Chief Executive Officer

June 10, 2019

The Honorable Maxine Waters
Chairwoman
House Financial Services Committee
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Patrick McHenry
Ranking Member
House Financial Services Committee
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairwoman Waters and Ranking Member McHenry:

The House Committee on Financial Services requested information for the hearing record following my April 10, 2019 testimony before the Committee. Answers to questions received from Chairwoman Waters, and Representatives Barr, Beatty, Cleaver, Green, McAdams, Ocasio-Cortez, Porter, Rose, Sherman, Stivers, and Tlaib, are included with this letter.

The included responses are based on the efforts of JPMorgan Chase employees with subject matter knowledge relating to each specific question to provide accurate, responsive information. The responses are based upon JPMorgan Chase's best information and belief at the time provided.

Sincerely,

Jamie Dimon

383 Madison Avenue, New York, New York 10179-2014
Telephone 212 270 1111 Facsimile 212 270 1121 jamie.dimon@jpmchase.com

JPMorgan Chase & Co.

<u>**Questions from Rep. Andy Barr (R-KY)**</u>
June 10, 2019

1. **What is one regulation, either implemented or proposed, that your institution is subject to, that you believe could potentially exacerbate an economic downturn or may impede recovery from a downturn?**

JPMC Response: There have been a large number of new regulations adopted since the financial crisis and more continue to be proposed, adopted, and implemented. Meanwhile, there has been no assessment of how the regulations may duplicate or conflict with each other or of how the banking sector will respond to these new regulations in a downturn. Although the firm is generally supportive of the regulatory reforms instituted subsequent to the crisis, there is a lot more procyclicality now built into the system through accounting, capital, the proposed stress capital buffer, and other requirements. A comprehensive review, performed correctly, can ensure these well-intended regulations do not impede bank support to the real economy in a downturn and recovery, as well as job creation and economic growth during other times.

Questions from Rep. Joyce Beatty (D-OH)
June 10, 2019

The 2008 financial crisis, in particular, revealed the depth of the problems in the financial services industry, including a lack of diversity in the industry's workforce and business activities. In response to this concern, Section 342 of the Dodd Frank Wall Street Reform and Consumer Protection Act created 20 Offices of Minority and Women Inclusion (OMWI) in the nation's most powerful financial regulatory agencies, to be responsible for all matters relating to diversity in regulated agencies' management, employment, and business activities.[1] Section 342(b)(2)(C) of the Dodd-Frank Act also required the OMWI Director of each agency to develop standards for assessing the diversity policies and practices of entities regulated by the agency. The Final Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity and Policies and Practices of Entities Regulated (Joint Standards) was adopted in June 2015 by the lead prudential banking and consumer finance regulatory agencies to implement this requirement.[2]

Unfortunately, a complete picture of diversity and inclusion in the financial services industry cannot be obtained until the financial services industry shares their diversity data and policies with the OMWIs, Congress, and the public. Under the Joint Standards, regulated entities were encouraged, but not required, to share diversity data and policies with the OMWI offices. Without access to this data, it is not fully possible to gauge whether regulated entities are meeting the spirit and intention of Section 342.

To best examine this concern about JP Morgan Chase's implementation of diversity and inclusion initiatives, please provide the following about your institution's diversity and inclusion data and policies from 2015 through present, including:[3]

1. Demographic totals on your employees, including:
   a. Total number of employees (full- and part-time)

Full-Time/Part-Time	YE '15	YE '16	YE '17	YE '18	Apr '19
Full-Time	220,256	227,451	236,919	239,649	239,227
Part-Time	14,042	15,736	15,690	16,340	16,742
Grand Total	234,298	243,187	252,609	255,989	255,969

   b. Career level of employees (executive and manager versus employees in other roles)

Manager Status	YE '15	YE '16	YE '17	YE '18	Apr '19
Non-Manager	184,965	192,964	193,950	195,415	192,241
Manager	49,333	50,223	58,659	60,574	63,728
Grand Total	234,298	243,187	252,609	255,989	255,969

[1] Pub. L. No. 111-203 (2010).
[2] Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Bureau of Consumer Financial Protection and
Securities and Exchange Commission; Final Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Securities and Exchange Commission; OCC-2013-0014, OP-1465 and Release No. 34-75050 File No. S7-10-15 (June 2015).
[3] If your institution is a member of and participated in diversity surveys conducted by the Securities Industry and Financial Markets Association, you may have previously provided similar diversity statistics and information to that trade association. If so, that data may be provided as a response, in part, to this data request.

c. **Gender, race and ethnic identity of your employees, as otherwise known or provided voluntarily**

Gender	YE '15	YE '16	YE '17	YE '18	Apr '19
Female	117,524	121,029	124,442	124,832	124,822
Male	116,547	121,963	127,986	131,001	130,966
Unknown	227	195	181	156	181
Grand Total	234,298	243,187	252,609	255,989	255,969

U.S. Ethnicity					
Ethnicity	YE '15	YE '16	YE '17	YE '18	Apr '19
Black	22,596	22,423	22,314	21,344	21,181
Asian	20,218	21,285	23,384	25,007	25,061
Hispanic	29,519	31,073	31,847	31,996	32,113
Others	4,423	4,763	4,851	4,456	4,300
Undisclosed	5,329	5,439	5,655	6,000	6,107
White	83,374	82,734	82,621	81,619	80,551
Grand Total	165,459	167,452	170,331	170,490	169,278

d. **Employee compensation by gender, race and ethnicity**

JPMC Response: The firm is currently working on the EEO-1 pay data requirements, which are required to be submitted by September 30.

2. **Number and dollar value invested with minority- and women-owned vendors and asset managers as compared to all vendor and asset manager investments, as applicable**
    a. **Amount and percentage of company 401K plan and other pension plan assets invested with diverse-owned asset management firms and categorize each firm by gender and racial ownership type (i.e. women, African-American, Latino etc.)**

JPMC Response: Across JPMorgan Chase's U.S. employee benefit plans, the firm invests about $40.5 billion with investment managers.

- The 12 largest managers invest about $34.1 billion of assets. Ten of these managers are publicly owned, representing $31.2 billion.
- The firm has about $16 billion invested in a variety of index strategies. Index strategies benefit from significant assets under management, and the "top" index managers are all publically owned companies.

The head of the team that oversees and/or advises on these investments is an ethnically-diverse woman.

Almost 90 percent of the firm's assets ($35.9 billion) are allocated to firms that have individuals who are either ethnic or racial minorities or women as critical investment or client service professionals on the firm's account.

With regard to these assets, ERISA requires that the selection of investment managers must be made solely in the interests of plan participants. ERISA permits other factors to be taken into account in selecting investment managers, including diversity in the investment manager selection process, so long as it is consistent with the interests of the plan participants.

The firm's standard request for proposal (RFP) includes the following question: "JPMorgan Chase has made 'diversity' a core value of its global organization. Please describe your firm's commitment to diversity in the workplace. Include in your description any organized programs that have been developed to promote diversity in the workplace."

During the firm's due diligence process, any inconsistencies between a manager's RFP response and the facts and circumstances that are gathered are identified.

b. Amount and percentage of externally-managed wealth management platform assets invested with diverse-owned asset management firms and categorize each firm by gender and racial ownership type (i.e. women, African-American, Latino etc.)

JPMC Response: JPMorgan Chase recognizes the importance of working with a diverse group of external partners, and the firm collects internal data regarding which firms are owned by women and/or people of color. As part of this effort, the firm recently met with approximately 60 managers who are women or people of color.

As of December 31, 2018, 72 of the 413 (17.4 percent) of onshore mutual funds available on the firm's wealth management platform are managed by a woman or person of color. Approximately $28 billion of $242 billion (11.6 percent) of assets under management are managed by a portfolio manager who is a woman or person of color.

JPMorgan Chase's Asset Management business works with 100 outside asset managers, 25 of which are a woman or person of color. On an asset weighted basis, they manage 38 percent of the $4 billion in allocated capital.

c. Amount and percentage of investments managed by diverse owned banks and underwriters and categorize each firm by gender and racial ownership type (i.e. women, African-American, Latino etc.)

JPMC Response: JPMorgan Chase recognizes the importance of having a diverse group of external partners. This priority also extends to working with other institutions with diverse leadership.

3. Title(s) and reporting structure for your institution's lead diversity officer(s)

a. Number of staff and budget dedicated to diversity initiatives

JPMC Response: JPMorgan Chase's head of Executive Talent Management and Diversity reports to the firm's head of Human Resources (HR). The Diversity team (18) globally includes the Affirmative Action team as well as the Office of Disability Inclusion. In addition, there are four other diversity initiatives: Advancing Black Leaders (8) sits within corporate HR; Advancing Black Pathways (10), Women on the Move (5), and the Office of Military and Veteran Affairs (15) sit within the firm's Consumer & Community Banking Business and are led by senior executives. Across all of the firm's diversity and inclusion initiatives, there are 56 direct employees who work full time on these matters.

In addition, there are many diversity and inclusion efforts driven by other leaders across the firm. For example, the firm's Business Resource Groups (BRGs) are groups of employees who volunteer to advance JPMorgan Chase's position in the global marketplace and the firm's Diversity & Inclusion strategies by leveraging the unique perspectives of their members. The 10 BRGs are an essential part of the foundation that helps create an inclusive environment with approximately 35 percent of the firm's employees being a member of at least one Business Resource Group (BRG). The firm also has Executive Forums: the Black Executive Forum (BEF), the Hispanic Executive Forum (HEF), the LGBTQ+ Council, and the Asian Executive Forum (AEF). These forums are made up of Managing Directors and Senior Vice Presidents who engage with their respective BRGs and serve as a senior collective voice for their communities.

4. Description of performance measures and compensation tied to diversity initiatives

JPMC Response: Diversity and inclusion efforts are included as part of the Teamwork and Leadership component of the firm's Annual Performance Reviews. Managers are asked to comment on whether an employee "Promotes an inclusive work environment; respects individuals at every level and their perspectives, and engages in diversity initiatives, as appropriate." An overarching goal of this process is to understand the drivers and opportunities that each leader has to foster the firm's culture, which values diversity and inclusion. Discussion of other factors that may not be reflected when reviewing metrics (e.g., culture and leadership, talent outside of the direct management chain, consolidation of teams or elimination of roles, and talent upgrades/non-regrettable losses) or activity outside of each leader's control (e.g., retirements) is encouraged. Pay is aligned with performance.

5. Company-wide diversity policies and practices, including:

a. Recruitment strategies

JPMC Response:

Campus: JPMorgan Chase's campus recruiting team is focused on hiring talent for the firm's Analyst and Associate programs to further build the next generation of leaders. The firm seeks to pursue innovative ways of connecting with a diverse audience through approaches like the JPM Online Academy for virtual learning, Code for Good hackathons, structured partnerships with diversity organizations, and enhanced employer brand and social media messaging under the "All Minds Wanted" campaign. Other approaches to augment the firm's workforce with diverse talent include, but are not limited to:

- Working closely with Historically Black Colleges and Universities. JPMorgan Chase is named the top employer of business school students at Howard University, Spelman College, and Morehouse College.
- Participating as a long-time supporter of organizations (e.g., Prep for Prep, YearUp, and Development School for Youth) that create customized pathways to employment for students from non-traditional academic backgrounds. The firm is also a key supporter of key diversity partners (SEO, INROADS, and Thurgood Marshall College Fund) who work to increase employability of underrepresented students at financial services institutions and recently launched the Financial Services Institute, partnering with SEO and INROADS, and the flagship Sophomore Edge program.
- Committing to hire 4,000 black students by 2023 as part of Advancing Black Pathways commitment.
- Developing a national community college strategy – approximately 100 students are employed in the Consumer branch network working or being trained/recruited.
- Publicly leading an effort to shift the intern recruiting season from the spring back to the traditional fall season to reduce pressure on students and give them more time to focus on their studies – given that accelerated hiring disproportionately impacts diverse underclassmen. A recent study by the Ivy Research Council indicated that 60 percent of underrepresented populations said they felt under-prepared for recruitment and lacked clarity about their career options, 50 percent lower than their white or Asian male counterparts.
- Enhance the hiring process by upgrading the firm's approach to structured interviewing and piloting a new breed of behavioral science-based assessment technology called Pymetrics in the screening process – all with the goal of broadening who is considered for entry-level roles.

Advancing Black Leaders (ABL): ABL launched in 2016 as a firmwide strategy focused on increasing black representation across all businesses and levels. The ABL team works with senior leaders and the Human Resources community to identify and implement strategies that close the gap in attracting, hiring, retaining, and advancing black talent within JPMorgan Chase. As part of this commitment, the firm established an Executive Sourcing team to focus on strategic sourcing of external diverse executive talent. The team provides strategic sourcing, market research support, and screening to surface external talent that is fed to the firm's recruiters and senior leaders for consideration for open roles and exploratory discussions.

Lateral: Overall lateral hiring continues to be strong, and JPMorgan Chase remains an attractive company for candidates. The firm is focused on being the best company for people from all backgrounds and experiences.

Additional Efforts:

- JPMorgan Chase requires diverse slates for senior hires. In the United States, the firm defines a diverse slate as when there is at least one woman (any ethnicity) and one ethnic minority submitted to the manager for interview.
- The firm has dedicated resources in the Consumer and Community Bank (CCB) Recruiting team, which has the highest volume of hiring across the firm, specifically focused on increasing black representation. For example, CCB is hosting hiring events where on-the-spot offers are made to candidates sourced from predominantly black talent channels.
- JPMorgan Chase's Second Chance Program broadened recruiting language to encourage all qualified applicants to apply, and removed criminal history from job applications. The firm launched an effort in Chicago to partner with local community organizations such as Safer Foundation, Talent EI, Chicago CRED (Creating Real Economic Destiny), and CARA Chicago to establish recruiting channels for justice-involved individuals whose criminal histories fit within new regulatory guidelines.
- To further diversify JPMorgan Chase's applicant pool, the firm is taking steps to remove the four year degree requirement from those roles that do not require it so as not to deter qualified candidates (e.g., individuals from Community Colleges and technical training programs) from applying.

b. Outreach to diverse organizations, such as historically black colleges and universities and professional organizations

JPMC Response: JPMorgan Chase has actively engaged with diverse organizations that align with the firm's strategy of attracting diverse talent, such as Urban League, Hispanic Chamber of Commerce, Skills for Chicagoland's Future, local employment councils and housing authorities, historically black churches, Chicanos por la Causa, Enterprising Latinas, and others. The firm is a leading supporter of key diversity partners who work to increase employability of underrepresented students at financial services institutions. This complements the work of Campus Recruiting by sourcing Black, Hispanic, and Native American students from strategic partner organizations such as INROADS, SEO, and MLT (Management Leadership for Tomorrow) and introducing new JPMorgan Chase-run programs targeted to these communities (e.g. ABL Student Summit and Sophomore Edge) as described more fully above.

JPMorgan Chase launched an innovative program this year with SEO and INROADS to develop and prepare rising College Juniors. This program is specifically focused on black students and will increase the firm's summer internship pipeline. Additionally, the firm is providing in-kind strategic consulting services to INROADS focused on capacity building and the organization's strategic plan.

JPMorgan Chase received Top Employer Distinction in 2019 for hiring and engagement efforts at Howard University, Spelman College, and Morehouse College. In addition, the firm has a relationship with the United Negro College Fund (UNCF) and the Thurgood Marshall College Fund (TMCF), which both serve as pipelines to access black students at other Historically Black Colleges and Universities (HBCUs). The firm has Board representation with both organizations and continues to see year-over-year increases in hiring from HBCUs broadly.

c. Gender pay equity data and efforts to close any identified gaps

JPMC Response: JPMorgan Chase strongly believes that a work environment that is diverse and inclusive at all levels is critical to the firm's success. Employees are the firm's greatest asset, and JPMorgan Chase is deeply committed to hiring, retaining, and developing employees from different backgrounds and experiences at all levels and paying them equitably based on the work they do. The firm conducts periodic pay equity reviews at all levels. In 2018, in aggregate, women globally and minority employees in the United States were paid 99 percent of what men globally and non-minority employees in the United States were paid, taking into account factors such as an employee's role, tenure, seniority, and geography. If individuals with compensation that is less than expected are identified, the firm digs deeper, and where appropriate, action is taken to address the issue.

JPMorgan Chase knows that pay equity reviews are only a starting point and is committed to disclosing information about the firm's progress. Diverse leadership is more likely to be innovative and high-performing and achieves better outcomes. The firm is focused on identifying and expanding advancement opportunity for diverse employees at more senior levels across the firm.

6. Corporate board demographic data, including:

a. Total number of board members

JPMC Response: The JPMorgan Chase Board includes 11 directors, 10 of whom are independent.

b. Gender, race and ethnic identity of board members, as otherwise known or provided voluntarily

JPMC Response: Of the 11 board members, two are women, and two are African-American/Black.

c. Board position title, as well as any leadership and subcommittee assignments

JPMC Response: Below are the assignments of the Board members to the principal standing committees:

Board Member	Title	Committees
Linda B. Bammann	Retired Deputy Head of Risk Management of JPMorgan Chase & Co.	Directors' Risk Policy Committee (Chair)
James A. Bell	Retired Executive Vice President of The Boeing Company	Audit Committee
Stephen B. Burke	Chief Executive Officer of NBCUniversal, LLC	Compensation & Management Development Committee Corporate Governance & Nominating Committee (Chair)

Todd A. Combs	Investment Officer at Berkshire Hathaway Inc.	Compensation & Management Development Committee Public Responsibility Committee Corporate Governance & Nominating Committee
James S. Crown	Chairman and Chief Executive Officer of Henry Crown and Company	Directors' Risk Policy Committee
James Dimon	Chairman and Chief Executive Officer of JPMorgan Chase & Co.	
Timothy P. Flynn	Retired Chairman and Chief Executive Officer of KPMG	Audit Committee Public Responsibility Committee (Chair)
Mellody Hobson	President of Ariel Investments, LLC	Public Responsibility Committee Directors' Risk Policy Committee
Laban P. Jackson, Jr.	Chairman and Chief Executive Officer of Clear Creek Properties, Inc.	Audit Committee
Michael A. Neal	Retired Vice Chairman of General Electric Company and Retired Chairman and Chief Executive Officer of GE Capital	Directors' Risk Policy Committee
Lee R. Raymond	Retired Chairman and Chief Executive Officer of Exxon Mobil Corporation	Compensation & Management Development Committee (Chair) Corporate Governance & Nominating Committee

7. Your institution's diversity policies and practices

JPMC Response: Equal Opportunity, Anti-Discrimination and Anti-Harassment Policy: JPMorgan Chase is committed to maintaining a safe, productive, diverse, professional, collegial and secure work environment in which all individuals are treated with respect and dignity. Discrimination, harassment or inappropriate conduct is not tolerated by or against employees, customers, vendors, contractors or any other individuals who conduct business with JPMorgan Chase. JPMorgan Chase believes that every employee shares in the responsibilities and compliance regarding reporting concerns under this policy.

8. Any challenges your institution faces in implementing its diversity goals and initiatives

JPMC Response: The firm has been focused on various management disciplines related to diversity and inclusion, including using diverse slates and strategic sourcing for senior hires. The firm measures and tracks sourcing and recruitment, hiring, training and development, promotion and attrition, and incorporates diversity into the firm's talent reviews. Some of the specific areas of focus include: Advancing Black Leaders (ABL), Advancing Black Pathways (ABP), Office of Disability Inclusion (ODI), Military and Veteran Affairs Programs (MVA), and Women on the Move (WOTM). As the firm continues to focus on the automation of roles, specific market plans have been created that focus on the attraction and hiring of diverse talent as retaining overall population levels is a challenge. The firm will continue to adjust the diversity strategy, assess the firm's ability to attract and retain women and ethnically diverse hires, and address any challenges in the pipeline of diverse talent.

<u>Questions from Rep. Emanuel Cleaver (D-MO)</u>
June 10, 2019

<u>Economic Conditions and Big Bank Responsibility</u>
The Kansas City Fed produced a report on low- and moderate-income individuals' economic conditions within their district. The report read that "more survey contacts still reported worsening conditions than improving conditions, and those who reported no change were in some sense comparing current conditions with a low base." This is to say that conditions for some of low-income people have been negative for so long it is like looking up from a hole that hasn't gotten any deeper. but is still far underground.

Nationally, less than 75 percent of those younger than 65 with incomes less than $25,000 have health insurance coverage, compared with about 95 percent of those with incomes greater than $50,000.

Since 2008, more than 2.5 million new jobs were created in the most prosperous ZIP codes, while the least prosperous areas lost nearly 1.5 million jobs, according to research from the Economic Innovation Group.

People are struggling all over this country and when they hear about a tax reform bill that resulted in record stock buybacks and bonuses to senior executives—they are understandably upset.

1. **What are your firms doing to create long-term, sustainable changes to help these struggling communities?**
    a. **Specially, what measurable long-term commitments have your firms made to uplift struggling communities and where are you in achieving measurable benchmarks?**

JPMC Response: By 2023, JPMorgan Chase will invest $1.75 billion to drive inclusive growth in communities around the world and is investing in people and places to tackle barriers to opportunity and create the conditions for lasting change. The firm's work focuses on four pillars of economic opportunity:

- **Jobs & Skills** - New Skills at Work, a five-year, $250 million commitment launched in 2013, the firm has helped 150,000 people in partnership with about 740 nonprofits spanning 37 countries as well as 30 U.S. states and Washington, D.C., to support skill building so that people can gain well-paying jobs in growing industries. Since 2015, JPMorgan Chase has invested over $500,000 in creating summer youth employment opportunities for high school students across the city of St. Louis. This program has grown from serving 396 students in 2015 to 739 students in 2018. JPMorgan Chase made targeted investments in the piloting and build out of work-based learning placements in IT, a growing industry in the region and is excited to pair the philanthropic investment with career exposure and coaching from local business leaders.
- **Small Business** - In its first four years, Small Business Forward partnered with 19 organizations to support more than 6,000 small businesses that are boosting inclusive economic growth. In aggregate, across the four years, these businesses have raised $900 million in capital, generated over $631 million in revenue, employed 17,849 people and paid $494 million in wages. Recognizing the benefits that a thriving small business ecosystem bring to cities, JPMorgan Chase has invested over $1 million in strengthening entrepreneurial support and access to capital in both St. Louis and Kansas City, Missouri. Through organizations like BioSTL, Justine Petersen, and the Enterprise Center of Johnson County, the firm supports both high growth startups and main street, community-based businesses with a focus on women and entrepreneurs of color. These organizations have served over 500 small businesses and

entrepreneurs, deployed over $5.6 million in capital, and helped small businesses create over 70 new jobs since 2015.

- **Neighborhood Revitalization** - JPMorgan Chase is invested in finding innovative solutions to neighborhood revitalization through the national PRO Neighborhoods initiative. PRO Neighborhoods has hosted five competitions, awarding more than $98 million to over 70 CDFIs across the United States. After the $68 million commitment, the winners of the first three competitions raised an additional $713 million in outside capital, resulting in more than 21,000 loans to low- and moderate-income customers, and created or preserved over 3,000 affordable housing units and 11,000 jobs. The firm has invested more than $300,000 to support Kansas City's and St. Louis' efforts to think strategically about catalyzing equitable development in historically disinvested communities through the firm's commitments to the Low Income Investment Fund (LIIF) and the National Association for Latino Community Asset Builders (NALBAC).
- **Financial Health** - FinLab has supported more than 30 financial technology companies from over 1,600 total applicants. These companies offer innovative financial products that reach more than 4 million American residents and have seen 20-fold user growth since joining FinLab. Collectively, they have raised more than $500 million in capital since joining and have helped U.S. residents save over $1 billion.

JPMorgan Chase has also made expanded commitments in key cities where longtime residents are at risk of being left behind including Detroit, Chicago and Washington, D.C. The full weight of the firm's resources – data, technology, employee expertise, market knowledge and relationships – are utilized to catalyze inclusive growth and expand access to opportunity.

- Since 2014 in Detroit, with the firm's $150 million, five-year investment: 13,573 people participated in workforce programs; 1,632 units of affordable housing were created or preserved; 13,180 people received services to improve their financial health; 2,067 jobs were created or retained; and 4,387 small businesses received capital or technical assistance.
- In Chicago, through the firm's commitment made in 2017: 2,857 people participated in workforce training programs; 176 units of housing were created or preserved; 5,341 people received services to improve their financial health; 1,246 jobs were created or retained; and 1,319 small businesses received capital or technical assistance. **Impact numbers as of 12/31/18*

In addition, JPMorgan Chase is committed to bringing business solutions to distressed communities through the firm's Community Development Banking group.

- JPMorgan Chase is a leading investor in the New Markets Tax Credit space, investing more $650 million of equity over the past three years to support nearly $2 billion of NMTC project financing in highly distressed low-income communities. These projects include community centers, grocery stores in food deserts, job incubators, charter schools, nonprofit office space, and health clinics. Each project is located in a distressed community and serves low income members of that community.
- The firm is also a leading lender to CDFIs, providing more than $200 million of loan capital to CDFIs annually and partnering with Corporate Responsibility to underwrite and service flexible financing as part of its Advancing Cities initiative. These CDFI's are mission driven organizations focused on community development in low income communities.
- JPMorgan Chase is a leading lender in the affordable housing industry, with a fully resourced team located in 13 offices throughout the country. Over the past five years, the firm has provided more than $7 billion in construction and permanent financing of restricted rent

apartment units providing affordable and safe housing to low-income tenants making less than 60 percent of area median income. These units have long term affordability restrictions, ensuring that low-income members of the community are not displaced as gentrification occurs. The firm is committed to support the expansion of the affordable housing financing business.

2. **Are your firms planning to deploy recourses in the core of communities who need them through the opportunity zones program?**
   a. **If yes, please articulate exactly how your firm plans to do that?**

JPMC Response: JPMorgan Chase is committed to driving investment in low-income and underserved communities. This commitment predates the Opportunity Zones program, though the firm is actively seeking opportunities to utilize the program to channel new resources into low-income communities. JPMorgan Chase, like other banks, does not regularly generate capital gains and has limited ability to make direct equity investments into Opportunity Zones. However, the firm's expertise is used to support the Opportunity Zone program.

For example, a portion of the firm's philanthropic capital is being deployed to support strategies to foster Opportunity Zone investments to drive inclusive growth in distressed communities. In Cleveland, for instance, the firm is supporting a local initiative, *OpportunityCLE*, which brings together key public, private, foundation and nonprofit actors with the goal of catalyzing Opportunity Zone investment in Cuyahoga County's Opportunity Zone-designated tracts. The firm also works with leading foundations and think tanks to increase the lending and organizational capacity of Minority Depository Institutions (MDIs), with a focus on increasing the capacity of MDIs and other CDFIs to receive investments from Qualified Opportunity Zone Funds. In addition, the firm supports top research organizations in their efforts to both identify real world examples of Opportunity Zone investments that foster inclusive growth as well as spotlight the ways in which the broader philanthropic community can support these types of inclusive investments.

The firm also helps Asset and Wealth Management and Corporate & Investment Bank clients understand how to direct their capital into low-income communities, including in Opportunity Zones. J.P. Morgan Asset Management (JPMAM) facilitated over 45 investments in 18 metro areas in now-designated Opportunity Zones, and closed on an Opportunity Fund earlier this year. The J.P. Morgan Advice Lab, a multi-disciplinary team of wealth planning specialists, has been critical in developing thought leadership on Opportunity Zones. Examples of their work can be found in the following online publications.

JPMorgan Chase Opportunity Zone Publications:

- Opportunity Zones: Great promise. Current confusion. (September 2018)
- Opportunity Zones: New rules. New opportunities (November 2018)
- Your questions on Opportunity Zones (November 2018)
- What are the Opportunities for Opportunity Zones? (December 2018)
- Opportunity Zones: New answers for investors (April 2019)

3. **How will you ensure your firms resources will deployed in communities that need them and not diverted to those that do not? What metrics and tools are you using to ensure your resources and investments will be deployed in the most needed areas?**

JPMC Response: JPMorgan Chase is applying the capabilities and resources that have made the firm successful as a business to make intentional, strategic investments to lift those who are being left behind. The firm measures the return on these investments as to how individual lives within communities are improved, including: the number of jobs created, units of affordable housing created or preserved, small businesses launched, and young people who have gained the skills needed for in-demand jobs.

JPMorgan Chase leverages internal data and other publically available sources to help ensure that these interventions are focused on major barriers to economic mobility faced by families and distressed neighborhoods.

These results are essential to the long-term success of the firm because when communities do well, the company does well. JPMorgan Chase is approaching these efforts in line with other aspects of the business by making long-term, data-driven investments, refining them as the firm learns what works, and rigorously evaluating the firm's performance using metrics like ratio of investments to outside capital leveraged. The firm maximizes the impact by focusing where the firm's resources and capabilities can be best applied to drive inclusive growth: building job skills, expanding small businesses, revitalizing neighborhoods, and promoting financial health.

Diversity

Adopted in 2003, the Rooney Rule is an National Football League policy that requires teams to interview ethnic-minority candidates for head coaching jobs. Since then, the Rooney Rule has been expanded to include general manager jobs. A similar rule requires that a woman be interviewed for every business front-office position that opens in the league.

In all witnesses' testimonies diversity was noted as an important principal.

1. **Would you all be willing to commit to abiding by a Rooney Rule when interviewing for every open executive level position in your firm?**

JPMC Response: Diversity and inclusion are of strategic importance to JPMorgan Chase. The firm is committed to a culture of openness and meritocracy and believes in giving all individuals an opportunity to succeed. Diversity with an inclusive environment fosters innovation, creativity and productivity, which is critical to the firm's success, and JPMorgan Chase is deeply committed to hiring and retaining employees from different backgrounds, experiences and locations. The firm requires diverse slates and strategic sourcing for senior hires. The firm defines a diverse slate in the United States as when there is at least one woman (any ethnicity) and one ethnic minority submitted to the manager for interview.

In addition, in 2016, the firm launched the Advancing Black Leaders diversity strategy to attract, hire, retain, and advance black talent at JPMorgan Chase. The strategy seeks to increase the representation of black talent at the officer level, expand the pipeline of junior talent, and retain existing talent through development opportunities for advancement into leadership roles.

In 2018, JPMorgan Chase increased representation of the Operating Committee's direct reports to 41.1 percent female (+0.5 percent) and 17.6 percent ethnically diverse (+2.3 percent). The firm has also launched the Advancing Black Pathways initiative, a firmwide program that builds on the existing efforts to help black people chart stronger paths towards economic success, including student workforce preparedness to strengthen the firm's pipeline of candidates. The firm is partnering with key organizations to cultivate student development programs and internship experiences, with the goal to develop and hire 4,000 black students in 5 years.

2. **Has your firm identified disparities in the promotion/retention rates of diverse employees? If so, what steps has your company taken to evaluate and address such disparities?**

JPMC Response: The firm is committed to maintaining a diverse, professional, and collegial work environment in which all individuals are treated fairly and with respect and dignity. The firm prohibits discrimination, harassment, bias or prejudice in the workplace and against the firm's workforce, including based on an individual's race, color, national origin or ancestry, sexual orientation, and other characteristics.

That said, representation is tracked and used to inform hiring and retention programs (e.g., the firm has more women than men in entry level positions and less women in senior ranks). For example, the firm continues to sponsor various programs, practices, and forums that are focused on recruiting and hiring the best diverse talent, providing personal and professional support, developing talent and skills, and empowering employees to broaden their networks and take on new opportunities.

3. **What steps does you firm take to ensure equal pay for equal work for women and minorities?**

JPMC Response: JPMorgan Chase strongly believes that a work environment that is diverse and inclusive at all levels is critical to the firm's success. Employees are the firm's greatest asset, and JPMorgan Chase is deeply committed to hiring, retaining, and developing employees from different backgrounds and experiences at all levels and paying them equitably based on their work. The firm has governance mechanisms and systems in place so that employees are paid fairly for the work that they do. The firm conducts periodic pay equity reviews at all levels. In 2018, in aggregate, women globally and minority employees in the United States were paid 99 percent of what men globally and non-minority employees in the United States were paid, taking into account factors such as an employee's role, tenure, seniority, and geography. Pay equity reviews give the firm important insights, but they are just a starting point. If individuals with compensation that is less than expected are identified, the firm digs deeper, and where appropriate, action is taken to address the issue, including through the firm's most recent compensation cycle.

4. **Do your companies currently set targets and/or goals for supplier diversity (including outside legal services)?**

JPMC Response: Yes, JPMorgan Chase sets diverse supplier goals across the firm's supply chain portfolio. The objective is to grow diverse supplier spend and develop suppliers for broader community impact. The firm benchmarks annually against supplier diversity industry best practices and monitors outcomes on an ongoing basis.

Fintech

There was a report released by Berkley University entitled "Consumer-Discrimination in the Era of Fintech[4]." The report highlights that, "the mode of lending discrimination has shifted from human bias to algorithmic bias." "Even if the people writing the algorithms intend to create a fair system, their

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[4] https://faculty.haas.berkeley.edu/morse/research/papers/discrim.pdf

programming is having a disparate impact on minority borrowers—in other words, discriminating under the law."

All of your firms were included in this report.

1. **I understand from our exchange during the hearing that you may not be aware of the report. I would request that you all committee to reviewing the report and its findings.**

JPMC Response: The firm has reviewed the report.

2. **What steps are you prepared to take to address its findings?**

JPMC Response: The firm has processes and controls to manage fair lending risk associated with algorithms used in credit decisions, and remains vigilant in seeking to identify and address new risks that might arise (e.g., related to new techniques or data types).

3. **How does your firm ensure compliance with fair lending laws while deploying algorithms? What steps do your firms take to monitor and evaluate the impact of automated decision making on racial subgroups? What forms of self-testing do you utilize in this area?**

JPMC Response: As articulated in the JPMorgan Chase Fair Lending Statement, "JPMorgan Chase is committed to treating all individuals fairly and equitably in the conduct of its lending businesses in all jurisdictions where it conducts business." JPMorgan Chase has established a Compliance Management System that monitors for fair lending risks including those posed by algorithms. The firm utilizes self-testing in this area.

4. **If your firm utilizes "alternative data" for evaluating credit worthiness and terms of contract, what data has your firm has definitively determined should not be used either because it is explicitly discriminatory or may serve as a proxy for discrimination?**

JPMC Response: Although "alternative data" has no standard definition, the firm typically views it as data that has not been traditionally used by a business for a particular purpose. In the credit scoring context, the firm would consider as "alternative" any data that has not traditionally been included in credit scoring models. Fair lending specialists have designed a review process for data attributes, whether traditional or alternative, which is intended to ensure that no prohibited bases or close proxies are included in the firm's credit scoring models.

Questions from Rep. Al Green (D-TX)
June 10, 2019

1. **Has your firm ever had a woman or person of color in the position of Chair & CEO?**

JPMC Response: No. However, at JPMorgan Chase, women represent about 49 percent of employees, 50 percent of Operating Committee members, and approximately 30 percent of senior leadership globally. These are women who run major businesses and functions – several units on their own would be among Fortune 1000 companies. In addition to gender diversity, 51 percent of the firm's employees in the United States are ethnically diverse. In 2018, the firm received more than 100 firm and individual employee awards that recognize the firm's diversity. I am proud of JPMorgan Chase's industry recognition for its diversity and inclusion efforts.

2. **At the full Committee hearing on April 10, 2019, when asked about your likely successor, you each indicated that it is unlikely that a woman or person of color will replace you.**
   a. **Why do your likely successors exclude women and people of color?**

JPMC Response: It is JPMorgan Chase's long standing policy to not speculate or comment publicly on outcomes of the firm's succession planning process. Moreover, the Board is responsible for succession planning for the CEO and has appropriate plans. That said, the firm has exceptional women, including as 50 percent of the Operating Committee, who are prepared to take leading management positions.

   b. **What are you doing to diversify the talent pipeline for very senior leadership roles at your bank?**

JPMC Response: JPMorgan Chase's success requires a strong team of talented and committed leaders at the top of the firm's organization and an effective and diverse succession pipeline for senior roles. The firm has disciplined processes, inclusive of talent reviews and executive development programs, to develop the internal pipeline, with a focus on diversity. The firm additionally looks to identify external talent as potential successors for senior roles. The process begins with annual talent reviews, and includes a discussion about succession planning. These sessions cover successors to the Operating Committee (OC) and OC direct-report roles, key openings needing to be filled, potential changes or alternatives to organizational structures, key talent ready for a move, including the potential to move within the firm, top diverse talent, and other components as needed for the business.

The firm is committed to talent management and succession planning with a focus on diversity deeper in the organization. In addition, there are many diversity and inclusion efforts across the firm, designed to attract, retain, and promote diverse talent. For example, the firm's Business Resource Groups (BRGs) are groups of employees who volunteer to advance JPMorgan Chase's position in the global marketplace and Diversity & Inclusion strategies by leveraging the unique perspectives of their members. The 10 BRGs are an essential part of the foundation that helps create an inclusive environment with approximately 35 percent of the firm's employees being a member of at least one BRG. The firm also has Executive Forums: the Black Executive Forum (BEF), the Hispanic Executive Forum (HEF), the LGBTQ+ Council, and the Asian Executive Forum (AEF). These forums are made up of Managing Directors and Senior Vice Presidents who engage with their respective BRGs and serve as a senior collective voice for their communities.

3. **Often a CEO's responsibilities include leadership planning. Is this one of your exclusive or shared responsibilities as CEO? If yes:**
   a. **Do you believe your leadership planning sufficiently prioritizes the development of diverse candidates for the bank's most senior roles?**

JPMC Response: Yes.

b. What changes in your bank's leadership development and planning would increase the likelihood that likely candidates to succeed you will include women, people of color, and LGBTQ people?

JPMC Response: CEO succession is ultimately a Board decision that will be informed by the facts and circumstances at the time of succession. That said, the firm believes that disciplined processes, inclusive of talent reviews and executive development programs, to develop the internal pipeline, with a focus on diversity, are appropriately designed to provide the Board appropriate potential successors for all senior roles.

c. Do you commit to making those changes to your bank's leadership development plan?

JPMC Response: The firm is committed to continuing its efforts.

4. Produce documentation of your bank's leadership development plan.

JPMC Response:

JPMorgan Chase Talent Management Program

<u>Overview</u>

JPMorgan Chase recognizes the importance of and has a commitment from the entire Operating Committee (OC) to continue building and sustaining a strong talent management program. The OC provides the support and engagement necessary to drive each of the firm's key talent management processes.

The firm's decisions around hiring, management development, promotions, and performance development are anchored in JPMorgan Chase's leadership attributes and business principles. The firm has established the following key talent management processes:

- Succession Planning and Leadership / Management Development
- Recruiting

<u>Governance and Oversight</u>

Proper governance and oversight for each of the key talent management processes is important. Succession planning, management development and performance development is discussed at the Board, Board Committees and Operating Committee meetings. A dedicated succession planning discussion is undertaken at least annually by the independent directors with the CEO. The Compensation and Management Development Committee (CMDC) of the Board reviews the succession plan for the CEO in preparation for the full Board discussion which is led by the Lead Independent Director. The CMDC advises the Board on talent development, diversity and succession planning for key executives. With respect to diversity and inclusion, the head of Executive Talent Management and Diversity provides the CEO with an update on an annual basis as well as the Board and/or the CMDC of the Board. The CMDC is responsible for advising the Board on diversity initiatives.

Our approach to Performance Development is designed to help support and improve individual and business performance, while reinforcing a culture of growth and improvement.

Succession Planning and Leadership / Management Development

Overview

Succession planning is a top priority for the Board and the firm's senior leadership, with the objective of having a pipeline of diverse leaders for the immediate- and long-term future. The firm has disciplined processes, inclusive of talent reviews and executive development programs. Job mobility of executives prepares them for greater responsibility. Further, the firm looks to identify external talent as potential successors for both OC roles and OC-direct roles.

Guiding Principles

- Leaders are responsible for incorporating talent management into business practices with the same rigor and discipline as all other aspects of business management
- Performance feedback should be honest, direct and focus on current performance and potential; evaluate people on the "what" and the "how," with a proper emphasis on risk and controls
- Mobility and "stretch" assignments are sometimes the best way to develop leaders – no substitute for experience
- Balance promoting from within by supplementing with outside talent
- Incorporate diversity and inclusiveness in all people practices

Management Development

Leadership Edge is the firm's leadership development program, which is designed to enable leaders at all levels to grow and succeed throughout their careers. The in-person training sets clear expectations and standards for people management and further embeds the firm's Business Principles into the culture. In 2018, the firm achieved a record year for participation with global attendance reaching more than 22,500 across Leadership Edge programs, and 60 percent of all managers have attended since its inception in 2015. During the year the firm also held a number of virtual leadership and learning events, which connected more than 16,000 of the firm's managers globally.

Recruiting

Overview

JPMorgan Chase hires thousands of employees each year across all of the firm's global businesses, and they are trained to understand the products, regulatory requirements, services and customers and to know how to do their jobs well. The hiring of the highest-quality people into senior leadership roles is essential to the ongoing success of the company. The firm's hiring practices are based on a set of core principles so that the firm can maintain the highest levels of integrity keeping in mind culture and conduct risk.

Guiding Principles

The firm looks to leverage management development and succession planning work to identify the best candidates for senior level leadership roles. However, at times it is appropriate to search externally for the best talent – in doing so, the firm relies on the internal recruiting function as well as the most senior executives' collective network across the industry and areas of subject matter expertise. The firm also engages with a small cadre of executive search firms who know JPMorgan Chase well in order to augment the firm's internal efforts.

5. **At the full Committee hearing on April 10, 2019, when asked whether it is likely that your bank will have a woman or person of color as CEO within a decade, you each indicated that it is not likely, while your counterparts indicated that Citibank, Bank of America, State Street, BNY Mellon, and Goldman Sachs all likely will be led by women and/or minorities before 2029. What is it about JPMorgan Chase and Morgan Stanley that distinguishes your banks from your peers that enjoy a more positive outlook regarding the diversity of their future CEOs? In your response, address specifically the role of your respective bank's corporate culture, leaders, and internal talent pipeline in creating an environment where it is not likely for any woman or minority to head the bank at any time in the near future.**

JPMC Response: It is JPMorgan Chase's long standing policy to not speculate or comment publicly on outcomes of the firm's succession planning process. Moreover, the Board is responsible for succession planning for the CEO and has appropriate plans. That said, the firm has exceptional women, including as 50 percent of the Operating Committee, who are prepared to take leading management positions.

6. **It often takes years to recover from the damage and loss caused by a natural disaster. I know this because my district of Houston is unfortunately still struggling to recover since Hurricane Harvey devastated countless homes and communities. That is why I believe we need to push banks to provide real assistance after the foreclosure moratoria expire. People need more time to rebuild and a way to deal with the inevitable missed payments through a modification or other form of relief that isn't just resuming their regular payment or paying back a lump sum. What options do you offer disaster relief victims after the first year for long term solutions that help borrowers keep their homes?**

JPMC Response: JPMorgan Chase offers a range of options to customers who are affected by major disasters such as Hurricane Harvey. It starts with providing 90-day relief to reduce pressure on the customer's financial situation while they assess the damage and how to proceed. Throughout that time, customers will have access to staff with expertise in mortgage assistance options and in how insurance claims are processed.

During the 90-day period, JPMorgan Chase attempts to reach out to these customers and work with them to understand their options after the 90 days. The firm sends pre-approved offers for deferments, extensions or other relief to eligible customers (based on account delinquency rules and investor guidelines).

If the customer is not ready to resume payments or is not eligible for a pre-approved offer, the customer can request a disaster forbearance plan for up to a total of 12 months of delinquency. During the plan period, JPMorgan Chase looks for additional opportunities to help customers get back on track.

7. **According to a recent study by Reveal from the Center for Investigative Reporting, fifty years after the Fair Housing Act banned discrimination in lending, African-Americans and Hispanic (or Latin) Americans are still denied conventional mortgage loans at rates far higher than their white counterparts in 61 metro areas across the United States. Earlier this year, Citi entered into a settlement with the OCC for failing to give minority customers mortgage discounts that were available to many other borrowers. In 2017, JP Morgan Chase entered into a $53 million settlement for overcharging African-American and Hispanic borrowers higher rates and fees on mortgage loans.**
    a. **Do you agree that discrimination exists in mortgage lending?**
    b. **What changes, if any, have you made to your systems and procedures to prevent this type of discrimination in the future?**

c. **What systems do you have in place to make sure your bank is not discriminating against borrowers of color?**

JPMC Response: With regard to the 2017 fair lending settlement, there were no allegations of intentional discrimination by JPMorgan Chase, and the firm continues to deny any wrongdoing with respect to these legacy allegations. The allegations relate to loan pricing set by independent brokers – from 2006 to 2009. The independent brokers were not employees of JPMorgan Chase. During that time and since, the firm has developed and implemented a number of measures to promote independent brokers' compliance with fair lending laws and JPMorgan Chase's fair lending policies. For example, the firm provided fair lending training to brokers. JPMorgan Chase discontinued its wholesale (broker) mortgage origination channel in 2009.

JPMorgan Chase has a robust fair lending program and remains committed to providing fair and equal access to credit to all qualified customers.

Questions from Rep. Ben McAdams (D-UT)
June 10, 2019

1. **How do you survey and evaluate employee morale? And how do you incorporate that feedback into action plans to improve your companies?**
    a. **What steps does your company take to ensure employees can report concerns or grievances up the chain of command and/or to an independent entity outside the direct chain of command? How do you ensure these employees can report any concerns without fear of reprisal?**

JPMC Response: JPMorgan Chase has a variety of ways to assess employee morale and engagement. Formally, the firm conducts Employee Opinion Surveys, and the survey results of which are shared with senior leaders and managers. The firm conducts exit surveys/pulse surveys for all departing employees. The results are shared with employee relations and actioned accordingly. The firm similarly measures certain trends with respect to employee concerns. JPMorgan Chase has a team of individuals in HR dedicated to employee engagement.

Our cultural values and expectations are articulated through several means, including the Code of Conduct, which all employees affirm annually, and How We Do Business (Business Principles). Twenty core Business Principles fall into four central corporate tenets for the firm: (1) exceptional client service, (2) operational excellence, (3) a commitment to integrity, fairness, and responsibility, and (4) a great team and winning culture. Today, these Business Principles, which are distributed to all firm employees, remain at the heart of all business activities; together with the Code of Conduct, they help frame the behaviors expected of the firm's more than 250,000 employees globally.

It is important that JPMorgan Chase provides a variety of channels so that employees can raise concerns in the way that they feel the most comfortable to "speak up." Employees can raise concerns through their management chain, through the HR teams and other control functions (e.g., Compliance), through an anonymous conduct hotline which is managed by a third party, or through executive offices.

2. **Mr. Dimon, during the hearing, you touched on your firm's efforts to address global warming. Can you elaborate on those efforts further?**

JPMC Response: Climate change is occurring and, if left unaddressed, presents risks to society and business. JPMorgan Chase has a long history of advancing environmentally sustainable solutions for both the firm's clients and its own operations. Many companies today are taking significant steps to invest in lower-carbon fuels, such as renewables and natural gas, and promote efficiency, and JPMorgan Chase is leveraging the firm's business expertise to help them achieve these goals. The issues surrounding climate change and the environment are complex, and the firm has sought to actively engage with a diverse set of stakeholders to understand their views. JPMorgan Chase firmly believes that balancing environmental and social issues with financial considerations is fundamental to sound risk management.

Climate change is an important global challenge that will impact JPMorgan Chase as a company, and its clients, customers and communities – and the planet. JPMorgan Chase serves on the Task Force on Climate-related Financial Disclosures (TCFD) and on May 24, 2019, the firm voluntarily released an inaugural report on climate-related risks and opportunities. This report reflects where the firm is today in the effort to integrate climate-related considerations into the way the business is. Looking forward, the firm will build off of the current commitments, including the target to facilitate $200 billion in clean financing by 2025 – which the firm is already half-way toward meeting. JPMorgan Chase has also committed to use renewable energy for 100 percent of the firm's global power needs by 2020.

To do that, the expertise of the firm's business lines and many different groups across the firm are being tapped to help us better understand and manage climate risks, raise more capital for the firm's clients who are developing low-carbon solutions, and disclose progress on the firm's actions.

Business and finance should support a transition to a lower-carbon energy economy. However, this transition, while important, will take time, and Americans still rely on traditional energy sources every day to heat their homes, keep their lights on, and get around – whether in cars, on public transportation, or on airplanes. Collectively, we must work to find long-term policy solutions that are market-based and flexible, foster new technology innovation, protect underserved communities, and not put the United States at a disadvantage globally.

<u>Questions from Rep. Alexandria Ocasio-Cortez (D-NY)</u>
June 10, 2019

Between 2012 and 2015, JP Morgan paid over $25 billion in fines and criminal penalties to various federal and state agencies and law enforcement bodies for violations that included abuses in residential mortgage backed securities markets, mortgage servicing and foreclosure abuses, consumer banking violations, manipulation of energy markets, manipulation of foreign exchange markets, and manipulation of interest rate benchmarks. (For a full list see <u>https://violationtracker.goodjobsfirst.org/parent/jpmorgan-chase</u>).

1. **Was Mr. Dimon employed at JP Morgan during the time that the conduct leading to these judgements of regulatory and criminal violations took place? What was his position?**

JPMC Response: Jamie Dimon has been the Chief Executive Officer of JPMorgan Chase & Co. since 2006.

2. **Did Mr. Dimon personally make or approve any decisions related to the conduct leading to those judgements of regulatory and criminal violations?**

JPMC Response: Mr. Dimon did not engage in any misconduct, including misconduct leading to regulatory and criminal violations.

3. **Was Mr. Dimon in the reporting line for any of the individuals who participated in the conduct leading to these judgements, and/or in a position of direct or indirect management responsibility for their supervision during the time they participated in such conduct?**

JPMC Response: As CEO, Mr. Dimon's reporting lines ultimately include every employee of the firm. Mr. Dimon did not have direct management responsibility for the employees who were directly engaged in misconduct leading to criminal violations.

4. **How much did Mr. Dimon earn in incentive pay or bonuses during the years in which the conduct leading to the above-mentioned fines and criminal penalties took place? Please give a total figure and tabulate by year.**

JPMC Response: Mr. Dimon's incentive compensation is disclosed in the firm's Proxy Statement.

5. **Did Mr. Dimon ever have to return, pay back, or surrender any of this incentive pay or bonuses for the years during which the conduct leading to the above-mentioned fines and criminal penalties took place, due to any role in the direct or indirect supervision of individuals participating in this conduct? If so, how much?**

JPMC Response: In 2013, the Board of Directors cut Mr. Dimon's incentive compensation by over 50 percent following the firm's settlements related to the Chief Investment Office's trading losses because as CEO, Mr. Dimon bore ultimate responsibility for the issues that led to the Chief Investment Office's trading losses. In addition, as described in the firm's Proxy Statement, the Board always takes into consideration risk, controls, and conduct when setting executive pay.

<u>Questions from Rep. Katie Porter (D-CA)</u>
June 10, 2019

1. **Is your bank notified automatically (without any manual work required) when a customer pays off a loan early? Is the internal notification process automated?**

JPMC Response: When an auto retail installment contract or loan is paid off early, the bank's systems are designed to reflect receipt of the payoff. Once the payoff posts as paid in full to that account, the bank's systems will automatically reflect such status.

2. **Does your bank administer, sell, hold, or otherwise participate in financing products that contain a Guaranteed Automobile Protection (GAP) premium?**

JPMC Response: The bank does not sell, market, or administer any GAP products to customers. The bank, as the lender, provides financing for GAP products offered and sold by dealers in connection with retail installment contracts and loans.

3. **How much money in GAP premiums has your bank not refunded to customers who have paid off their GAP loans early and so are owed a refund?**

JPMC Response: Where state law requires lenders to issue the unearned portion of the GAP premium or charge to the retail customer, the bank has reasonable processes designed to issue such refunds to customers who have paid off their retail installment contracts or loans prior to scheduled maturity. In such states, the bank is not aware of any customers who have paid off their retail installment contracts or loans prior to scheduled maturity and not received GAP refunds.

4. **I understand that your bank is not legally required to automatically refund GAP customers who have paid off their loans, in some states. Despite this lack of legal mandate, does your bank automatically refund those customers? Your bank is able to do so, as indicated by the 11 states in which the process is required (Minority Rule states). If you don't automatically refund those customers, why don't you?**

JPMC Response: The bank, as the lender, has reasonable processes designed to comply with state laws and regulations pertaining to GAP products. Where state laws do not mandate that lenders conduct the GAP premium refund process, the bank's process is to send a notice to customers who paid their retail installment contract or loan early alerting them to coordinate with the originating dealer who sold the GAP product or the GAP provider so that the customer refund can be issued in accordance with the terms of the GAP agreement.

Generally, the GAP agreement (provided by the GAP administrator) instructs a customer on how to cancel a GAP product and request a refund from the GAP provider. The bank is not a party to that agreement and does not have the right to require GAP providers or dealers to effect customer refunds through the bank except where it is required by state law.

5. **Does your bank financially benefit in any way by *not* automatically refunding GAP customers who have paid off their loans in non-Minority Rule States?**

JPMC Response: The bank does not sell, market, or administer any GAP products to customers. When the bank acts as the lender, the bank is not a party to the GAP agreement and does not receive any financial benefit from GAP providers or dealers after a loan pays off.

6. When a loan is paid off, does your bank know if a GAP premium was part of the loan?
JPMC Response: For retail installment contracts or loans, the bank has reasonable processes designed to identify whether a GAP product was financed as part of the vehicle purchase.

7. When a customer submits a GAP refund request, how is that request processed? Please describe the internal process step-by-step.
JPMC Response: The terms of the GAP agreement (provided by the GAP administrator) instruct a customer how to cancel a GAP product and request a refund from the GAP provider. The bank does not sell, market or administer any GAP products to consumers, so typically would not receive a GAP cancellation request. In the event of an early payoff of a retail installment contract or loan containing a GAP product, depending on state law, the bank will either: (1) send a notice of a possible GAP refund due to the customer and the need to follow-up with the originating dealer who sold the GAP product or the GAP administrator; or (2) issue the refund to the customer by crediting (i.e. reducing) the customer's early payoff balance by the amount of the unearned portion of the GAP charge.

8. How does your bank verify that a customer requesting a GAP refund is owed money?
JPMC Response: When a customer contacts the bank to request a GAP refund, the customer is directed to work with the GAP provider to process the refund request. Where the bank is required by state law to issue a GAP refund to the customer, the bank has reasonable processes in place to identify that the customer has purchased a GAP product and is entitled to a refund, and then calculates a refund for the amount of the unearned portion of the GAP premium.

9. If you have responded to any of the prior questions that a separate GAP administrator is responsible for refunding GAP premiums, what is the name, phone number, and address of the company to which you are referring? What is the name of the individual who directs GAP refund issuance—or participates in any elements of GAP refunds—within that company?
JPMC Response: The bank has a process whereby it maintains an approved GAP list containing forms, submitted by GAP administrators located nationwide, that have been reviewed and approved for financing in connection with retail installment sales contracts. The list consists of over 2,100 approved forms from roughly 125 administrators, so contact information varies.

10. What is the name and phone number of the individual within your bank who oversees any elements of GAP refunds (e.g. the individual who oversees responding to customers who request refunds)?
JPMC Response: The bank receives all government inquiries through the firm's government relations liaisons and does not disclose individual employee information outside of the normal processes. You may contact Jason Rosenberg, Head of U.S. Government Relations, at 202-585-3750, for additional information.

<u>Questions from Rep. John Rose (R-TN)</u>
June 10, 2019

I am concerned with the recent trend of banks pulling financing from firearm industry participants. Responding to a question Chairman Mike Crapo asked in a Senate Banking Committee hearing in April 2018, Federal Reserve Vice Chairman of Supervision Randy Quarles responded: "I do not believe that lending to the NRA or to law-abiding gun firms in the gun industry raises security and soundness questions."

1. **Can you outline how your bank ensures that any withholding of banking services for the firearm industry, or any lawful business activity, is based on legitimate concerns of federal and state law compliance or creditworthiness as opposed to activist groups' disfavor of a certain lawful business activity?**

JPMC Response: Our country's laws are set by our elected representatives, including Congress and the president. The firm will continue to follow these laws when engaging in any business relationships. JPMorgan Chase has a robust process in place and is constantly evaluating with whom the firm does business, and there are many factors taken into consideration when these decisions are made. The decisions are based on established processes that take into account risk assessments and other business objectives.

Questions from Rep. Brad Sherman (D-CA)
June 10, 2019

1. **The American with Disabilities Act is nearing its 30th Anniversary (July 26, 2020) and several subsequent pieces of legislation have worked to fulfill the promise of the ADA. The Workforce Innovation and Opportunity Act transformed our nation's workforce development system to become more accessible, the Section 503 regulations encouraged federal contractors to recruit qualified individuals with disabilities, the Achieve a Better Life Expectancy (ABLE) Act created tax-free savings account to help pay for disability needs and CRA applies to low income people with disabilities. Please explain what your Financial Institution is currently doing or planning to do to support low-income people with disabilities in these specific areas:**

JPMC Response:

- Employment/Vocational Training - With respect to vocational training, JPMorgan Chase focuses on four pillars of opportunity, one of which is providing individuals with the skills necessary to succeed in today's economy. As part of that effort, the firm engages vocational training across a broad spectrum, including people with disabilities. For example, the JPMorgan Chase & Co. Foundation funds Goodwill Industries of Southern California with their sector-focused employment and training programs. A key focus area is serving people with disabilities (about 30 percent of participants). Please refer to the section below describing the firm's community efforts with respect to education, as well as the answer with respect to JPMorgan Chase's Office of Disability Inclusion focused on recruiting, retaining and developing employees with disabilities later in this response.
- Financial Literacy - JPMorgan Chase's largest grantee focused on the financial health of people with disabilities is the National Disability Institute (NDI). The firm's most recent grant to them, for example, supports:
    - Financial Inclusion convenings at the national and community levels on financial inclusion for people with disabilities, lessons learned reports, and a planning guide and roadmap to bring together the disability and financial communities.
    - The ABLE National Resource Center, which enables the ABLE National Resource Center interactive website to provide critical information to ABLE-eligible individuals and families to help make informed decisions in the selection of the state ABLE program that can best meet their needs.
    - Creation of an AchievABLE app. This technology-based solution will assist people with disabilities in managing key aspects of being an ABLE account owner.
- Promotion of ABLE Accounts - Please see financial literacy response above.
- Housing - JPMorgan Chase is committed to treating all individuals fairly and equitably in the conduct of its lending businesses in all jurisdictions where the firm does business. This commitment is part of the firm's fundamental mission of providing quality financial services to existing and prospective customers in accordance with all applicable laws. The ADA (Americans with Disabilities Act) prohibits discrimination against qualified individuals with disabilities, assuring that protected individuals have equal access to goods and services offered by private businesses. JPMorgan Chase prohibits discrimination on the basis of any of the protected factors listed above in all types of credit transactions.
- Education - The firm supports the Association of University Centers on Disabilities (AUCD), which connects the various university centers around the country with the goal of supporting students with disabilities in their academic and career aspirations. Separately, the firm has made direct investments to several institutions, such as a 10-year investment – in partnership with the University of Delaware – for an academic and career training program called Spectrum Scholars. The program will provide one-on-one support services to autistic students, and on-the-job training with JPMorgan

Chase internships. Graduates of this program have the potential to be hired at JPMorgan Chase through the firm's Autism at Work program.

  - The firm also sponsors the CSUN Annual Assistive Technology Conference; the event is dedicated to presenting and exploring new ways technology can assist people with disabilities.

- Socialization - In general, each year the firm's grant-making supports over 100 local and national nonprofits that serve people with disabilities, providing millions of dollars to support their work. Grants to 11 of the largest national disabilities-focused organizations are part of that remit.
- Public Policy - The firm regularly engages with policymakers about issues impacting people with disabilities. JPMorgan Chase has been invited to share the firm's best practices for disability inclusion with the United Nations as they establish their own practices and programs for promoting inclusion and diversity within their global community.

2. **There are over 22 million working-age Americans and 70 percent of them are striving to work. However only one in three has a job. What is your financial institution's strategy for connecting with this pool of potential employees? How does your talent recruitment and employee education process meet the needs of job-seekers with disabilities? What processes are in place for when an employee with a disability requests a reasonable accommodation?**

JPMC Response: The firm's goal is to make JPMorgan Chase the employer of choice for people with disabilities. In early 2017, the firm's Global Recruiting team – in partnership with the firm's Office of Disability Inclusion – created a group of diversity recruiting champions to review and enhance the firm's recruiting practices for people with disabilities (e.g., by making reasonable accommodations language standard for job interviews, coaching/training recruiters). The firm has also expanded its network and outreach to communities by working closely with external partners, nonprofits, and employment networks to identify top talent (e.g., by participating in virtual and in-person career fairs for individuals with disabilities, such as the Autism at Work Virtual Career Fair sponsored by Microsoft). In addition, JPMorgan Chase is a founding member of the Veteran Jobs Mission and works to recruit veterans with disabilities to the firm.

To connect with potential employees who are on the spectrum, the firm's Autism at Work program provides a dedicated onboarding resource to assist candidates throughout the application process. The firm also has dedicated resources to help maneuver them through the pre-screening process (e.g., drug testing and fingerprinting). In addition, the firm provides support to the employee once hired, which includes "buddies" and mentors. The "buddy" helps ease and accelerate the employee's acclimation into his or her role and team, while the mentor will provide personal and professional development.

For both newly hired and existing employees, JPMorgan Chase has a process in place for handling reasonable accommodation requests. The firm created a central funding and requisitioning process to make it quicker and easier to get accommodations funded and delivered. Then, in 2018, the firm introduced MyAccessibility Hub, a central resource with a group of specialized caseworkers who provide a high-touch service for employees and managers seeking reasonable accommodations. Internally, the firm also provides sign language interpreters, Communication Access Real-Time Translation (CART), and live closed captioning services for individuals, meetings, and events.

Externally, the firm has been recognized for its progress. Last year, the leading nonprofit resource for business disability inclusion — Disability:IN — named JPMorgan Chase "Employer of the Year" for people with disabilities. Also, readers of CAREERS & the disABLED magazine (people with disabilities who are in the job market) named JPMorgan Chase one of the Top 10 companies that individuals with disabilities would most like to work for in 2019 (#41 in 2017). Additionally, the American Association of People with Disabilities recognized JPMorgan Chase with its Catalyst Award in 2018 for the firm's "commitment to full inclusion of people with disabilities."

In an additional effort to expand JPMorgan Chase's pool of potential employees, the firm has also supported prisoner re-entry programs to help create opportunity that strengthens communities and results in a stronger economy. The overwhelming majority of Americans who are incarcerated return to their communities after they are released. Reducing recidivism is not only important to returning citizens and their families – it can also have profound implications for public safety. New research from The Brookings Institution shows that, not surprisingly, joblessness and incarceration are related. Challenges to hiring returning citizens come in different forms, and some are imposed from the outside. JPMorgan Chase welcomed the Federal Deposit Insurance Corporation's proposed changes to allow banks more flexibility in hiring returning citizens. The firm's responsibility to recruit, hire, retain, and train talented workers extends to this population. One of the firm's partnering organizations, the North Lawndale Employment Network in Chicago, gives formerly incarcerated Americans a path to well-paying jobs. The network also builds a pipeline of trained mechanics for Chicago's growing transportation sector. This is a win-win for workers, employers and the economy as a whole.

3. **As a federal contractor, your financial institution has an aspirational goal to have 7 percent of your employees, in all job categories, be qualified individuals with disabilities. What efforts have you made to work towards this goal? How has your organizational culture evolved to include employees with disabilities? What percentage of your employees have disabilities? What barriers have you experienced to success? What successes have you achieved?**

JPMC Response: In 2016, JPMorgan Chase launched a global Office of Disability Inclusion (ODI) to formalize its practices and continue to drive results in this area. The firm launched a firmwide policy letter in 2017, distributed to all employees and posted publicly, that reinforced disability inclusion practices across the firm's global platforms (e.g., technology, real estate, communications, and security). This policy letter emphasized the importance of providing opportunities for people with disabilities to not only fully participate in the firm's culture but also to aspire to become leaders during their careers at the firm. The firm also instituted Disability Inclusion Standards in 2018 to provide managers and team leaders with the resources they need to recruit, hire, and advance employees with disabilities.

The firm has identified areas for enhancement. A good example is technology, as the firm recognizes that technology provides the critical link to ensure an accessible user experience. The firm equips people with disabilities to do their jobs through auxiliary aids/assistive technology (e.g., screen reading and speech recognition software, captioned telephones, and video relay service). The Employee Accessibility (EE-A11y) team works to ensure the internal assistive technology tools are implemented in a timely manner and that they work with the firm's software applications.

JPMorgan Chase continually encourages employees across the globe to self-identify, while understanding that there are employees throughout the firm who choose not to do so. In advocating for self-identification, the firm has a process to ensure employees receive the right kind of support, customized to address their specific needs and coupled with the right balance of resources.

Examples of how JPMorgan Chase's culture has evolved to support people with disabilities include the Access Ability Business Resource Group and the global "This is Me" campaign:

- Access Ability is one of 10 Business Resource Groups (BRGs) at the firm. It enables employees– as well as allies, colleagues and caregivers – to share information about and support people with disabilities. More than 13,000 Access Ability members can network and share insights at events and forums sponsored by chapters worldwide.

- The firm launched the "This is Me" campaign in 2017 to reduce stigmas and dispel myths around mental health in the workplace. Introduced first in the U.K., the campaign expanded globally in 2018 to create a supportive culture across the firm's teams, businesses, and geographic borders. Employees bring the campaign to life by sharing their experiences and lessons learned on their mental health journeys.

JPMorgan Chase has hired more than 2,800 employees with disabilities globally since 2016. One of the fastest-growing hiring initiatives is the Autism at Work program, which began as a Delaware-based pilot with a handful of employees on the spectrum in 2015. Today, more than 140 employees on the spectrum work in over 40 different jobs across eight countries (Argentina, Brazil, England, India, Ireland, the Philippines, Scotland, and the United States). JPMorgan Chase is a founding member of the Autism at Work Employer Roundtable, along with Microsoft, SAP, EY, DXC Technology and Ford Motors.

In addition, the firm's Office of Disability Inclusion partnered with Cornell's Employment and Disability Institute to create Disability Inclusion Resource Guides. The first four guides – available globally – answer the questions employees ask the most about working with colleagues with disabilities. This June, the firm is releasing the next six guides that are designed to educate managers about topics ranging from how to talk about a disability with their employee to how to ensure their employee gets the reasonable accommodations they need to perform their job. These modules cover the following topics:

- Disability IS diversity: The business case for disability inclusiveness
- Disability in the workplace: What's true; what's not
- Let's talk: Interacting with employees with disabilities
- Focus on the talents and abilities of others, not the disabilities
- An employee just told me about a disability: What do I do now?
- An employee might have a mental health issue or addiction disorder
- Having an effective reasonable accommodations discussion
- Effective reasonable accommodations: What works; what doesn't?
- When a performance issue may be due to a disability
- Disability resources support for managers

4. **Fully 26 percent of people with disabilities live in poverty and fully 18 percent of households headed by people with disabilities are unbanked. What efforts have your financial institutions made to support people with disabilities who want to seek our financial literacy, open a savings account or otherwise improve their financial status?**

JPMC Response: See below.

5. **What are you doing to help people with disabilities start or grow their own companies or have access to credit for home ownership?**

JPMC Response: JPMorgan Chase is committed to making the firm's products and services accessible to meet the banking and financial services needs of all customers. Some of the services the firm provides, free of charge, include:

- Guideline/raised-line checks - These checks are larger (8 1/8" by 3") with embossed guidelines that are easy to feel. Raised-line checks are available in wallet or duplicate style and can be ordered like any other checks for an account.

- Information reformatting - JPMorgan Chase documents, including monthly statements, can be provided in alternative formats such as large print, Braille, audio, or data CD.
- Telecommunications Relay Service - The firm accepts all telecommunication relay service calls, including video relay services (VRS).
- Reader services - Bankers will read and explain materials to customers who want help opening products/services or conducting financial transactions.
- Sign language interpreters/written notes - Bankers can exchange written notes with customers in branches or can arrange an appointment with a qualified sign language interpreter.
- Talking Automatic Teller Machines (ATMs) - All JPMorgan Chase ATMs are speech enabled. Customers can use standard headphones (⅛-inch jack) to hear the screen-displayed information.

In terms of web and mobile accessibility, JPMorgan Chase strives to meet online usability and design requirements recommended by the World Wide Web Consortium (W3C) in its Web Content Accessibility Guidelines 2.0 Level AA, as well as requirements under the Twenty-First Century Communications and Video Accessibility Act of 2010. The firm uses design standards that help customers identify, interpret, understand, and interact with information presented on the firm's websites and mobile apps.

Also, the firm follows the W3C's globally recognized standards to provide content that is compatible with the most popular assistive technologies and web browsers. The firm recommends several screen reader applications for customers with vision disabilities (JAWS, VoiceOver and NVDA) and on mobile devices recommends TalkBack for Android devices and VoiceOver for the iPhone and iPad.

Lastly, JPMorgan Chase offers the services of an expert unit, Chase Accessibility Services, designed as a resource available to customers and customer-facing employees to enhance the firm's servicing support model related to accessibility for customers with disabilities. The firm answers questions and follows through on customer ADA accommodation requests until resolved. Servicing channels include telephone, email, correspondence, and fax.

Also, JPMorgan Chase's Global Supplier Diversity Program, established more than 20 years ago, enables the firm to take a proactive approach to find – and engage with – diverse businesses, including those owned by people with disabilities. For example, the firm's Autism at Work program is collaborating with the Spectrum Designs Foundation and their affiliate brand Spectrum Bakes, whose employees are predominantly on the spectrum. They make custom apparel and baked goods with a social mission – to help individuals with autism lead productive and meaningful lives through the world of work.

<u>Questions from Rep. Steve Stivers (R-OH)</u>
June 10, 2019

1. **Mr. Dimon -- Banks play a critical role in our nation's payment system. Given the growth in foreign payment systems, some with strong state support, can you describe how you serve clients overseas and help move money safely around the world? Further can you describe the competitive market in this space?**

JPMC Response: Banks have traditionally played an important role in the U.S. payment system. For example, JPMorgan Chase alone processes more than $6 trillion in payments every day. While providing this service, the firm is also carefully monitoring for fraud, sanctions compliance, and many other important functions of broader benefit to society. More recently, the payments ecosystem has become significantly more diverse. This evolution is particularly true internationally, where advances in technology have arguably had a quicker impact on the payments landscape. These developments domestically and internationally have many benefits to consumers in the form of increased payments options but make for an increasingly complicated and competitive market.

<u>Questions from Rep. Rashida Tlaib (D-MI)</u>
June 10, 2019

A new report finds that each of your banks benefited significantly from the 2017 corporate tax cut and also that each of your banks bought back at least several billion dollars in stock last year. We were promised going into that tax cut that corporations would spend that money on raising wages and creating jobs. For each of you:

1. **What was the net change in your bank's U.S. employment last year?**

JPMC Response: According to the latest year end data, the number of U.S. employees measured at year-end 2017 was approximately 170,330. The number of U.S. based employees measured at year-end 2018 was approximately 170,490.

2. **Did median pay at your bank increase last year? If so, by how much?**

JPMC Response: Yes, when looking at the estimated median employee pay disclosed in the 2018 and 2019 Proxy Statements, the annual total compensation (including employee benefits) for the firm's estimated median employee in the 2019 Proxy Statement was $78,923 versus $77,799 in the 2018 Proxy Statement (about a 1 percent increase). However, this comparison does not take into consideration that the median employee in the 2019 Proxy Statement is a different employee from the 2018 Proxy Statement with different firm-paid employee benefits based on his or her specific circumstances and elections.

3. **In 2018, did your bank utilize the provision in the 2017 tax law that provides an exemption for a 10 percent return on your overseas tangible investments (such as facilities and equipment)? If so, how much did that exemption cut your bank's taxes?**

JPMC Response: The firm did not obtain any tax benefit from the provision of the *Tax Cuts & Jobs Act* that allows for an exemption for a 10 percent return on overseas tangible investments.

4. **How much profit have you generated in your high-carbon energy portfolio?**

JPMC Response: As a global financial institution, JPMorgan Chase lends to, raises capital for, and invests in companies operating in a diverse array of industries. These include energy and technology companies, many of which are developing low-carbon products, companies that produce fossil fuels, and companies that rely heavily on such fuels for energy or as inputs for other products. The firm does not break out the revenues from these companies as a line item in financial reporting.

That said, JPMorgan Chase serves on the Task Force on Climate-related Financial Disclosures (TCFD), and on May 24, 2019, the firm voluntarily released an inaugural report on climate-related risks and opportunities. This report reflects the firm's view that climate change is occurring and, if left unaddressed, presents risks to society and business. JPMorgan Chase has a long history of advancing environmentally sustainable solutions for the firm's clients and its own operations, and the report describes where JPMorgan Chase is today in the effort to integrate climate-related considerations into the way the firm is run. Looking forward, the firm's objective is to support companies that are thinking strategically about a transition to a lower-carbon energy economy, including by seeking to facilitate $200 billion in clean financing by 2025. JPMorgan Chase has also committed to use renewable energy for 100 percent of the firm's global power needs by 2020.

<u>Questions from Rep. Maxine Waters (D-CA)</u>
June 10, 2019

<u>Consumer and Investor Harm</u>

1. **In the Committee's hearing invitation letter, I asked each bank to include in your testimony, "...a detailed description of... enforcement actions, including any consent orders and settlements, against your bank *and the number of consumers or investors harmed by your bank's actions...*" (emphasis added). While your testimony provided some information related to enforcement actions, your testimony failed to provide the Committee with the number of consumers or investors harmed by your bank's actions in the context of any enforcement actions, consent orders and settlements, where consumer or investor harm was identified. Therefore, I ask again, please provide the Committee with a detailed description of enforcement actions, including any consent orders and settlements, against your bank, including the number of consumers or investors harmed by your bank's actions in the last 10 years.**

JPMC Response: The written testimony attached an addendum identifying U.S. federal enforcement resolutions disclosed in the firm's 10-Q and 10-K filings from February 2009 to present (April 2019).

For many of these resolutions, it is not possible to identify a specific number of consumers or investors potentially harmed. For some, there are none; certain resolutions involve legal or regulatory violations arising from allegations of misconduct that do not involve direct financial harm to consumers or investors. Other resolutions assess the allegations of misconduct not in terms of consumer or investor harm, but in terms of, for example, the revenue or profits generated or the number of transactions involved. In still other resolutions, the consumer or investor harm is unclear or, alternatively, harm is alleged, but the firm denies that its actions, or the actions of its employees, caused the harm. In certain circumstances, the government has made specific allegations related to the number of consumers or investors harmed in the relevant settlement documents. In certain instances, remediation processes were deployed that were intended to make payments to, and/or additional relief for the benefit of, potentially harmed consumers. To the extent specific consumer or investor relief was part of the resolution, the amounts intended to be provided for consumer or investor relief at the time of the resolution are identified in the relevant settlement documents.

<u>Ongoing Misconduct and Need for Accountability</u>

2. **Running a federally-chartered or federally-insured bank is a privilege, not a right. When megabanks repeatedly exhibit indifference toward consumer protection and demonstrate that they are incapable of or unwilling to comply with U.S. laws and regulations, they should face real consequences, and if no improvements occur, those consequences should escalate, including having culpable executives removed if not permanently barred from working in the industry.[5] I note that while certain institutions like Wells Fargo take the spotlight for negative actions and errors, many of your institutions also face various fines, regulatory actions, and settlements due to issues of mass misconduct, errors, and discrimination. According to a 2018 report, Bank of America, JPMorgan Chase, and Citigroup have each paid more in fines since the financial crisis than Wells Fargo has. These may be formalities or even annoyances, but for hardworking consumers, these types of mistakes if not intentional predatory behavior have**

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[5] See page 21-23 at https://financialservices.house.gov/uploadedfiles/09.29.17_staff_report_final.pdf for a list of authorities regulators can utilize when banks violate the law.

devastating impacts from which some people may never fully recover. This is unacceptable. What is your bank doing to improve business practices and stay within the bounds of the law? How are you addressing those responsible in your leadership for misconduct and/or negligence?

a. **Mr. Dimon, your bank admitted two years ago that the bank's wholesale lending brokers engaged in unlawful, discriminatory practices when it charged minority borrowers more than white borrowers in the same position. Did anyone get fired for those discriminatory practices?**

JPMC Response: During the past 10 years, the firm has faced a number of legal and regulatory issues. When these issues were the result of misconduct by employees, the firm has taken employment action, including termination of or separation from employment, and impacting or clawing back compensation. When these issues arose because the firm's controls fell short, the firm has likewise taken remedial action, including meaningfully enhancing its control environment. As always, the firm continues to focus on improving its compliance programs and internal policies, and reinforcing the high standards of conduct expected of the firm's employees.

With regard to the 2017 fair lending settlement, there were no allegations of intentional discrimination by JPMorgan Chase, and JPMorgan Chase specifically denied liability relating to loan pricing determined by independent brokers. The brokers at issue in the settlement were not employees of JPMorgan Chase. Nonetheless, JPMorgan Chase discontinued its wholesale (broker) mortgage origination channel in 2009.

<u>Access to Credit</u>

3. **Access to credit remains an under addressed issue in lending. There are millions of hardworking individuals and families, whom with the right outreach and underwriting can repay loans they take out and safely participate in the prime market. At a time when your institutions are steadily experiencing record profits, but when we still have modern day redlining in more than 60 metro areas,[6] it seems as if there is more you could be doing. I've heard from many of you on educational efforts you are making to inform your customers and prospective borrowers of your products, but can any of you state specific programs of significance where you're providing financial services to communities, businesses and consumers, including to low- and moderate-income communities, communities of color, and small businesses?**

    a. **Specifically, I want to know how you, Mr. Corbat, Mr. Dimon, and Mr. Moynihan have increased lending to these communities, businesses and consumers since the financial crisis. Please provide specific numbers in terms of the increase in people served and the value of the increased lending.**

JPMC Response: JPMorgan Chase is committed to serving all segments of its customer base well, including developing products and services specifically designed to better meet the needs of low- and moderate-income customers, communities of color, and small businesses. One of JPMorgan Chase's priorities has been increasing access to homeownership among low- and moderate- income customers. Last year, JPMorgan Chase committed to expand mortgage lending in low- to moderate- income communities by 25 percent – to $50 billion – over the next five years. In 2018, JPMorgan Chase made more than $11 billion in mortgages to this customer segment, helping nearly 60,000 customers in low- and moderate-income communities buy a home. JPMorgan Chase's DreaMaker program allows homebuyers to make a down payment of as little as 3 percent, which can be critical for families

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[6] https://www.revealnews.org/article/gentrification-became-low-income-lending-laws-unintended-consequence/

struggling to come up with a down payment. In 2018, JPMorgan Chase made 20 percent of its mortgages through this program. Also last year, JPMorgan Chase doubled the number of customers in low- to moderate- income areas receiving assistance through the JPMorgan Chase Homebuyer Grant program, in which JPMorgan Chase provides $2,500 to customers to reduce the cash needed for down payment and closing costs.

JPMorgan Chase is also committed to broadening access to banking services for low- and moderate-income, communities of color, and small businesses. JPMorgan Chase is on track to open 400 new bank branches across the country with the goal of having 30 percent of these in low- and moderate- income communities. This year, JPMorgan Chase launched Chase Secure Banking, a checking account with a flat monthly fee and no overdraft fees or minimum account balance to open. Also this year, JPMorgan Chase launched an Autosave feature that allows customers to set up automatic transfers to their savings account and monitor progress through a savings dashboard. JPMorgan Chase's Credit Journey allows customers to track and manage their credit scores at any time and to receive alerts about changes as well as information about what affects their score.

Last year, JPMorgan Chase announced plans to increase small business lending by nearly $4 billion over three years. In 2018, JPMorgan Chase extended credit to more than 200,000 small businesses located in low- or moderate-income tracts, amounting to nearly $3.8 billion. JPMorgan Chase has a number of initiatives aimed at supporting women, minority, veteran, and other underserved entrepreneurs. These include JPMorgan Chase's Women on the Move initiative, which aims to support women-run businesses, and Small Business Forward, pursuant to which JPMorgan Chase has pledged $150 million over five years to help women-, minority-, and veteran-owned small businesses. JPMorgan Chase has committed $13.6 million to the Entrepreneurs of Color Fund which has resulted in 210 loans totaling $9.5 million to minority-owned small businesses.

<u>Disclosure of Diversity Data</u>

4. **Many of the banks have acknowledged the importance of data in identifying and addressing diversity gaps in your organizations. Despite this acknowledgment, Citigroup is the only bank represented on this panel who has made efforts to publicly disclose diversity statistics and openly report on its efforts to address gender pay equity. Citi's efforts are a step in the right direction but there is much more information that is needed so that regulators, through their Office of Minority and Women Inclusion (OMWI), and the public, via annual reports and proxy statements, can be aware of your diversity status.**
    a. **Please explain why your bank has not done more to share your workforce and board diversity demographics with OMWIs and the public?**
    b. **What immediate plans do you have to share this information and be accountable to Congress and the American people about your commitment to diversity?**

JPMC Response: Increasing diversity and inclusion at all levels is critical to JPMorgan Chase's success. It is not only the right thing to do, it is the smart thing to do. The Diversity and Inclusion page on the JPMorgan Chase website includes statistics about gender and ethnic diversity. The firm regularly engages with interested parties about how to enhance the disclosures to provide information that is a meaningful and accurate reflection of the firm's efforts.

Likewise, the issue of fair pay is fundamental to the firm's ability to continue to attract the best and the brightest. The commitment to conduct an internal review annually on the gender pay gap is but one component of the governance mechanisms, systems, and controls in place so that all employees are paid fairly for the work they do. The annual disclosure of the results of the review reflects JPMorgan Chase's belief that transparency is important to the firm's shareholders and stakeholders.

Having established – and disclosed – that women are paid 99 percent of what men are paid, taking into account factors that potentially impact pay, the firm has focused its efforts on improving the representation of women at all levels of the firm. The firm is committed to recruiting, hiring, training and development, promotion, and attrition of diverse talent.

<u>Diversity Question for Panel</u>

5. **Diversity is an issue that is very important to me, which is why I am very pleased that the Financial Services Committee created the Diversity and Inclusion Subcommittee, the very first of its kind in Congress, headed up by my colleague, Representative Joyce Beatty. When institutions embrace diversity, more voices and more ideas have a chance for action and businesses thrive.**
    a. **Please describe the current diversity of the directors of your board and C-Suite executives.**
    b. **Please explain what your bank is doing to increase diversity of the directors of your board - and C-suite executives, the policies and practices implemented at your institution to promote diversity and inclusion among your workforce, and the policies to promote the use of diverse contractors, including diverse asset managers, brokers, and underwriters, by your institution.**

JPMC Response: The JPMorgan Chase Board includes 11 directors, 10 of whom are independent. Of them, two are women and two are African-American. The Board seeks candidates with a diversity of experience and perspectives, including diversity with respect to gender, race, ethnicity, and nationality.

At the highest level of JPMorgan Chase, 6 of 12 members of the Operating Committee are women, including the Chief Information Officer, Chief Financial Officer, General Counsel, Head of Human Resources, and the CEOs of Asset & Wealth Management and Consumer Leading. The firm's General Counsel is LGBTQ.

JPMorgan Chase management has long focused on the empowerment and advancement of its women employees. The firm's signature program, Women on the Move (WOTM), started as an internal, firmwide initiative to empower female employees to grow their careers. While the firm has increased the percentage of women in entry level programs, a key goal of WOTM is to increase the representation of women at all levels and advance more women into management and leadership positions across the firm.

The firm has made significant strides on various management disciplines related to diversity and inclusion. For example, the firm requires diverse slates and strategic sourcing for senior hires. The firm is committed to tracking and measuring sourcing and recruitment, hiring, training and development, promotion, and attrition. The firm conducts robust talent reviews of which diversity is a key priority component. The firm's management training program – Leadership Edge – is dedicated to enabling leaders at all levels to grow and succeed throughout their careers.

The firm also has robust programs and policies that support families, such as backup child care and expanded parental leave, as well as programs that address barriers to returning to work, such as the ReEntry Program and Parental Mentors Initiative.

The firm continues to invest significant time and effort toward executing diversity and inclusion best practices firmwide. The firm's Business Resource Groups (BRGs) are communities of employees who voluntarily work together to advance the firm's priorities and its position in the global marketplace by leveraging the unique perspectives of their members. The firm has ten BRGs globally, with over 91,000 employees participating from all lines of business.

In addition, the firm has developed other diversity and inclusion strategies such as:

- Advancing Black Leaders (ABL), which aims to increase representation of black talent across all businesses and Advancing Black Pathways (ABP), which provides more support for black people in their pursuit of educational, career, business and personal financial success.
- Office of Disability Inclusion (ODI), which is dedicated to providing globally consistent standards and processes to better accommodate employees with disabilities.
- Military and Veteran Affairs (MVA) programs which include firmwide initiatives to position veteran, service members and their families for long-term, post-military success.

JPMorgan Chase is dedicated to the development and utilization of qualified diverse businesses from historically underrepresented groups including companies owned and operated by minorities, women, military veterans, disabled veterans, service-disabled veterans, people with disabilities, and members of the LGBT+ community. This year marks the 25th anniversary of JPMorgan Chase's Global Supplier Diversity Program. Over the last quarter century, the firm's commitment to diverse entrepreneurs and the organizations that support them has been unwavering. In the past twelve years, JPMorgan Chase spent over $17 billion with diverse suppliers. In 2018 alone, the firm's diverse supplier spend was over $2 billion. The firm's mission is to align the supply base with the consumer bases, and develop and engage with certified and qualified diverse businesses in the interest of promoting economic growth in the firm's communities.

<u>**Bank Branch Closures**</u>

6. **A March 6, 2019 Bloomberg article reported that large banks are disproportionately closing branches in low-income areas. According to the article, "[n]o major bank exemplifies the industry trend of leaving lower-income areas better than JPMorgan . . . In the 13 months through January, JPMorgan has applied to open 185 new branches, with 71 percent of them in more affluent areas. The bank in that time has given notice to regulators of its intention to shut 187 branches. About half of those are in neighborhoods where household income is below the national median of $60,336 . . . ."[7]**
    a. **Why is Chase disproportionately closing branches in low-income neighborhoods?**
    b. **The same article also reported that the Office of the Comptroller of the Currency ("OCC") had put constraints on the Bank's growth for almost six years due to misconduct and that the OCC's lifting of these constraints in 2018 allowed for Chase's expansion into new markets. Can you confirm that the OCC had placed restrictions on the Bank's expansion into new markets and that those restrictions have been lifted?**

JPMC Response: JPMorgan Chase's presence in minority communities far exceeds the industry as a whole – over 31 percent of the firm's branches are in majority-minority census tracts compared to 20 percent for the industry. Historically, JPMorgan Chase has grown deposits faster within these markets than the industry, with record low attrition rates.

[7] https://www.bloomberg.com/news/articles/2019-03-06/as-u-s-banks-shut-branches-jpmorgan-leads-shift-toward-wealthy

The statistics cited present a skewed, national view of the data and wrongly assume that family incomes in all communities are the same, therefore misrepresenting the firm's presence and positive impact on these communities. Additionally, the data does not take into account that while JPMorgan Chase has consolidated branches over the last few years where there was overlap from past acquisitions, the firm continues to serve these communities and the customers who live in them. In fact, JPMorgan Chase continues to grow faster than the competition in the vast majority of the markets where the firm has consolidated branches.

The firm continues to serve customers following branch closures and typically sees deposits grow for customers who were in the proximity of a closed majority black census tract (MBT) branch. The firm invests heavily in these communities not only through bank branches but through community partnerships, small business lending, jobs, and philanthropic commitments.

While the firm does not comment on supervisory matters, JPMorgan Chase announced last year plans to open up to 400 new retail branches and hire as many as 3,000 new employees in new U.S. markets over the next five years. The firm is committed to serving all communities, including those with low- to moderate-income households, with these new branches. At least 30 percent of new branches will be in LMI neighborhoods in expansion markets.

<u>Fines Since the Crisis/Dual Role as CEO and Chairman of the Board</u>

7. **Mr. Dimon, you have been Chief Executive and Chairman of the Board at Chase since 2006, during which time the Bank has paid a staggering amount in fines and settlements for its illegal conduct. According to a Keefe Bruyette and Woodsand report released in February 2018, Chase has paid approximately $43.7 billion in fines and settlements since the 2008 financial crisis.[8] In 2013, Chase paid $720 million in fines to the OCC, Federal Reserve Board, Securities and Exchange Commission, and the U.K. Financial Conduct Authority for failing to oversee its trading practices, including those of Bruno Iksil, otherwise known as the London Whale.[9] In 2014, Chase paid a $1.7 billion fine to settle criminal charges related to the Bernie Madoff Ponzi scheme.[10] In 2015 Chase pled guilty to a felony and agreed to pay a $550 criminal fine for its role in manipulating the price of U.S. dollars and euros traded in the foreign currency exchange (FX) spot market.[11] In 2015, Chase also paid $136 million to the CFPB and 47 states for selling bad credit card debt and illegally robo-signing affidavits in debt collection lawsuits.[12] That same year, the Bank pled guilty to conspiring to manipulate the foreign exchange market and agreed to pay a $550 million fine.[13] In 2017, Chase agreed to pay $53 million to settle allegations by the Department of Justice that it engaged in discriminatory mortgage lending practices.[14] This is only a small sample of the enforcement actions brought against the Bank for illegal conduct.**
    a. **Mr. Dimon, why didn't Chase have an effective compliance management program in place across all the Bank's businesses to prevent the types of consumer abuses cited in these settlements?**

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[8] https://www.marketwatch.com/story/banks-have-been-finekeegd-a-staggering-243-billion-since-the-financial-crisis-2018-02-20
[9] https://money.cnn.com/2013/09/19/investing/jpmorgan-london-whale-fine/index.html
[10] https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-and-fbi-assistant-director-charge-announce-filing-criminal
[11] https://www.justice.gov/opa/pr/five-major-banks-agree-parent-level-guilty-pleas
[12] https://www.consumerfinance.gov/about-us/newsroom/cfpb-47-states-and-d-c-take-action-against-jpmorgan-chase-for-selling-bad-credit-card-debt-and-robo-signing-court-documents/
[13] https://www.justice.gov/opa/pr/five-major-banks-agree-parent-level-guilty-pleas
[14] https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-settles-lending-discrimination-suit-against-jpmorgan-chase-53

JPMC Response: JPMorgan Chase acknowledges that the bank needed to strengthen its compliance risk management program. The firm agreed to all of the corrective actions requested by government agencies and is effectively executing on those requirements. The Board and senior management are strongly committed to maintaining an effective compliance risk management program. Since the time of the settlements, the company has made substantial investments in the compliance risk management program with a focus on preventative controls and robust, independent oversight to identify potential or emerging issues and to ensure corrective actions are effective and treat customers fairly and in accordance with legal and regulatory requirements. The overall effectiveness of the compliance risk management program is regularly assessed and is subject to regular reviews by the company's independent internal audit department.

b. The Bank's Chief Risk Officer reports directly to you. Given your dual role as CEO and Chairman of the Board, how can the Board exercise independent oversight of the Bank's compliance with the laws and regulations of this country?

JPMC Response: The Board exercises independent oversight of the bank's Chief Risk Officer (CRO) and the Risk Management & Compliance functions through the Directors' Risk Policy Committee (DRPC) of the Board. In addition, the Board exercises independent oversight of the bank's compliance with laws and regulations through the Audit Committee of the Board. Both the DRPC and the Audit Committee are comprised solely of independent, non-management members of the Board of Directors. The CRO reports both to the CEO and to the DRPC, and the CRO meets regularly with the DRPC. The CRO and the Chief Compliance Officer each have access to communicate with the Audit Committee on any matters, including those relevant to risk and compliance. The General Auditor of the bank functionally reports directly to the Audit Committee and administratively to the CEO, and the General Auditor meets regularly with the Audit Committee.

<u>Proxy Vote on Diversity and Inclusion</u>

8. Currently, Chase only reports on whether they compensate women equally for the same work performed by men. This reporting does not capture the gender disparities in the types of jobs held by men and women at the Bank, or specifically whether a disproportionate number of higher paying jobs are held by men. Chase's 2019 proxy statement includes a stockholder proposal to require the Bank to report on the global median gender pay gap.[15] The proposal defines the gender pay gap as "the difference between male and female median earnings expressed as a percentage of male earnings." The median global gender pay gap would provide insight into whether men hold most of the higher paying jobs at the Bank.

a. Mr. Dimon, Chase's Board recommended that its shareholders vote against this stockholder proposal. As a Member of the Board, can you explain why the Board opposed greater transparency regarding whether women are equally represented in higher paying jobs at your bank?

JPMC Response: JPMorgan Chase agrees that increasing diversity and inclusion at all levels is critical to the firm's success. It is not only the right thing to do, it is the smart thing to do. Likewise, the firm believes the issue of fair pay is fundamental to the firm's ability to continue to attract the best and the brightest. The firm's commitment to conduct an internal review annually on the gender pay gap is but one component of the governance mechanisms, systems, and controls the firm has in place so that all

[15] http://media.corporate-ir.net/media_files/IROL/71/71595/BOAML_2019_Proxy.pdf at 80; https://www.jpmorganchase.com/corporate/investor-relations/document/proxy-statement2019.pdf at 85.

employees are paid fairly for the work they do. The annual disclosure of the results of the review reflects JPMorgan Chase's belief that transparency is important to the firm's shareholders and stakeholders.

The firm's objection to the shareholder proposal was focused on the request for a specific median pay gap metric. That metric is primarily influenced by the representation of women at different levels of the organization and is not reflective of the firm's commitment to diversity, expanding advancement opportunities for women and minorities, and fairness in compensation.

The firm understands that a blunt metric like median pay gap may be helpful for a certain discussion about pay, representation, and public policy, but it is not the answer. It simply measures the pay difference between the median male and median female employee. It confirms what the firm already knows – JPMorgan Chase employs more women than men in entry level positions and not enough women in senior ranks.

This particular metric can be misleading and distracting and may have unintended consequences. Most importantly, this metric does not provide information that will help to drive long-term change. JPMorgan Chase is proud of the firm's efforts to support women, and the firm remains committed to continuing to work hard to promote gender pay equity and also to attract, retain, and promote a diverse workforce — especially at more senior levels.

<u>Toxic Sales Culture</u>

9. **On June 5, 2018, American Banker reported that the OCC had conducted a sales practice review of 40 large and midsize banks and found five systemic issues prevalent throughout the industry and over 250 specific items regulators wanted to see fixed at individual banks.[16] A June 2018 report issued by the National Employment Law Project on the state of front line bank employees two years after the Wells Fargo scandal found that workers surveyed in both retail banking and collections, including those employed by Bank of America, JPMorgan Chase, and Citibank "reported that they were still compensated in part on meeting quotas."[17]**
    a. **What role do sales play in the incentive bonuses or compensation paid to front line employees at bank branches?**
    b. **Are front line employees at bank branches evaluated in part based on sales?**
    c. **Do collectors have targets in terms of the number of calls they are supposed to make per hour and the amount of money they are supposed to collect in a given time period?**
    d. **Are collectors compensated based on the number of calls they make or the amount of money they collect?**
    e. **What controls has the Bank put in place to make sure your customers are receiving only those products they need and affirmatively select?**

JPMC Response:

<u>Practices in Our Branches</u>

At JPMorgan Chase, the customer experience is central to branch employee engagement with their retail clients. Bankers are not required to meet specific goals or quotas. The firm compensates bankers for good customer experiences and growing customer engagement, which includes increasing balances or helping customers get products they need, want, and use.

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[16] American Banker, *Wells Fargo not alone: OCC finds sales abuses at other banks*, June 5, 2018. https://www.americanbanker.com/news/not-just-wells-fargo-occ-finds-sales-practice-abuses-at-other-banks

[17] https://betterbanks.org/wp-content/uploads/2018/06/Cashing_Out_Report.pdf at 2.

Branch banking employees are subject to robust controls designed to ensure that bankers meet the firm's expectations for customer service and that their conduct is aligned with JPMorgan Chase's values. For example, JPMorgan Chase employees do not get credit for opening a savings account unless the deposits exceed required minimum balances within 60 days. The money also must be new to the bank and not simply transferred from another JPMorgan Chase account. Credits related to new checking and savings accounts are considered provisional, moreover, and are reversed for accounts closed within their first six months. Bankers do not receive incentive compensation for opening an account of the same type for the same customer—for example, opening two checking accounts, or two savings accounts, for the same customer. Incentives related to helping open a new credit card account are not awarded until and unless customers use the card.

The Consumer Banking Business also has a Business Practices team and a Customer Experience team. The Business Practices team uses various tools and resources to monitor banker behavior and identify bankers whose practices may not align with JPMorgan Chase policies, procedures, or values. Misconduct is addressed through appropriate employment action, up to and including termination of employment. The separate Customer Experience team focuses on improving the consumer banking customer's overall experience and satisfaction with the service his or her branch bankers provide. Together, these teams help the business remain dedicated to the client's interests.

Collections Practices

Our collections and recovery processes neither have required hourly calling targets nor compensate collectors for the number of calls they make. A subset of the firm's collection teams have guidelines for the numbers of calls they make each hour, but they are neither required to meet these guidelines nor penalized for not doing so. The firm has controls to monitor collections activity, including, for example, live call monitoring by management, supervisor, quality assurance, and quality control call reviews and scoring, and complaint monitoring. In addition, the firm conducts periodic reviews by Internal Audit as well as compliance testing.

Bribing Chinese Officials

10. **In November 2016, a Hong Kong-based subsidiary of JPMorgan paid $264 million in criminal and civil fines to the Securities and Exchange Commission, Department of Justice, and the Federal Reserve Board for its "Sons & Daughters Program."[18] JPMorgan used this program to hire about a hundred interns and full-time employees at the request of government officials in China and other countries in Asia as part of its efforts to build banking relationships in the region. According to a Department of Justice official, the "Sons & Daughters Program" was "nothing more than bribery by another name." The Securities and Exchange Commission noted that "the misconduct was so blatant" at JPMorgan, that its bankers, "created 'Referral Hires vs Revenue' spreadsheets to track the money flow from clients whose referrals were rewarded with jobs."[19]**
    a. **What changes has JP Morgan made to prevent its subsidiaries from violating U.S. anti-corruption laws?**
    b. **Given the scope and breadth of the illegal conduct, what, if any, specific action did JPMorgan's Board of Directors take in response to this misconduct?**

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[18] https://www.justice.gov/opa/pr/jpmorgan-s-investment-bank-hong-kong-agrees-pay-72-million-penalty-corrupt-hiring-scheme
[19] https://www.sec.gov/news/pressrelease/2016-241.html

c. **Mr. Dimon, can you confirm that the Bank is not presently bribing any foreign officials?**

JPMC Response: This conduct involved certain employees who were circumventing an anti-corruption policy that was already in place. The conduct was unacceptable, and it was stopped. The firm took action against employees including, in certain circumstances, separating from employees and, in other circumstances, impacting their compensation.

Additionally, the firm strengthened its hiring controls and procedures, which the Department of Justice and the Securities and Exchange Commission acknowledged in the settlement agreements. The firm has enhanced its anti-corruption compliance program and controls around hiring practices on a global basis. This included, among other things, (1) enhancements to the anti-corruption policy, (2) establishing a centralized application process for hiring, and (3) requiring that the firm's anti-corruption office review and approve the hiring of certain referred candidates.

The Board of Directors approved and directed the implementation of a plan to enhance controls with regard to compliance with applicable U.S. laws and regulations and applicable internal policies and procedures in connection with the hiring of certain referred candidates.

Mr. Dimon is not aware of any present bribery of foreign officials by the firm or its employees.

Minority Depository Institutions

11. **Since the Crisis the six largest banks have grown tremendously in both assets and deposits, however, the number of Minority Depository Institutions (MDIs) have seen a rapid decline. Could you briefly inform the Committee of how many business relationships your bank currently has with MDIs, if any, and describe the amount of investments you have made to or in partnership with MDIs?**

JPMC Response: JPMorgan Chase actively provides products and services, including treasury solutions, correspondent mortgage banking, and investment banking advisory, to a dozen U.S. minority depository institutions, including 9 of the top 10. In addition to providing traditional banking services, JPMorgan Chase currently mentors The Harbor Bank of Maryland and Liberty Bank through the Financial Agent Mentor Protégé Program, which is sponsored by the U.S. Department of the Treasury. The bank has historically supported both MDIs via its Entrepreneurs of Color Fund in Detroit and the Greater Washington region.

Bank Capital

12. **Recently, the Federal Reserve Board decided not to activate the countercyclical capital buffer this year, but banks are very profitable, making a record $237 billion in profits last year.**
    a. **Mr. Dimon, the Fed and OCC have proposed weakening the supplementary leverage ratio by approximately $121 billion, according to the FDIC, for lead depository subsidiaries compared to the current eSLR standard. JPMorgan Chase benefits the most by this proposal, which would reduce your depository institution's tier 1 capital by more than 20 percent, or $34 billion, according to the FDIC. That is a larger reduction than the $25 billion your bank received in financial crisis bailout funds. Why should your bank reduce capital by 20 percent? Is that good for taxpayers who bailed your bank out and the rest of the industry 10 years ago?**

JPMC Response: While the Federal Deposit Insurance Corporation analysis is factually accurate, it can be a bit misleading. This change would not materially change how JPMorgan Chase would manage its capital at the aggregate firm level. In the current capital framework, the firm's capital planning is governed by a combination of (1) management and board objectives, (2) regulatory minimum ratios in rules set by the banking regulators, and (3) the annual CCAR process. This combination practically limits the amount of capital that can be distributed to shareholders. With respect to the bank itself, the entity is well capitalized relative to all of the regulatory minimums. Although the proposed change would decrease the firm's requirement at the standalone bank level, it would not materially change the capital position of the company nor the way in which the firm does business; it would, however, better ensure that the SLR fulfills its intended purpose as a backstop to risk-based capital requirements.

I also would like to clarify that JPMorgan Chase accepted the Troubled Asset Relief Program (TARP) capital not because the firm needed it to survive, but because the firm believed it was doing the right thing to help the country and the economy. The firm was told that the government wanted even the healthy banks to take TARP capital to set an example for all banks and to make it easier for the weaker institutions to accept the capital without being stigmatized. JPMorgan Chase and many other banks were in a position to try to help, and that is what the firm did. JPMorgan Chase also repaid the entire amount.

Payday Lending and Small Dollar Credit

13. **Mr. Corbat, Mr. Dimon, Mr. Moynihan and Mr. Solomon, recently, the CFPB announced that it would rescind its Payday Lending Ability to Repay requirement. As you all are aware, payday loan products often result in consumers being seriously harmed and targets low-income communities.**
    a. **Do you currently offer any small dollar credit products? If so, what is the annual percentage rate your customers are paying for these products?**
    b. **Are there any safeguards to ensure customers are not caught in a never-ending debt trap in using your bank's product, the same way they can be with payday loans?**
    c. **What percentage of your portfolio is comprised of small-dollar loans?**

JPMC Response: JPMorgan Chase does not currently offer small dollar, unsecured consumer loans. JPMorgan Chase has considered (and continues to consider) whether it could extend unsecured, small dollar consumer loans and would only do so on terms that treat customers fairly and are reasonable to the firm's shareholders.

Bank Merger/Consolidation—Small Business Lending

14. **Mr. Corbat, Mr. Dimon, Mr. Moynihan and Mr. Solomon, earlier this year, BB&T and SunTrust announced they would be merging to create the sixth largest bank in the United States with around $442 billion in assets.[20] One notable recurring theme that has been reported is the ability to compete against the largest banks in the country as a primary driver for the merger, which was the latest of bank consolidation within the industry. According to the Federal Reserve Bank of New York's 2017 Small Business Credit Survey,[21] community banks and CDFIs achieved net lender satisfaction scores of 73 percent and 76 percent, respectively, which measures the overall experience small businesses have with their lenders. That compares with 49 percent for large banks and 35 percent for online lenders. This is a clear sign that community banks play an integral role in supporting small businesses.**

[20] https://www.marketwatch.com/story/suntrust-and-bbt-are-merging-heres-what-customers-need-to-know-2019-02-09
[21] https://www.newyorkfed.org/smallbusiness/small-business-credit-survey-2017

a. **Could you please explain why small businesses reported such lower scores when banking with large banks compared to community banks and CDFIs?**

JPMC Response: JPMorgan Chase maintains its focus on supporting small businesses and improving customer satisfaction. In JD Power's 2018 U.S. Small Business Banking Satisfaction Study, JPMorgan Chase ranked in the top three of every region, including the highest rank in the West for the sixth consecutive year. Additionally, the firm's Business Banking net promoter score (NPS) continues to increase year-over-year. These results reflect JPMorgan Chase's continued commitment to provide small businesses with a comprehensive product suite to meet all of their banking needs, including lending.

b. **At the current rate of consolidation within the industry, will small businesses be left with only megabanks in a decade or two to seek credit from instead of the more familiar community banks they prefer to do business with?**

JPMC Response: JPMorgan Chase continues to be committed to small business lending as evidenced by the $5.9 billion of credit extended to small businesses in 2018. Furthermore, JPMorgan Chase has publicly committed to providing $4 billion in lending to small businesses over three years. The firm's commitment to customers is also evident in the expansion into markets such as Washington D.C., Boston, and Philadelphia. In Gordon Smith's recent CEO Letter to shareholders, he further commented on the commitment in these communities, "As part of the market expansion, we also support each local community directly with help from the JPMorgan Chase Foundation...In Boston, we committed $3 billion for home and small business loans and $1.1 million to support jobs and skills development."

<u>Corporate Social Responsibility</u>

15. **Recently, in his annual letter to shareholders, Mr. Dimon noted, that, quote, "America should and can afford to provide a proper safety net to our elderly, our sick and our poor,"[22] as well as help generate more opportunities for more Americans. This comes on the heels of Mr. Dimon's noting that the Trump tax cuts added almost $4 billion to JP Morgan's profits.[23] This also comes at a time when income inequality is at an all-time high, limited affordable housing, and rising homelessness across the country.**

a. **Should G-SIBs do more to address these issues?**

JPMC Response: Business, government, and community leaders have a responsibility to help those left behind. JPMorgan Chase has always recognized that long-term business success depends on community success. When everyone has a fair shot at participating in and sharing in the rewards of growth, the economy will be stronger and society will be better. The firm is making significant, long-term, data-driven business and philanthropic investments aimed at opening doors to opportunity for those being left behind.

b. **With the Trump tax cuts benefitting your bank's bottom line, what percentage of the tax benefits did your bank spend on affordable housing?**

JPMC Response: JPMorgan Chase believes that the firm has a role in creating economic opportunity for all Americans, and in the past year, the firm announced the $500 million AdvancingCities program to drive inclusive growth in cities. This combines a mix of philanthropic dollars and low-cost, long-term loans that enable us to have a greater impact. The firm recently announced a $300 million effort to invest in workforce training and development to help train workers for a 21st Century economy, and

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[22] https://www.marketwatch.com/story/5-things-jpmorgan-ceo-jamie-dimon-just-told-investors-and-the-american-public-2019-04-04 and https://www.jpmorganchase.com/corporate/investor-relations/document/ceo-letter-to-shareholders-2018.pdf
[23] https://www.cnn.com/2019/04/04/business/jamie-dimon-letter-jpmorgan-chase/index.html

earlier this month the firm announced a $125 million effort to help Americans improve their financial health.

In response to the tax bill, JPMorgan Chase announced a $20 billion investment that took a comprehensive approach to creating greater economic growth in the communities in which the firm serves. Those steps include:

- Investing in employees with further increases to wages and benefits. Wages will increase 10 percent on average—ranging from between $15 and $18/hour—for 22,000 employees;
- Expanding the branch network into new U.S. markets, leading to increased small business lending and philanthropic investments, and further support for local low-and moderate-income communities;
- Increasing community-based philanthropic investments by 40 percent to $1.75 billion over five years;
- Increasing small business lending by $4 billion; and
- Accelerating affordable housing lending by (1) increasing mortgage lending in low-and moderate-income communities and (2) accelerating commercial lending to build affordable housing.

Specifically, the firm's affordable housing efforts included:

- Increasing the firm's lending commitment to expand homeownership in low-and moderate-income communities by 25 percent to $50 billion total over the next five years;
- Hiring 500 new Home Lending advisors;
- Increasing homeownership grants by nearly 70 percent from $1,500 to $2,500 for customers in low-and-moderate income communities;
- Expanding the homeownership grant program from 40 markets to be available nationwide; and
- Increasing the firm's commitment to preserving affordable rental housing in distressed communities by nearly 20 percent by lending a total of $7 billion over five years through commercial and nonprofit housing partners.

<u>Climate Change</u>

Recently, EPA scientists published a peer reviewed report entitled *Climate Damages and Adaptation Potential Across Diverse Sectors of the United States*. The report echoes and confirms the dire findings of the Fourth National Climate Assessment published in 2018 by the United States Global Change Research Program. This new study "....show[s] complex patterns of projected changes across the country, with damages in some sectors (for example, labor, extreme temperature mortality and coastal property) estimated to range in the hundreds of billions of US dollars annually [in each such sector] by the end of the century under high emissions. Inclusion of a large number of sectors shows that there are no regions that escape some mix of adverse impacts. Lower emissions, and adaptation in relevant sectors, would result in substantial economic benefits."[24]

[24] https://www.nature.com/articles/s41558-019-0444-6.epdf

16. **How should the extremely well-known and increasingly well-documented material risks associated with current and projected climate change impacts on the US economy be communicated by the management of publicly traded companies to their shareholders and to the average investor?**

JPMC Response: Climate change is a global challenge that has presented and will continue to present risks for businesses and communities around the world. Research shows that climate impacts are occurring much sooner than anticipated and with increasing frequency. The private sector has the opportunity to play a leadership role in creating solutions that protect the environment and grow the economy. The scale of the challenge is such that companies across all industries will need to participate in finding climate solutions.

As a global financial institution, JPMorgan Chase lends to, provides risk management solutions, and raises capital for a range of companies across a diverse set of industries. The firm's objective is to support companies that are thinking strategically about the transition to a lower-carbon future and positioning themselves to adapt to a wide range of evolving policy, market and technology trends over time. The firm engages and collaborates with other financial institutions, nonprofit organizations, multilateral organizations, clients, and other stakeholders to encourage leadership on sustainability and to promote best practices across industries. JPMorgan Chase also encourages the firm's clients to utilize industry best practices for managing environmental and social impacts and to improve disclosure on their performance.

Although the private sector has a significant role to play, public-sector leadership is needed to drive substantial carbon emission reductions on a global scale. Governments will need to work together to foster new technology innovation, protect underserved communities and implement long-term policy solutions that are market based and flexible.

17. **Specifically, how should the management of publicly traded companies discuss and disclose the risks to their shareholders value and a company's assets and operations of the legislative, regulatory, business and market impacts of current and projected trends in climate change, including those documented and forecast by the Fourth National Climate Assessment?**

JPMC Response: JPMorgan Chase is committed to reporting on the firm's approach to, and performance on, a range of environmental and social issues. The firm's annual Environmental, Social and Governance (ESG) Report is one of the principal channels through which JPMorgan Chase discusses how the firm is addressing ESG matters that the firm and its stakeholders view as among the most important to the business. On May 24, 2019 JPMorgan Chase also published a voluntary report on the firm's approach to managing climate-related risks and opportunities, guided by recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). JPMorgan Chase has served as a member of the TCFD since it was established.

18. **If you do not concur with the US government's findings or the overwhelming preponderance of scientific studies documenting the increasing risks to our economy and public health from increasing greenhouse gas concentrations in the atmosphere, please explain why.**

JPMC Response: See below.

19. **If you do not believe that climate change impacts are a material risk that should be managed, discussed, and disclosed by leaders of public companies to protect shareholder value and corporate assets and operations, please explain why.**

JPMC Response: Climate change is a global challenge that has presented and will continue to present risks for businesses and communities around the world. The latest reports from the IPCC and the U.S. Global Change Research Program highlight the scope and severity of risks the world could face as global average temperatures continue to rise.

Raising the Minimum Wage

On April 9, 2019, Bank of America announced that it would raise its minimum wage to $20 dollars per hour over a two-year period.

20. **Mr. Dimon, will Chase commit to raising its minimum wage to $20 per hour over the next two years?**

JPMC Response: In early 2018, for the second time in two years, JPMorgan Chase increased the firm's internal minimum base wage to a range between $15 to $18 an hour across 100 U.S. cities. The firm thinks it is important to understand pay in total context including base pay, incentives, and benefits. The firm routinely monitors its pay practices to attract, retain, and appropriately reward great employees and will continue to do so.

The increases described above benefit 22,000 full- and part-time U.S. employees, most of whom work in branches and customer service centers, and are in addition to the value of the firm's full benefits package, which averages $12,000 per employee for those employees in this pay range. For employees making $40,000 or less in the United States, the average pay increase has been $4,800 between salary and incentives. In each of the last several years, the firm has also made a $750 special award to employees making less than $60,000, through 401(k) contributions in the United States and cash awards outside of the United States in addition to any matching funds. The firm also reduced medical plan deductibles in 2018 by $750 per year for employees making less than $60,000. The items mentioned above do not include other benefits available to employees such as tuition reimbursement, paid parental leave, adoption assistance, fully paid short term disability for six months, fully covered Employee Assistance Programs, on-site Health Centers, and other valuable services.

JPMorgan Chase is committed to creating opportunities in a positive work environment for all levels of the organization. As a result, the firm believes that focusing on total overall compensation, along with employee development, training, and opportunity, more accurately reflects the commitment to employees more than an undeveloped base hourly pay.

House Committee on Financial Services Questions for the Record

Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 Years after the Financial Crisis

April 10, 2019

Questions for:

James P. Gorman

Chairman and Chief Executive Officer

Morgan Stanley

I. Chairwoman Maxine Waters

Consumer and Investor Harm

1. *In the Committee's hearing invitation letter, I asked each bank to include in your testimony, "...a detailed description of... enforcement actions, including any consent orders and settlements, against your bank* ***and the number of consumers or investors harmed by your bank's actions****..." (emphasis added). While your testimony provided some information related to enforcement actions, your testimony failed to provide the Committee with the number of consumers or investors harmed by your bank's actions in the context of any enforcement actions, consent orders and settlements, where consumer or investor harm was identified. Therefore, I ask again, please provide the Committee with a detailed description of enforcement actions, including any consent orders and settlements, against your bank, including the number of consumers or investors harmed by your bank's actions in the last 10 years.*

Like our peer financial institutions, we have been subject to various enforcement actions over the last 10 years. Many, including the largest of these enforcement actions, related to activities that occurred prior to the financial crisis and businesses that were substantially discontinued following the financial crisis.

Information concerning our enforcement actions is publicly available. The following is a list of the enforcement actions from January 1, 2008 to the present where Morgan Stanley paid in excess of $50 million, including the amounts set aside to benefit investors and/or consumers.

- U.S. Department of Justice Civil Division, February 11, 2016, $2.6 billion – business discontinued in 2007.

- U.S. Securities and Exchange Commission, July 24, 2014, $275 million in disgorgement, interest, and penalty, all of which was placed into a "Fair Fund" to benefit investors – business discontinued in 2007.

- New York Attorney General's Office, February 19, 2016, $150 million in cash and $400 million in consumer relief in New York State – business discontinued in 2007.

- Federal Reserve Board, February 28, 2013 and January 12, 2018, $8 million civil monetary penalty, $97 million in cash payments to borrowers and $130 million in loss mitigation or foreclosure prevention relief – business discontinued in 2012.

- Commonwealth of Massachusetts Attorney General's Office ("AGO"), June 24, 2010, $19.5 million in cash to the Commonwealth of Massachusetts, $81 million across three trusts for the benefit of borrowers and investors, and a $2 million charitable donation – business discontinued in 2007.

Disclosure of Diversity Data

2. *Many of the banks have acknowledged the importance of data in identifying and addressing diversity gaps in your organizations. Despite this acknowledgment, Citigroup is the only bank represented on this panel who has made efforts to publicly disclose diversity statistics and openly report on its efforts to address gender pay equity. Citi's efforts are a step in the right direction but there is much more information that is needed so that regulators, through their Office of Minority and Women Inclusion (OMWI), and the public, via annual reports and proxy statements, can be aware of your diversity status.*

    - *Please explain why your bank has not done more to share your workforce and board diversity demographics with OMWIs and the public?*

    - *What immediate plans do you have to share this information and be accountable to Congress and the American people about your commitment to diversity?*

At Morgan Stanley, we agree that data analysis is important to identifying and addressing diversity gaps. We currently report on workforce representation to the Office of Minority and Women Inclusion, and data on the composition of our workforce is available on our corporate website. Through participation in initiatives such as the CEO Action for Diversity and Inclusion and Catalyst CEO Champions for Change, I personally have pledged Morgan Stanley's commitment to improving representation, strengthening our pipeline of diverse talent and tracking our progress through ongoing talent data analysis.

As of December 31, 2018, Morgan Stanley's US workforce composition is as follows:

Level	Black or African-American	Hispanic or Latino	Asian	American Indian or Alaskan Native	Native Hawaiian or Pacific Islander	Two or more races	White	Femal
Executives/Senior Officers & Mgrs	2.2%	4.2%	9.7%	0.1%	0%	0.7%	83.2%	17.8%
First/Mid Officers and Managers	5.6%	5.7%	23.4	0.4%	0.1%	1.3%	63.5%	36.8%
Professionals	9.6%	8.1%	22.5%	0.3%	0.2%	2.1%	57.1%	44.0%
Sales Workers	2.4%	5.5%	5.1%	0.2%	0.1%	1.2%	85.6%	19.4%
Administrative Support Workers	8.5%	11.8%	6.6%	0.3%	0.4%	1.6%	70.8%	79.7%

While we still have a long way to go to improving representation, recent data shows that our diversity initiatives have achieved results. Since 2012, female representation among Managing Directors, our senior most title, has improved from 14% to 20% and our Black Managing Director population has increased from under 2% to 3%.

We are also focused on improving representation at the entry level. The makeup of our intern classes has also become more diverse in recent years. Fifty-one percent of our summer 2019 interns are women. Among our 2019 North America summer analyst and associate classes, 22% of participants are Black/African American or Hispanic, inclusive of Asian Americans, 53% are ethnically diverse.

Diversity Question for Panel

3. *Diversity is an issue that is very important to me, which is why I am very pleased that the Financial Services Committee created the Diversity and Inclusion Subcommittee, the very first of its kind in Congress, headed up by my colleague, Representative Joyce Beatty. When institutions embrace diversity, more voices and more ideas have a chance for action and businesses thrive.*

    - *Please describe the current diversity of the directors of your board and C-Suite executives.*

    - *Please explain what your bank is doing to increase diversity of the directors of your board and C-suite executives, the policies and practices implemented at your institution to promote diversity and inclusion among your workforce, and the policies to promote the use of diverse contractors, including diverse asset managers, brokers, and underwriters, by your institution.*

Board of Directors

Establishing diverse leadership is essential to bringing greater diversity to the Firm as a whole. For that reason, diversity at the board level is a significant priority. As of January 1, 2019, 31% (four of 13) of the directors on our Board are women. We have one African American director and two Asian directors. This is a significant improvement since 2008, when we had only two women directors and one Black/African American director. We continue to seek out diverse director candidates when we have openings on our Board.

Senior Management

Improving diversity in senior management is another Firm-wide goal. Today, we have three women on our 17-person Operating Committee. Of the 48 members of our Management Committee, 10 are women, three are Black/African American and two are Hispanic.

Morgan Stanley's ability to build value for clients rests on the talent of our employees, who bring the benefits of their diverse experiences and perspectives to their work. We firmly believe that our business thrives by promoting a culture of inclusion and belonging where dedicated professionals can collaborate to produce breakthrough thinking. Our commitment to diversity is expressed as belonging as much as inclusion. All employees, irrespective of their race, gender or background, must feel that they belong at Morgan Stanley and that their values are recognized and respected.

Efforts to Increase Board and C-Suite Diversity

Increasing diversity representation amongst Directors and C-Suite Executives is of utmost importance. Our efforts to improve representation include actively sourcing diverse candidates through experienced search firms and leveraging the networks of our current diverse and non-diverse Board members and executives. The Firm has membership in key organizations such as the Executive Leadership Council, the Council of Urban Professionals, the Women's Bond Club and Catalyst, which gives us access and exposure to external senior diverse talent who can be considered for C-suite level roles.

Internally, the Firm also focuses on cultivating senior leadership talent so that we can promote advancement amongst our executives. Our efforts include:

- Annual talent pipeline reviews of senior talent to identify individuals from under-represented backgrounds who can ascend to leadership roles;
- Leadership Development Programs such as the global Women Managing Director Conference, our Women and Multicultural Leadership Summits and the Morgan Stanley Leaders Program; and
- Formal and informal mentorship and sponsorship relationships between executives of the Firm and senior diverse leadership pipeline talent.

Development at the next levels down are also critical to cultivating a leadership pipeline. To support diverse employee development below the C-suite, the firm offers a number of programs, including:

Entry-Level Analysts and Associates

Over the past few years, the Firm has focused on cultivating its diverse summer and full time Analysts and Associates from historically underrepresented groups to ensure employees in the early stages of their careers obtain the professional development and peer engagement they need to successfully advance through the organization.

Our Richard B. Fisher Scholarship Program has helped over 400 diverse undergraduate and graduate students gain access to the financial services sector. Early Insights, the Freshman Enhancement Program and sophomore internship programs in the Institutional Securities Group and Wealth Management divisions are early entry programs that provide diverse interns with an early support to ensure a successful summer, and improved chances for securing an offer to return to the firm as a full time employee.

In December 2014, the Firm introduced The Multicultural Professional Development Series, which provides full time Black/African American and Hispanic Analysts and Associates hired within the past 12 months with professional development sessions and interactions with senior leaders. The program focuses on four key areas—career management, commercial thinking, relationships and communications skills—that are integral to starting a career at Morgan Stanley on the right track.

Mid-Career Professionals

Several other Morgan Stanley professional development programs benefit the Firm's diverse mid-career professionals. Programs for US-based employees include Morgan Stanley's Leadership Engagement and Development (LEAD) program—a six-month program for Black/African American and Hispanic Vice Presidents and Executive Directors to focus on skills and development, building networks and leadership skills, and our Women's Development Series, which has a similar design to the LEAD Program.

Programs are also run at the divisional levels which support advancement for mid-career professionals. This includes for example, the Institutional Securities Group Connects program, which pairs Managing Directors and Executive Directors to Vice Presidents and Non-Officer professionals in a mentorship relationship. Over 400 women and ethnically diverse employees have completed this program.

Other Efforts

Additionally, employees are offered professional development opportunities through our US based employee networks including the Black Employee Network, The Hispanic Employee

Network, the Women's Business Alliance and the Pride Group which offers programming in support of our LGBT+ colleagues.

We continue to innovate and design programs to recruit, retain and develop women and ethnically diverse talent. In 2018, we held our first-ever conference gathering our women Managing Directors from around the globe, to continue their leadership development and engage them in helping us strengthen our diversity efforts. We also hold a conference each year for newly promoted women Managing Directors.

We are also proud of our Return to Work program, which is designed for individuals who have left the workforce, whether to care for family or for other reasons. We offer a 12-week paid internship to assist them in updating their skills and rejoining the industry. Since the program was launched in 2014, it has placed over 100 individuals in roles across the Firm. In 2018, 60% of the participants were offered full-time roles at the Firm.

In 2019, we are introducing the Black and Hispanic Managers Forum, a leadership conference for Black and Hispanic branch management staff in Wealth Management.

These programs and others continually edge us closer to a workforce that reflects the world in which we do business.

<u>Efforts to Promote Diversity</u>

We are imbuing a sense of belonging in our culture—including through the annual performance review process, and as part of the onboarding of new employees into the Firm. Building a diverse and inclusive organization is not only the right thing to do, but the commercially smart thing to do. There is growing evidence that diverse organizations outperform peers. For example, Morgan Stanley's Sustainability Research and Global Quantitative Studies teams collected and analyzed data from around the world to create a proprietary gender-diversity framework to rank companies on relevant metrics. They applied the framework to more than 1,600 stocks globally and found that companies that are more gender diverse offer similar return with lower volatility.

We believe that in order to promote diversity, we must drive awareness and accountability for diversity and inclusion efforts among managers and leaders at all levels. We achieve this through the following efforts:

- The Firm's leadership sets the tone by regularly communicating our strategy and setting the example for creating a culture of inclusion and belonging.
- We conduct annual diversity reviews with the leaders of every business unit to actively monitor diverse representation, as well as the impact of promotions, hires and attrition on our talent pipeline. We also monitor workplace climate for under-represented groups through our employee engagement survey. By sharing this

diversity information with business leaders, we aim to drive a top-down dialogue that embeds accountability into the organization.

- Our Chief Human Resource Officer and our Chief Diversity Officer meet regularly with our CEO and our Board of Directors to discuss the Firm's efforts, progress and ongoing challenges.
- We build awareness of the impact of unconscious bias for our managers and leaders.
- Lastly, we evaluate outcomes for each business leader starting with our most senior leadership. Annually, with respect to our Named Executive Officers, our Compensation Management Development and Succession Committee of the Board of Directors makes its compensation decisions based in part on performance priorities such as diverse talent development.

We recognize that we have significant work to do to achieve our diversity goals. We have implemented a number of policies and practices across the Firm to ensure these goals are met. As mentioned above, through participation in initiatives such as the CEO Action for Diversity and Inclusion and Catalyst CEO Champions for Change, I personally have pledged Morgan Stanley's commitment to help accelerate progress by strengthening our pipeline of diverse talent, continuing to benchmark and tracking our progress.

Policies to Promote the Use of Diverse Contractors, Asset Managers, Brokers and Underwriters

With respect to our work with outside vendors, businesses and asset managers, we have a number of initiatives designed to increase our work with diverse and minority-owned companies. As part of our Supplier Diversity Program, Morgan Stanley seeks out diverse-owned companies that can meet our business needs. Our commitment to diversity involves providing diverse-owned businesses including, but not limited to, minority and women business enterprises, disadvantaged business enterprises, veteran business enterprises, and lesbian, gay, bisexual, transgender-owned businesses, with an opportunity to provide goods and services to the Firm. We believe that working with diverse-owned companies not only fosters strategic and business relationships, but also stimulates economic development and strengthens the communities where we live and work. Morgan Stanley also encourages suppliers to make a good-faith effort to ensure that diverse-owned enterprises have a significant opportunity to participate as second-tier subcontractors and/or suppliers to service the Morgan Stanley account.

We are also very proud of our Multicultural Innovation Lab, which we launched in 2017. The Lab is an in-house accelerator supporting early-stage startups led by multicultural and women entrepreneurs. As part of the Lab, we provide a capital infusion, workspace at our New York headquarters, tailored programming and mentoring, and the opportunity to pitch to the influential investor community. There were 14 companies in our first two classes, and we are welcoming 10 more in our third cohort. Through the Morgan Stanley network, we can open important doors for these entrepreneurs, connecting them to potential investors and partners and increasing their visibility. Through our role as a connection between sources and uses of capital, we can help expand access to capital.

It will take these and other initiatives, as well as the attention of every manager across the Firm, to increase diversity across the Firm and across the businesses with which we work. We recognize that a more diverse environment will enable us to better recognize and serve the needs of our wide variety of clients, and we are committed to that work.

Minority Depository Institutions

4. *Since the Crisis the six largest banks have grown tremendously in both assets and deposits, however, the number of Minority Depository Institutions (MDIs) have seen a rapid decline. Could you briefly inform the Committee of how many business relationships your bank currently has with MDIs, if any, and describe the amount of investments you have made to or in partnership with MDIs?*

Since becoming a financial holding company in 2008, we have received an "Outstanding" rating on every Community Reinvestment Act ("CRA") exam—five consecutive exams. Our CRA approach includes a focus on access to capital for Minority Deposit Institutions ("MDIs"), as well as Community Development Financial Institutions ("CDFIs"). For example, we co-led an investment in New York City-based Carver Federal Savings Bank, an MDI and CDFI that addresses the needs of the financially underserved while revitalizing and supporting neighborhoods in need. Morgan Stanley's investment represented over 25% of the total capital committed by all investors. Morgan Stanley's work with Carver extends beyond the direct investment. As part of the Firm's Carver Home Loan Collaboration, Morgan Stanley markets home mortgage loans to Carver customers. This provides a benefit both to Carver and Carver's customers, as Carver does not have a home mortgage product. As part of the collaboration, Morgan Stanley also offers financial literacy and homeowner education seminars to help homeowners maintain their homes and prospective purchasers better understand what it takes to purchase and maintain a home.

Further, we look for opportunities to be innovative—we executed the first-ever public capital markets bond financing for a community development financial institution, breaking new ground to enable wider access to capital for CDFIs. Morgan Stanley also provides capacity building financial support for CDFIs, which provide responsible, affordable and flexible capital to empower minority- and women-owned businesses. These CDFIs include nationwide industry leaders such as Grameen America, Accion East, TruFund Financial Services and the National Development Council.

Corporate Social Responsibility

5. *Recently, in his annual letter to shareholders, Mr. Dimon noted, that, quote, "America should and can afford to provide a proper safety net to our elderly, our sick and our*

poor,"[1] *as well as help generate more opportunities for more Americans. This comes on the heels of Mr. Dimon's noting that the Trump tax cuts added almost $4 billion to JP Morgan's profits.*[2] *This also comes at a time when income inequality is at an all-time high, limited affordable housing, and rising homelessness across the country.*

- *Should G-SIBs do more to address these issues?*
- *With the Trump tax cuts benefitting your bank's bottom line, what percentage of the tax benefits did your bank spend on affordable housing?*

Our Outstanding rating on CRA exams has also been driven by our focus on affordable housing and healthy communities and we believe that we have an important role to play in addressing these important social needs by providing access to capital and through our philanthropic efforts. As part of this focus, we look for opportunities to link affordable housing, access to health care and access to transportation for job opportunities. For example, we established a $200 million Healthy Futures fund to finance primary care clinics near affordable housing and to create new affordable homes adjacent to health clinics. One example is in DC, at the Conway Center, where affordable housing, job training and health care are co-located. All told, in the last eight years, we have supported the creation of 99,000 affordable housing units and we have made $18 billion in community development loans and investments.

In 4Q17, the Firm recorded a net discrete tax provision of approximately $1.2 billion as a result of the enactment of the Tax Cuts and Jobs Act ("Tax Act"). Morgan Stanley used money from the tax savings to, among other things, make philanthropic donations, invest in our business and repurchase shares.

Climate Change

Recently, EPA scientists published a peer reviewed report entitled Climate Damages and Adaptation Potential Across Diverse Sectors of the United States. The report echoes and confirms the dire findings of the Fourth National Climate Assessment published in 2018 by the United States Global Change Research Program. This new study "....show[s] complex patterns of projected changes across the country, with damages in some sectors (for example, labor, extreme temperature mortality and coastal property) estimated to range in the hundreds of billions of US dollars annually [in each such sector] by the end of the century under high emissions. Inclusion of a large number of sectors shows that there are no regions that escape some mix of adverse impacts. Lower emissions, and adaptation in relevant sectors, would result in substantial economic benefits."[3]

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1 https://www.marketwatch.com/story/5-things-jpmorgan-ceo-jamie-dimon-just-told-investors-and-the-american-public-2019-04-04 and https://www.jpmorganchase.com/corporate/investor-relations/document/ceo-letter-to-shareholders-2018.pdf

2 https://www.cnn.com/2019/04/04/business/jamie-dimon-letter-jpmorgan-chase/index.html

3 https://www.nature.com/articles/s41558-019-0444-6.epdf

6. *How should the extremely well-known and increasingly well-documented material risks associated with current and projected climate change impacts on the US economy be communicated by the management of publicly traded companies to their shareholders and to the average investor?*

Morgan Stanley recognizes that climate change is an economic reality and a growing risk that businesses and investors are learning to address. As such, we are committed to providing investors with useful, relevant and material information in this increasingly important area. Since 2006 we have disclosed climate-relevant information in our annual Carbon Disclosure Project ("CDP") response (our 2018 response is available on our website[4]). We introduced a stand alone climate section to our 2018 Sustainability Report, which is focused on an investor audience. To help ensure our sustainability disclosures are relevant for the investor audience, we follow the spirit of the Sustainability Accounting Standards Board ("SASB") reporting guidance where appropriate, and included a SASB index in the appendix of our 2018 report. SASB's goal is to establish and maintain disclosure standards on sustainability matters that facilitate communication by companies to investors. We have also included a section specifically relating to Environmental, Social and Governance ("ESG") topics in our annual Proxy Statement since 2017. The 2019 Proxy included climate-related updates such as the progress towards our low-carbon financing and carbon neutrality commitments, and also noted our participation in a roundtable with environmental non-governmental organizations to discuss how financial institutions are addressing climate change.

We are also active participants and supporters of initiatives dedicated to enhancing investor-relevant sustainability disclosures, including those related to climate change. For example, we have supported the work of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures ("TCFD"), signing a statement supporting the TCFD's recommendations and encouraging other business leaders to join efforts to improve climate-related disclosures in 2017. In addition, Morgan Stanley has multiple affiliations with SASB. Our Chief Sustainability Officer, Audrey Choi, serves on the Board of the SASB Foundation, alongside two Morgan Stanley Board Directors, and the Firm is also a member of the SASB Investor Advisory Group. The recommendations of the TCFD and SASB, among others, inform enhancements to our own approach to climate change disclosures and corresponding analysis of how it impacts our business. More broadly, we recognize the importance of developing best practices and industry-specific standards with regard to environmental disclosures to foster greater transparency and understanding of the business risks and opportunities created by climate change.

At Morgan Stanley, we see tremendous opportunity to be part of the solution, working alongside public policy makers, regulators, civil society and the private sector. We seek to facilitate the transition to a low-carbon economy through policies, activities, products and services that support the mitigation of climate risks. Recognizing the need to rapidly scale climate finance, in

[4] https://www.morganstanley.com/pub/content/dam/msdotcom/about-us/giving-back/sustainability-at-morgan-stanley/Morgan_Stanley_2018_CDP_Climate_Change_Response.pdf

April 2018, we announced plans to mobilize $250 billion to support low-carbon solutions by 2030. We are partnering with our clients to meet this goal, and are committed to engaging with clients to develop strategies to manage potential climate-related transition risks. To reduce our own footprint, we are committed to achieving carbon neutrality for our global operations by 2022.

7. *Specifically, how should the management of publicly traded companies discuss and disclose the risks to their shareholders value and a company's assets and operations of the legislative, regulatory, business and market impacts of current and projected trends in climate change, including those documented and forecast by the Fourth National Climate Assessment?*

Recognizing that there is increasing investor interest in corporate disclosure of ESG factors (including risks related to climate change) and the need for greater public dialogue on environmental issues, Morgan Stanley has committed to providing greater transparency and more robust sustainability reporting regarding our own operations. This commitment includes annual analysis and public reporting on investor-relevant sustainability and governance topics and goals, maintenance of a section on our website devoted to ongoing sustainability initiatives, and public posting of our environmental policies and details regarding our approach to reducing greenhouse gas emissions. We have sought to bring a comparable level of rigor to our sustainability-related reporting as to other public disclosures, including internal reconciliation of all publicly reported facts and figures and sign-off by our Sustainability Disclosure Committee. For our own sustainability and climate-related disclosures, we continue to consult with stakeholders and monitor the development of relevant global frameworks and standards, including recommendations from the TCFD.

We believe transparent disclosure of material ESG information, in line with sector standards, is one of the most effective ways we can help meet investor needs and address the data comparability challenge. We encourage publicly traded companies to support the efforts of the TCFD, SASB and other initiatives focused on developing investor-relevant sustainability disclosure frameworks

8. *If you do not concur with the US government's findings or the overwhelming preponderance of scientific studies documenting the increasing risks to our economy and public health from increasing greenhouse gas concentrations in the atmosphere, please explain why.*

At Morgan Stanley, we recognize that climate change is a reality that poses significant and long-term risks to the global economy, as well as global society. We further recognize that the need to reduce carbon emissions poses profound challenges in both the US and around the globe, and we believe we have a responsibility to contribute to the transition to a low-carbon economy. To that end, we have committed to mobilizing $250 billion to support low-carbon solutions by 2030 and to achieving carbon neutrality across our global operations by 2022. Morgan Stanley has also endeavored to be part of the dialogues and to take the actions necessary to address these challenges globally. This leadership has included publicly expressing support for the United States remaining in the Paris Climate Agreement, engaging with clients on climate change, providing capital to support research and development for sustainable technologies and reducing our own carbon footprint. Effectively addressing climate change will take ongoing, coordinated efforts between the private sector, civil society and government, and Morgan Stanley is committed to being part of the solution.

9. *If you do not believe that climate change impacts are a material risk that should be managed, discussed, and disclosed by leaders of public companies to protect shareholder value and corporate assets and operations, please explain why.*

We agree that material risks related to climate change should indeed be managed, discussed and disclosed by public companies, as evidenced by our support for and participation in efforts to promote relevant public disclosure and dialogue, such as those through the TCFD and SASB. Recognizing the increasing importance of environmental risks and sustainability metrics to investors, we are exploring ways to strengthen our approach to climate change by drawing on the TCFD recommendations in ways that benefit our company and stakeholders. Already, each of our business segments is incorporating climate-related considerations into product-offerings, such as:

- Morgan Stanley research analysts use an ESG lens to conduct investment research on each sector and company that we cover within our Equity Research Division.
- The Morgan Stanley Global Sustainability Bond Leadership Council aims to advance green and sustainable bond origination globally. Climate change mitigation is one of the key thematic issues we have partnered with clients to address through green bond issuances.
- Morgan Stanley Wealth Management developed a Climate Change and Fossil Fuel Aware Investing Tool-Kit for Morgan Stanley Financial Advisors to use with individual and institutional clients to develop a tailored investment approach to incorporate climate change and fossil fuel awareness into their portfolios based on their unique objectives.
- In 2018, Morgan Stanley Investment Management engaged 100 portfolio companies on a range of ESG topics, including climate change.

II. <u>Congressman Barr</u>

What is one regulation, either implemented or proposed, that your institution is subject to, that you believe could potentially exacerbate an economic downturn or may impede recovery from a downturn?

As the post-crisis reform efforts have not yet been tested in an economic downturn, it is difficult to know how these regulations would affect the banking sector in a downturn. The combination of liquidity and capital markets regulations could have negative effects in a downturn, as the economy slows and the demand for liquidity rises. For example, requirements that banks hold large stocks of liquid resources on their balance sheets may restrict Morgan Stanley's ability to lend in the event of an increased demand for liquidity.

III. Congresswoman Beatty

Chair, Subcommittee on Diversity and Inclusion

The 2008 financial crisis, in particular, revealed the depth of the problems in the financial services industry, including a lack of diversity in the industry's workforce and business activities. In response to this concern, Section 342 of the Dodd Frank Wall Street Reform and Consumer Protection Act created 20 Offices of Minority and Women Inclusion (OMWI) in the nation's most powerful financial regulatory agencies, to be responsible for all matters relating to diversity in regulated agencies' management, employment, and business activities.[5] Section 342(b)(2)(C) of the Dodd-Frank Act also required the OMWI Director of each agency to develop standards for assessing the diversity policies and practices of entities regulated by the agency. The Final Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity and Policies and Practices of Entities Regulated (Joint Standards) was adopted in June 2015 by the lead prudential banking and consumer finance regulatory agencies to implement this requirement.[6]

Unfortunately, a complete picture of diversity and inclusion in the financial services industry cannot be obtained until the financial services industry shares their diversity data and policies with the OMWIs, Congress, and the public. Under the Joint Standards, regulated entities were encouraged, but not required, to share diversity data and policies with the OMWI offices. Without access to this data, it is not fully possible to gauge whether regulated entities are meeting the spirit and intention of Section 342.

To best examine this concern about Citigroup's implementation of diversity and inclusion initiatives, please provide the following about your institution's diversity and inclusion data and policies from 2015 through present, including:[7]

1. *Demographic totals on your employees, including:*
    a. *Total number of employees (full- and part-time)*
    b. *Career level of employees (executive and manager versus employees in other roles);*
    c. *Gender, race and ethnic identity of your employees, as otherwise known or provided voluntarily;*

[5] Pub. L. No. 111-203 (2010).
[6] Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Bureau of Consumer Financial Protection and Securities and Exchange Commission; Final Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Securities and Exchange Commission; OCC-2013-0014, OP-1465 and Release No. 34-75050 File No. S7-10-15 (June 2015).
[7] If your institution is a member of and participated in diversity surveys conducted by the Securities Industry and Financial Markets Association, you may have previously provided similar diversity statistics and information to that trade association. If so, that data may be provided as a response, in part, to this data request.

d. Employee compensation by gender, race and ethnicity;

As of December 31, 2018, Morgan Stanley's US workforce composition is as follows:

Level	**Black or African-American**	**Hispanic or Latino**	**Asian**	**American Indian or Alaskan Native**	**Native Hawaiian or Pacific Islander**	**Two or more races**	**White**	**Female**
Executives/Senior Officers & Mgrs	2.2%	4.2%	9.7%	0.1%	0%	0.7%	83.2%	17.8%
First/Mid Officers and Managers	5.6%	5.7%	23.4	0.4%	0.1%	1.3%	63.5%	36.8%
Professionals	9.6%	8.1%	22.5%	0.3%	0.2%	2.1%	57.1%	44.0%
Sales Workers	2.4%	5.5%	5.1%	0.2%	0.1%	1.2%	85.6%	19.4%
Administrative Support Workers	8.5%	11.8%	6.6%	0.3%	0.4%	1.6%	70.8%	79.7%

With respect to employee compensation, attracting, retaining and advancing under-represented talent is a priority for Morgan Stanley, and a key aspect to this is ensuring that women and all other under-represented groups are rewarded equitably. Morgan Stanley has robust compensation practices that help to ensure that compensation and reward decisions are made fairly and consistently and are based on an individual's role, performance and experience. The Firm reviews compensation decisions for employees on an ongoing basis, including at the point of hire, as well as during our annual compensation process, to help ensure that individual compensation decisions are in-line with this philosophy. A diverse workforce is key to our success, and consistent with that, we are committed to continually assessing our rewards structure and decisions to help ensure equity in pay for all employees.

2. *Number and dollar value invested with minority- and women-owned vendors and asset managers as compared to all vendor and asset manager investments, as applicable;*

   a. *Amount and percentage of company 401K plan and other pension plan assets invested with diverse-owned asset management firms and categorize each firm by gender and racial ownership type (i.e. women, African American, Latino etc.)*

   b. *Amount and percentage of externally-managed wealth management platform assets invested with diverse-owned asset management firms and categorize each firm by gender and racial ownership type (i.e. women, African American, Latino etc.)*

   c. *Amount and percentage of investments managed by diverse owned banks and underwriters and categorize each firm by gender and racial ownership type (i.e. women, African American, Latino etc.)*

In 2018, Morgan Stanley's total spend with minority-owned vendors was $220,479,096. Morgan Stanley's total spend with women-owned vendors was $63,966,162.

3. *Title(s) and reporting structure for your institution's lead diversity officer(s);*

   a. *Number of staff and budget dedicated to diversity initiatives;*

Morgan Stanley's lead diversity officer is Susan K. Reid, Global Head of Diversity and Inclusion. The Global Head of Diversity and Inclusion reports to the Chief Human Resources Officer, who is a member of the Firm's Operating Committee and reports directly to the Chief Executive Officer.

The Morgan Stanley Global Diversity and Inclusion Team is comprised of 28 full-time employees, including diversity and inclusion advisors focused on specific business units and regions in which Morgan Stanley operates, a Global Head of Diversity and Inclusion Recruiting Strategy, and a Global Chief Operating Officer for Diversity and Inclusion.

4. *Description of performance measures and compensation tied to diversity initiatives;*

We believe that in order to promote diversity, we must drive awareness and accountability for diversity and inclusion efforts among managers and leaders at all levels. We achieve this through the following efforts:

- The Firm's leadership sets the tone by regularly communicating our strategy and setting the example for creating a culture of inclusion and belonging.
- We conduct annual diversity reviews with the leaders of every business unit to actively monitor diverse representation, as well as the impact of promotions, hires and attrition on our talent pipeline. We also monitor workplace climate for under-represented groups through our employee engagement survey. By sharing this diversity information with business leaders, we aim to drive a top-down dialogue that embeds accountability into the organization.
- Our Chief Human Resource Officer and our Chief Diversity Officer meet regularly with our CEO and our Board of Directors to discuss the Firm's efforts, progress and ongoing challenges.
- We build awareness of the impact of unconscious bias for our managers and leaders.
- Lastly, we evaluate outcomes for each business leader starting with our most senior leadership. Annually, with respect to our Named Executive Officers, our Compensation Management Development and Succession Committee of the Board of the Directors makes its compensation decisions based in part on performance priorities such as diverse talent development.

5. *Company-wide diversity policies and practices, including:*

   a. *Recruitment strategies;*

b. *Outreach to diverse organizations, such as historically black colleges and universities and professional organizations;*

c. *Gender pay equity data and efforts to close any identified gaps;*

Morgan Stanley's ability to build value for clients rests on the talent of our employees, who bring the benefits of their diverse experiences and perspectives to their work. We firmly believe that our business thrives by promoting a culture of inclusion and belonging where dedicated professionals can collaborate to produce breakthrough thinking. Our commitment to diversity is expressed as belonging as much as inclusion. All employees, irrespective of their race, gender or background, must feel that they belong at Morgan Stanley and that their values are recognized and respected.

Efforts to Increase Board and C-Suite Diversity

Increasing diversity representation amongst Directors and C-Suite Executives is of utmost importance. Our efforts to improve representation include actively sourcing diverse candidates through experienced search firms and leveraging the networks of our current diverse and non-diverse Board members and executives. The Firm has membership in key organizations such as the Executive Leadership Council, the Council of Urban Professionals, the Women's Bond Club and Catalyst, which gives us access and exposure to external senior diverse talent who can be considered for C-suite level roles.

Internally, the Firm also focuses on cultivating senior leadership talent so that we can promote advancement amongst our executives. Our efforts include:

- Annual talent pipeline reviews of senior talent to identify individuals from under-represented backgrounds who can ascend to leadership roles;
- Leadership Development Programs such as the global Women Managing Director Conference, our Women and Multicultural Leadership Summits and the Morgan Stanley Leaders Program; and
- Formal and informal mentorship and sponsorship relationships between executives of the Firm and senior diverse leadership pipeline talent.

Development at the next levels down are also critical to cultivating a leadership pipeline. To support diverse employee development below the C-suite, the firm offers a number of programs, discussed immediately below.

Entry-Level Analysts and Associates

Over the past few years, the Firm has focused on cultivating its diverse summer and full time Analysts and Associates from historically underrepresented groups to ensure employees in the early stages of their careers obtain the professional development and peer engagement they need to successfully advance through the organization.

Our Richard B. Fisher Scholarship Program has helped over 400 diverse undergraduate and graduate students gain access to the financial services sector. Early Insights, the Freshman Enhancement Program and sophomore internship programs in the Institutional Securities Group and Wealth Management divisions are early entry programs that provide diverse interns with an early support to ensure a successful summer, and improved chances for securing an offer to return to the firm as a full time employee.

In December 2014, the Firm introduced The Multicultural Professional Development Series, which provides full time Black/African American and Hispanic Analysts and Associates hired within the past 12 months with professional development sessions and interactions with senior leaders. The program focuses on four key areas—career management, commercial thinking, relationships and communications skills—that are integral to starting a career at Morgan Stanley on the right track.

Mid-Career Professionals

Several other Morgan Stanley professional development programs benefit the Firm's diverse mid-career professionals. Programs for US-based employees include Morgan Stanley's Leadership Engagement and Development (LEAD) program—a six-month program for Black/African American and Hispanic Vice Presidents and Executive Directors to focus on skills and development, building networks and leadership skills, and our Women's Development Series, which has a similar design to the LEAD Program.

Programs are also run at the divisional levels which support advancement for mid-career professionals. This includes for example, the Institutional Securities Group Connects program, which pairs Managing Directors and Executive Directors to Vice Presidents and Non-Officer professionals in a mentorship relationship. Over 400 women and ethnically diverse employees have completed this program.

Other Efforts

Additionally, employees are offered professional development opportunities through our US based employee networks including the Black Employee Network, the Hispanic Employee Network, the Women's Business Alliance and the Pride Group which offers programming in support of our LGBT+ colleagues.

We continue to innovate and design programs to recruit, retain and develop women and ethnically diverse talent. In 2018, we held our first-ever conference gathering our women Managing Directors from around the globe, to continue their leadership development and engage them in helping us strengthen our diversity efforts. We also hold a conference each year for newly promoted women Managing Directors.

We are also proud of our Return to Work program, which is designed for individuals who have left the workforce, whether to care for family or for other reasons. We offer a 12-week paid internship to assist them in updating their skills and rejoining the industry. Since the program was launched in 2014, it has placed over 100 individuals in roles across the Firm. In 2018, 60% of the participants were offered full-time roles at the Firm.

In 2019, we are introducing the Black and Hispanic Managers Forum, a leadership conference for Black and Hispanic branch management staff in Wealth Management.

These programs and others continually edge us closer to a workforce that reflects the world in which we do business.

Efforts to Promote Diversity

We are imbuing a sense of belonging in our culture—including through the annual performance review process, and as part of the onboarding of new employees into the Firm. Building a diverse and inclusive organization is not only the right thing to do, but the commercially smart thing to do. There is growing evidence that diverse organizations outperform peers. For example, Morgan Stanley's Sustainability Research and Global Quantitative Studies teams collected and analyzed data from around the world to create a proprietary gender-diversity framework to rank companies on relevant metrics. They applied the framework to more than 1,600 stocks globally and found that companies that are more gender diverse offer similar return with lower volatility.

We believe that in order to promote diversity, we must drive awareness and accountability for diversity and inclusion efforts among managers and leaders at all levels. We achieve this through the following efforts:

- The Firm's leadership sets the tone by regularly communicating our strategy and setting the example for creating a culture of inclusion and belonging.
- We conduct annual diversity reviews with the leaders of every business unit to actively monitor diverse representation, as well as the impact of promotions, hires and attrition on our talent pipeline. We also monitor workplace climate for under-represented groups through our employee engagement survey. By sharing this diversity information with business leaders, we aim to drive a top-down dialogue that embeds accountability into the organization.
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Compensation Management Development and Succession Committee of the Board of Directors makes its compensation decisions based in part on performance priorities such as diverse talent development.

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Policies to Promote the Use of Diverse Contractors, Asset Managers, Brokers and Underwriters

With respect to our work with outside vendors, businesses and asset managers, we have a number of initiatives designed to increase our work with diverse and minority-owned companies. As part of our Supplier Diversity Program, Morgan Stanley seeks out diverse-owned companies that can meet our business needs. Our commitment to diversity involves providing diverse-owned businesses including, but not limited to, minority and women business enterprises, disadvantaged business enterprises, veteran business enterprises, and lesbian, gay, bisexual, transgender-owned businesses, with an opportunity to provide goods and services to the Firm. We believe that working with diverse-owned companies not only fosters strategic and business relationships, but also stimulates economic development and strengthens the communities where we live and work. Morgan Stanley also encourages suppliers to make a good-faith effort to ensure that diverse-owned enterprises have a significant opportunity to participate as second-tier subcontractors and/or suppliers to service the Morgan Stanley account.

We are also very proud of our Multicultural Innovation Lab, which we launched in 2017. The Lab is an in-house accelerator supporting early-stage startups led by multicultural and women entrepreneurs. As part of the Lab, we provide a capital infusion, workspace at our New York headquarters, tailored programming and mentoring, and the opportunity to pitch to the influential investor community. There were 14 companies in our first two classes, and we are welcoming 10 more in our third cohort. Through the Morgan Stanley network, we can open important doors for these entrepreneurs, connecting them to potential investors and partners and increasing their visibility. Through our role as a connection between sources and uses of capital, we can help expand access to capital.

It will take these and other initiatives, as well as the attention of every manager across the Firm, to increase diversity across the Firm and across the businesses with which we work. We recognize that a more diverse environment will enable us to better recognize and serve the needs of our wide variety of clients, and we are committed to that work.

6. *Corporate board demographic data, including;*

a. Total number of board members;

b. Gender, race and ethnic identity of board members, as otherwise known or provided voluntarily;

c. Board position title, as well as any leadership and subcommittee assignments;

Establishing diverse leadership is essential to bringing greater diversity to the Firm as a whole. For that reason, diversity at the board level is a significant priority. As of January 1, 2019, 31% (four of 13) of the directors on our Board are women. We have one African American director and two Asian directors. This is a significant improvement since 2008, when we had only two women directors and one African American director. We continue to seek out diverse director candidates when we have openings on our Board. Our diverse directors are:

- Elizabeth Corley (director since 2018; member of Nominating and Governance Committee);
- Nobuyuki Hirano (director since 2015; member of Risk Committee);
- Jami Miscik (director since 2014; chair of Operations and Technology Committee; member of Risk Committee);
- Takeshi Ogasawara (director since 2019; member of Operations and Technology Committee);
- Hutham S. Olayan (director since 2006; chair of Compensation, Management, Development and Succession Committee);
- Mary L. Schapiro (director since 2018; member of Operations and Technology Committee); and
- Rayford Wilkins, Jr. (director since 2013; chair of Nominating and Governance Committee; member of Compensation, Management Development and Succession Committee).

7. Your institution's diversity policies and practices; and

Morgan Stanley's ability to build value for clients rests on the talent of our employees, who bring the benefits of their diverse experiences and perspectives to their work. We firmly believe that our business thrives by promoting a culture of inclusion and belonging where dedicated professionals can collaborate to produce breakthrough thinking. Our commitment to diversity is expressed as belonging as much as inclusion. All employees, irrespective of their race, gender or background, must feel that they belong at Morgan Stanley and that their values are recognized and respected.

We recognize that we have significant work to do to achieve our diversity goals. We have implemented a number of policies and practices across the Firm to ensure these goals are met. Through participation in initiatives such as the CEO Action for Diversity and Inclusion and Catalyst CEO Champions for Change, Morgan Stanley has pledged its commitment to help accelerate progress by strengthening our pipeline of diverse talent, continuing to benchmark and track our progress through talent data analysis, facilitating mentorship and sponsorship for our colleagues and sharing best practices.

As discussed above, over the past few years, the Firm has focused on cultivating its Analyst and Associate new hires from historically underrepresented groups to ensure employees in the early stages of their careers obtain the professional development and peer engagement they need to successfully advance to senior leadership. We have also adopted professional development programs to benefit the Firm's diverse workforce.

Also as discussed above, with respect to our work with outside vendors, businesses and asset managers, we have a number of initiatives designed to increase our work with diverse and minority-owned companies. As part of our Supplier Diversity Program, Morgan Stanley seeks out diverse-owned companies that can meet our business needs. Our commitment to diversity involves providing diverse-owned businesses including, but not limited to, minority and women business enterprises, disadvantaged business enterprises, veteran business enterprises, and lesbian, gay, bisexual, transgender-owned businesses, with an opportunity to provide goods and services to the Firm. We believe that working with diverse-owned companies not only fosters strategic and business relationships, but also stimulates economic development and strengthens the communities where we live and work. Morgan Stanley also encourages suppliers to make a good-faith effort to ensure that diverse-owned enterprises have a significant opportunity to participate as second-tier subcontractors and/or suppliers to service the Morgan Stanley account.

8. *Any challenges your institution faces in implementing its diversity goals and initiatives.*

As noted above, we recognize that we have significant work to do to achieve our diversity goals. It will take the initiatives discussed above, and others, as well as the attention of every manager across the Firm, to increase diversity across the Firm and across the businesses with which we work. We recognize that a more diverse environment will enable us to better recognize and serve the needs of our wide variety of clients, and we are committed to that work.

IV. Congressman Cleaver

Economic Conditions and Big Bank Responsibility

The Kansas City Fed produced a report on low- and moderate-income individuals' economic conditions within their district. The report read that "more survey contacts still reported worsening conditions than improving conditions, and those who reported no change were in some sense comparing current conditions with a low base." This is to say that conditions for some of low-income people have been negative for so long it is like looking up from a hole that hasn't gotten any deeper, but is still far underground.

Nationally, less than 75 percent of those younger than 65 with incomes less than $25,000 have health insurance coverage, compared with about 95 percent of those with incomes greater than $50,000.

Since 2008, more than 2.5 million new jobs were created in the most prosperous ZIP codes, while the least prosperous areas lost nearly 1.5 million jobs, according to research from the Economic Innovation Group.

People are struggling all over this country and when they hear about a tax reform bill that resulted in record stock buybacks and bonuses to senior executives—they are understandably upset.

What are your firms doing to create long-term, sustainable changes to help these struggling communities?

- *Specially, what measurable long-term commitments have your firms made to uplift struggling communities and where are you in achieving measurable benchmarks?*
- *If no such process exist would you be willing to develop such commitments?*

Since becoming a bank holding company in 2008, we have received an "Outstanding" rating on every Community Reinvestment Act ("CRA") exam (five consecutive exams). We deploy our CRA resources with a focus on four areas: (1) multifamily affordable housing; (2) healthy communities; (3) economic development; and (4) access to capital for Community Development Financial Institutions.

In the last eight years, we have supported the creation of 99,000 affordable housing units. We have made $18 billion in community development loans and investments.

We look for opportunities to be innovative—we executed the first-ever public capital markets bond financing for a community development financial institution, breaking new ground to enable wider access to capital for Community Development Financial Institutions.

We look for opportunities to link affordable housing, access to health care and access to transportation for job opportunities. For example, we established a $200 million Healthy Futures fund to finance primary care clinics near affordable housing and to create new affordable homes adjacent to health clinics. One example is in DC, at the Conway Center, where affordable housing, job training and health care are co-located.

We also co-led an investment in New York City-based Carver Federal Savings Bank, a minority depository institution that addresses the needs of the financially underserved while revitalizing and supporting neighborhoods in need. Morgan Stanley's investment represented over 25% of the total capital committed by all investors.

Are your firms planning to deploy recourses in the core of communities who need them through the opportunity zones program?

- *If yes, please articulate exactly how your firm plans to do that?*
- *If not, why not?*

Morgan Stanley does not currently plan to participate directly in the Opportunity Zone program using Firm resources. However, we have made available to our wealth management clients an Opportunity Zone investment offering from an independent third party and are considering additional such investment offerings.

How will you ensure your firms resources will deployed in communities that need them and not diverted to those that do not? What metrics and tools are you using to ensure your resources and investments will be deployed in the most needed areas?

As mentioned above, Morgan Stanley does not currently plan to participate directly in the Opportunity Zone program using Firm resources. Should Morgan Stanley determine to participate in the future, the Firm will carefully consider how to best deploy its resources.

Diversity

Adopted in 2003, the Rooney Rule is an National Football League policy that requires teams to interview ethnic-minority candidates for head coaching jobs. Since then, the Rooney Rule has been expanded to include general manager jobs. A similar rule requires that a woman be interviewed for every business front-office position that opens in the league.

In all witnesses' testimonies diversity was noted as an important principal.

Would you all be willing to commit to abiding by a Rooney Rule when interviewing for every open executive level position in your firm?

Achieving greater diversity throughout the Firm, including at senior executive levels, is a key priority for Morgan Stanley, and we are working hard to achieve our diversity goals. At Morgan Stanley, we believe that our diversity goals are best achieved through a range of efforts to attract diverse talent, in addition to requiring diverse candidate slates for open roles.

Our external recruiting partners are expected to make every effort to source diverse candidates, and to provide diverse slates for open roles.

In addition, we have a number of initiatives designed to recruit diverse talent at all levels to the Firm. These include:

- A requirement for all external diverse recruiting partners to provide us with diverse candidate slates;
- Affiliation with a number of diverse external organizations which gives us access to mid and executive level diverse talent including the National Association for Black Accountants, the Association for Latino Professional for America, the Executive Leadership Council, the Council of Urban Professionals and The Women's Bond Club; and
- Programs designed to attract diverse talent including our Return to Work Program which attracts women who have left the workforce primarily to raise families. With a 12-week paid internship, and a commitment to hire assuming strong performance, this program has attracted hundreds of applicants and boasts a 60% conversion rate.

Lastly, every senior manager is required to have a succession plan for his or her senior team members, and part of that plan must include developing a diverse candidate pipeline.

Has your firm identified disparities in the promotion/retention rates of diverse employees? If so, what steps has your company taken to evaluate and address such disparities?

Retaining diverse employees and providing development opportunities to enable them to become future leaders of the Firm is a top priority. As discussed above, we have a number of initiatives in place to advance that goal.

We regularly review retention and promotion rates for women and ethnically diverse employees. Current data shows similar rates of attrition for men and women, and slightly higher rates of attrition for some ethnically diverse groups. We continue to monitor this data closely and actively address any issues that we believe are impacting retention for these groups.

Women and ethnically diverse promotion rates are largely in line with their representation in our workforce.

What steps does you firm take to ensure equal pay for equal work for women and minorities?

Attracting, retaining and advancing under-represented talent is a priority for Morgan Stanley, and a key aspect to this is ensuring that women and all other under-represented groups are rewarded equitably. Morgan Stanley has robust compensation practices that help to ensure that compensation and reward decisions are made fairly and consistently and are based on an individual's role, performance and experience. The Firm reviews compensation decisions for employees on an ongoing basis, including at the point of hire, as well as during our annual compensation process, to help ensure that individual compensation decisions are in-line with this philosophy. A diverse workforce is key to our success, and consistent with that, we are committed to continually assessing our rewards structure and decisions to help ensure equity in pay for all employees.

Do your companies currently set targets and/or goals for supplier diversity (including outside legal services)?

We have a number of initiatives designed to increase our work with diverse and minority-owned companies. As part of our Supplier Diversity Program, Morgan Stanley seeks out diverse-owned companies that can meet our business needs. Our commitment to diversity involves providing diverse-owned businesses including, but not limited to, minority and women business enterprises, disadvantaged business enterprises, veteran business enterprises, and lesbian, gay, bisexual, transgender-owned businesses, with an opportunity to provide goods and services to the Firm. We believe that working with diverse-owned companies not only fosters strategic and business relationships, but also stimulates economic development and strengthens the communities where we live and work. Morgan Stanley also encourages suppliers to make a good-faith effort to ensure that diverse-owned enterprises have a significant opportunity to participate as second-tier subcontractors and/or suppliers to service the Morgan Stanley account.

Fintech

There was a report released by Berkley University entitled "Consumer-Discrimination in the Era of Fintech[8]."

The report highlights that, "the mode of lending discrimination has shifted from human bias to algorithmic bias."

"Even if the people writing the algorithms intend to create a fair system, their programming is having a disparate impact on minority borrowers—in other words, discriminating under the law."

All of your firms were included in this report.

I understand from our exchange during the hearing that you may not be aware of the report. I would request that you all committee to reviewing the report and its findings.

What steps are you prepared to take to address its findings?

Morgan Stanley does not provide standalone retail banking services and our residential-lending business remains limited. Nevertheless, the Firm recognizes that access to capital, including home mortgages, is clearly unequal across segments of the US population. At Morgan Stanley, we carefully study this problem to inform steps towards addressing this imbalance. For example, our Access to Capital report from last year found that investors made equity investments in women and multicultural entrepreneurs that were 80% smaller than their typical equity investment. The investors also judge female and minority entrepreneurs by different standards. We are proud of our Multicultural Innovation Lab, where we identify women- and multicultural-led businesses with real growth potential, make an equity investment ourselves and then use our network to open doors for these innovators, putting them in front of potential investors to whom

[8] https://faculty.haas.berkeley.edu/morse/research/papers/discrim.pdf

they might otherwise not have access. Morgan Stanley has also provided financial support for CDFIs focused on serving minority- and women-owned businesses as they expand their lending online to compete against for-profit FinTech lenders. These groups include Trufund Financial Services and Accion East.

How does your firm ensure compliance with fair lending laws while deploying algorithms? What steps do your firms take to monitor and evaluate the impact of automated decision making on racial subgroups? What forms of self-testing do you utilize in this area?

Morgan Stanley does not utilize algorithmic models for automated credit decision making. Morgan Stanley does utilize algorithms in marketing and advertising efforts, which are monitored and tested for compliance with fair lending laws. Our monitoring and testing focuses on model development, model revision and output validation. The self-testing of algorithmic models includes the use of fair lending statistical analysis methodologies such as regression modeling.

If your firm utilizes "alternative data" for evaluating credit worthiness and terms of contract, what data has your firm has definitively determined should not be used either because it is explicitly discriminatory or may serve as a proxy for discrimination?

Morgan Stanley does not utilize alternative data for evaluating credit worthiness or terms of contract.

V. **Congresswoman Ocasio Cortez**

Mr. Dimon indicated that JP Morgan Chase will no longer be financing or working with private prisons and detention centers. Earlier this month, the Wells Fargo and US Bank also announced that their banks would no longer be financing or working with private prisons or detention centers. When do your banks plan to cease providing lending or other services to companies in the private prison and detention industry?

Morgan Stanley does not currently finance or advise GEO Group, CoreCivic or other similar companies in the private prison and detention industry. The Firm is highly sensitive to the risks and issues associated with these businesses.

VI. <u>Congressman Jesús García</u>

1. *Morgan Stanley was one of three managing underwriters of the 2014 general obligation bond offering to Puerto Rico, which has since been challenged by Puerto Rico's oversight board as debt issued in contravention of Puerto Rico's constitution. I asked about Morgan Stanley's involvement in this bond offering during Mr. Gorman's Financial Services Committee testimony, and Mr. Gorman indicated he would be happy to share details about the underwriting. Please provide Morgan Stanley's underwriting assessments of Puerto Rico's ability to repay its debt around the time of the 2014 bond offering.*

Morgan Stanley conducted thorough due diligence in connection with the 2014 general obligation bond ("GO Bond") offering. Morgan Stanley's underwriting assessment of the Commonwealth of Puerto Rico is recorded in the Official Statement for the 2014 GO Bond offering. Although the Official Statement indicated that the Commonwealth of Puerto Rico faced fiscal difficulties, Morgan Stanley believed that the Commonwealth of Puerto Rico had the ability to repay the 2014 GO Bonds at the time they were offered.

2. *Was Morgan Stanley aware that the Government Development Bank (GDB) of Puerto Rico received a joint memorandum from Citi and Popular, advising against the 2014 general obligation bond offering? Did Morgan Stanley request that the GDB disclose any such concerns from other would-be underwriters of the transaction?*

Morgan Stanley does not believe that it was ever informed that such a memorandum existed, or that Citi and Popular provided such a memorandum to the GDB. Morgan Stanley did not request that the GDB disclose the concerns raised in any joint Citi and Popular memorandum because we do not believe that Morgan Stanley was aware that Citi and Popular advised the GDB against the 2014 GO Bond offering. The Official Statement for the 2014 GO Bonds made clear that the Commonwealth's fiscal difficulties had become more severe in the months immediately preceding the issuance. The Official Statement for the 2014 GO Bonds contained numerous, specific risk factors about the bonds, including the fiscal difficulties that the Commonwealth of Puerto Rico faced.

3. *Did Morgan Stanley have any reason to believe that the Government of Puerto Rico's audited financial statements misrepresented or misstated the fiscal or financial situation the government faced at the time of the 2014 general obligation bond offering?*

The underwriters for the 2014 GO Bonds conducted thorough due diligence on the financial condition of the Commonwealth of Puerto Rico in connection with the issuance, including reviewing documents and speaking with relevant personnel. Based on that due diligence, Morgan Stanley had no reason to believe that the audited financial statements of the

Commonwealth of Puerto Rico in conjunction with the information contained and referenced in the Official Statement for the GO Bonds misrepresented or misstated the fiscal condition of the Commonwealth of Puerto Rico at the time of the offering.

VII. <u>Congressman Green</u>

1. *Has your firm ever had a woman or person of color in the position of Chair & CEO?*

Neither a woman nor a person of color has held the position of Chair and CEO at Morgan Stanley. Achieving greater diversity throughout the Firm is a key priority of Morgan Stanley. As I described in my written statement, we have significant work to do to achieve our goals, which include expanding diversity in our workforce and ensuring that women and ethnic minorities are being promoted at equal levels.

2. *At the full Committee hearing on April 10, 2019, when asked about your likely successor, you each indicated that it is unlikely that a woman or person of color will replace you.*

    a. *Why do your likely successors exclude women and people of color?*

    b. *What are you doing to diversify the talent pipeline for very senior leadership roles at your bank?*

The list of likely successors to me as CEO of Morgan Stanley does not exclude women and people of color. I did not raise my hand when asked if my successor was likely to be a woman or person of color because the question asked if it was likely, and I could only say yes or no. For my successor to likely be a woman or person of color, then the majority of candidates considered would need to be a woman or person of color. Had the question been "is it possible" or "is it desirable" then my answer would have been different. Separately, I would never discuss succession in a definitive way in the public arena unless it was decided. That being said, at Morgan Stanley we are very focused and are working hard to diversify the talent pipeline for the Firm's senior leadership roles, including the position of Chair and CEO. Through participation in initiatives such as the CEO Action for Diversity and Inclusion and Catalyst CEO Champions for Change, Morgan Stanley has pledged its commitment to help accelerate progress by strengthening our pipeline of diverse talent, continuing to benchmark and track our progress through talent data analysis, facilitating mentorship and sponsorship for our colleagues and sharing best practices. Through these efforts and others, Morgan Stanley is working to establish a diverse pipeline of senior management talent that is representative of our society.

Increasing diversity representation amongst C-Suite Executive is of utmost importance. Our efforts to improve representation include actively sourcing diverse candidates through experienced search firms and leveraging the networks of our current diverse and non-diverse executives. The Firm has membership in key organizations such as the Executive Leadership Council, the Council of Urban Professionals, the Women's Bond Club and Catalyst, which gives us access and exposure to external senior diverse talent who can be considered for C-suite level roles.

Internally, the Firm also focuses on cultivating senior leadership talent so that we can promote advancement amongst our executives. Our efforts include:

- Annual talent pipeline reviews of senior talent to identify individuals from under-represented backgrounds who can ascend to leadership roles;
- Leadership Development Programs such as the global Women Managing Director Conference, our Women and Multicultural Leadership Summits and the Morgan Stanley Leaders Program; and
- Formal and informal mentorship and sponsorship relationships between executives of the Firm and senior diverse leadership pipeline talent.

Development at the next levels down are also critical to cultivating a leadership pipeline. To support diverse employee development below the C-suite, the firm offers a number of programs for entry level and mid-level professionals.

3. *Often a CEO's responsibilities include leadership planning. Is this one of your exclusive or shared responsibilities as CEO? If yes:*

    a. *Do you believe your leadership planning sufficiently prioritizes the development of diverse candidates for the bank's most senior roles?*

    b. *What changes in your bank's leadership development and planning would increase the likelihood that likely candidates to succeed you will include women, people of color, and LGBTQ people?*

    c. *Do you commit to making those changes to your bank's leadership development plan?*

Leadership planning is essential to any Firm, and as CEO, I share in the responsibility for leadership planning at Morgan Stanley. We are committed to establishing diverse leadership and bringing greater diversity to the Firm as a whole, including in our most senior roles. Accordingly, all senior managers are required to have a succession plan for their senior team members, and part of that plan must include developing a diverse candidate pipeline. With respect to our Named Executive Officers, our Compensation Management Development and Successions Committee of the Board of the Directors makes its compensation decisions based in part on performance priorities such as diverse talent development. And as discussed above, we have instituted a number of programs to attract, retain and develop women, people of color and LGBTQ people across the Firm.

4. *Produce documentation of your bank's leadership development plan.*

Morgan Stanley provides both informal and formal leadership development opportunities. Informally, leaders are developed on the job through their work assignments and exposure to senior leaders. Formally, Morgan Stanley offers a number of Firm-wide development programs designed to help future leaders hone the skills necessary to lead, develop a broader understanding of our business, and develop peer and senior relationships. Our development programs include core programs targeted to the general population, and we are intentional about ensuring diverse representation in these core programs. The Firm also offers development programs specifically targeted to diverse groups. Additionally, leadership development opportunities are offered at the divisional levels and through Firm-sponsored employee networks on an ongoing basis.

Firm programs include:

- Morgan Stanley Leadership Program (MSLP), a four month development program for high performing Managing Directors;
- Women MD Conference for female managing directors globally;
- New Women MD Conference for newly promoted female Managing Directors;
- Executive Director Development Series, which is a four-month development program for high performing Executive Directors;
- Leader Engagement and Development Program, a four-month program for Black and Hispanic Executive Directors and Vice Presidents;
- Women's Development Series, a four-month program for women at the Executive Director and Vice President levels;
- Wealth Management Leaders Program, a mentorship and development effort for non-officers and Vice Presidents; and
- Change Agent Circle, a six-month development program for Vice Presidents and Executive Directors in Wealth Management.

5. *Mr. Dimon and Mr. Gorman: At the full Committee hearing on April 10, 2019, when asked whether it is likely that your bank will have a woman or person of color as CEO within a decade, you each indicated that it is not likely, while your counterparts indicated that Citibank, Bank of America, State Street, BNY Mellon, and Goldman Sachs all likely will be led by women and/or minorities before 2029. What is it about JPMorgan Chase and Morgan Stanley that distinguishes your banks from your peers that enjoy a more positive outlook regarding the diversity of their future CEOs? In your response, address specifically the role of your respective bank's corporate culture, leaders, and internal talent pipeline in creating an environment where it is not likely for any woman or minority to head the bank at any time in the near future.*

I did not raise my hand when asked if it is likely that Morgan Stanley will have a woman or person of color as CEO within a decade, because the question asked if it was likely, and I could only say yes or no. For my successor to likely be a woman or person of color, then the majority of candidates considered would need to be a woman or person of color. Had the question been "is it possible" or "is it desirable" then my answer would have been different. Again, I would never discuss succession in a definitive way in the public arena unless it was decided. As discussed above, we are working hard to diversify the talent pipeline for the Firm's senior leadership roles, including the position of Chair and CEO. It is my hope and expectation that an increasing number of women and people of color will hold senior leadership positions at Morgan Stanley in the coming years, including the position of Chair and CEO.

6. *It often takes years to recover from the damage and loss caused by a natural disaster. I know this because my district of Houston is unfortunately still struggling to recover since Hurricane Harvey devastated countless homes and communities. That is why I believe we need to push banks to provide real assistance after the foreclosure moratoria expire. People need more time to rebuild and a way to deal with the inevitable missed payments through a modification or other form of relief that isn't just resuming their regular payment or paying back a lump sum. What options do you offer disaster relief victims after the first year for long term solutions that help borrowers keep their homes?*

Morgan Stanley sympathizes with those who are victims of natural disasters, including many of our own employees and clients, and Morgan Stanley has long recognized the importance of providing housing support following natural disasters. That is why in 2011, we partnered with the National Equity Fund Inc. on the Rebuilding Local Economies Fund which finances affordable housing for low-income residents in FEMA-declared disaster areas. Through these types of initiatives, we continue to look for innovative ways to support affordable housing, including for disaster victims. For example, Morgan Stanley responded quickly to help structure, and invest into, a complex transaction that brought together community groups and government agencies to create and preserve affordable housing in the wake of the devastating wildfires that destroyed over 5,300 homes in Sonoma County, CA in late 2017. The Firm continues to work to identify solutions to similar problems in other disaster areas nationwide.

7. *According to a recent study by Reveal from the Center for Investigative Reporting, fifty years after the Fair Housing Act banned discrimination in lending, African Americans and Hispanic (or Latinx) Americans are still denied conventional mortgage loans at rates far higher than their white counterparts in 61 metro areas across the United States. Earlier this year, Citi entered into a settlement with the OCC for failing to give minority customers mortgage discounts that were available to many other borrowers. In 2017, JP Morgan Chase entered into a $53 million settlement for overcharging African American and Hispanic borrowers higher rates and fees on mortgage loans.*

    - *Do you agree that discrimination exists in mortgage lending?*
    - *What changes, if any, have you made to your systems and procedures to prevent this type of discrimination in the future?*
    - *What systems do you have in place to make sure your bank is not discriminating against borrowers of color?*

Morgan Stanley's residential-lending business remains limited. Nevertheless, the Firm recognizes that access to capital, including home mortgages, is clearly unequal across segments of the US population. At Morgan Stanley, we carefully study this problem to inform steps towards addressing this imbalance. For example, our Access to Capital report from last year found that investors made equity investments in women and multicultural entrepreneurs that were 80% smaller than their typical equity investment. The investors also judge female and minority entrepreneurs by different standards. We believe that the funding gap is a market inefficiency that needs to be addressed, and that by bringing attention to the issue, Morgan Stanley can be a part of the solution.

VIII. <u>Congressman McAdams</u>

1. *How do you survey and evaluate employee morale? And how do you incorporate that feedback into action plans to improve your companies?*

The Firm conducts an annual employee engagement survey which measures employee engagement and morale globally. The survey includes questions to gauge employee views on the Firm's reputation, our leadership and management teams, our work culture and environment, compensation and benefits, as well as our efforts to drive diversity and inclusion. Results are shared and discussed with Morgan Stanley leadership and action plans are developed to address areas of concern.

2. *What steps does your company take to ensure employees can report concerns or grievances up the chain of command and/or to an independent entity outside the direct chain of command? How do you ensure these employees can report any concerns without fear of reprisal?*

At Morgan Stanley, we believe that we each have an obligation to speak up if, in the course of our employment, we encounter a situation that raises legal or ethical concerns. This includes potential fraud or other wrongdoing, whether within the Firm or by an external party. If an employee has a concern regarding a potential wrongdoing, the employee is encouraged to promptly inform at least one of: his or her supervisor, a member of the Legal and Compliance Department, his or her HR representative, a designated contact under a specific policy or procedure, or the Integrity Hotline.

If an employee's concerns relate to the conduct of a senior executive or a member of the Board of Directors of Morgan Stanley, the employee is encouraged to report his or her concerns to the Chief Legal Officer or the Global Audit Director. Concerns involving the Chief Legal Officer or the Global Audit Director may be reported to the Board's Independent Lead Director or Chairman of the Audit Committee.

Morgan Stanley manages all reported concerns as confidentially as possible, including limiting the disclosure of the identity of the person raising the concerns, consistent with applicable law and our commitment to conduct a thorough review of any identified issues. In addition, the Firm provides a mechanism for anonymous reporting through the Integrity Hotline, which is available 24 hours a day, 7 days a week.

The Firm takes allegations of misconduct seriously and prohibits retaliation against or the victimization of anyone raising a concern in good faith.

IX. <u>Congressman Rose</u>

I am concerned with the recent trend of banks pulling financing from firearm industry participants. Responding to a question Chairman Mike Crapo asked in a Senate Banking Committee hearing in April 2018, Federal Reserve Vice Chairman of Supervision Randy Quarles responded: "I do not believe that lending to the NRA or to law-abiding gun firms in the gun industry raises security and soundness questions."

Can you outline how your bank ensures that any withholding of banking services for the firearm industry, or any lawful business activity, is based on legitimate concerns of federal and state law compliance or creditworthiness as opposed to activist groups' disfavor of a certain lawful business activity?

Whenever we consider a potential client or potential transaction, we closely examine all the risks involved, including risks to our communities. We give serious consideration to how we do business with companies in the weapons industry.

There are many legitimate uses for guns, including law enforcement and personal security. However, there is also the serious risk of misuse. At Morgan Stanley, we strive to find the right balance. This may include the escalation of certain transactions for review by our Franchise Risk Committee.

X. <u>Congressman Sherman</u>

1. *The American with Disabilities Act is nearing its 30th Anniversary (July 26, 2020) and several subsequent pieces of legislation have worked to fulfill the promise of the ADA. The Workforce Innovation and Opportunity Act transformed our nation's workforce development system to become more accessible, the Section 503 regulations encouraged federal contractors to recruit qualified individuals with disabilities, the Achieve a Better Life Expectancy (ABLE) Act created tax-free savings account to help pay for disability needs and CRA applies to low income people with disabilities. Please explain what your Financial Institution is currently doing or planning to do to support low-income people with disabilities in these specific areas:*

- *Employment/Vocational Training*
- *Financial Literacy*
- *Promotion of ABLE Accounts*
- *Housing*
- *Education*
- *Socialization*
- *Public Policy*

Morgan Stanley recognizes the important contributions of individuals with disabilities to the workforce and society. We actively support organizations that provide advocacy and services to the differently-abled, including the National Organization on Disability ("NOD"), of which we are a Corporate Circle partner. NOD and its "Look Closer" public-awareness campaign urge large corporate employers and recruiters to more closely consider the unique strengths that differently-abled job candidates bring when hiring new talent. Through our "Lights on Broadway" initiative, we recently donated advertising space on our Times Square electronic billboards for the "Look Closer" campaign for the month of October 2018, in connection with National Disability Employment Awareness Month. We continually seek to engage with additional non-profit organizations and to expand our support of initiatives that assist disadvantaged and otherwise underserved groups.

2. *There are over 22 million working-age Americans and 70 percent of them are striving to work. However only one in three has a job. What is your financial institution's strategy for connecting with this pool of potential employees? How does your talent recruitment and employee education process meet the needs of job-seekers with disabilities? What processes are in place for when an employee with a disability requests a reasonable accommodation?*

Morgan Stanley is committed to providing equal access and employment opportunities to individuals with disabilities. We view differently abled persons as an important element of a more diverse workforce that will enable us to better serve the needs of our clients. Our broad-based and targeted recruiting efforts reflect our desire to attract and retain the most qualified employees from all talent pools in a competitive global environment. Once we hire an employee at Morgan Stanley, we work to foster environments that enable our employees to achieve their personal and professional objectives, including through reasonable accommodations for disabilities. We recognize that our success as an organization depends on our employees knowing that Morgan Stanley welcomes and respects their values, perspectives and experiences.

3. *As a federal contractor, your financial institution has an aspirational goal to have 7 percent of your employees, in all job categories, be qualified individuals with disabilities. What efforts have you made to work towards this goal? How has your organizational culture evolved to include employees with disabilities? What percentage of your employees have disabilities? What barriers have you experienced to success? What successes have you achieved?*

Morgan Stanley is not a federal contractor. As noted above, Morgan Stanley is committed to providing equal access and employment opportunities to individuals with disabilities.

4. *Fully 26 percent of people with disabilities live in poverty and fully 18 percent of households headed by people with disabilities are unbanked. What efforts have your financial institutions made to support people with disabilities who want to seek our financial literacy, open a savings account or otherwise improve their financial status?*

At Morgan Stanley, we recognize the importance of financial literacy and access to financial services for all individuals. To that end, we work with and support a number of organizations and community development financial institutions ("CDFIs") that focus on low-income and underserved individuals, in addition to providing direct community outreach to promote greater financial literacy. As one example, in connection with our annual pro-bono Strategy Challenge, Morgan Stanley has provided strategic advice and consulting to Neighborhood Trust Financial Partners, a non-profit organization that offers free financial counseling and access to low- or no-cost banking services for low-income workers. Morgan Stanley's work with this organization, which includes a long-standing commitment of financial support, has enabled it to sustainably expand its reach nationwide and offer additional services to clients. Further, Morgan Stanley is committed to the provision of resident services, including financial counseling and free-tax preparation, at affordable housing properties financed through the Firm's CRA program.

5. *What are you doing to help people with disabilities start or grow their own companies or have access to credit for home ownership?*

Morgan Stanley does not provide standalone retail banking services and our residential-lending business remains limited. We make significant community-development loans and investments pursuant to the Community Reinvestment Act ("CRA"), including loans to community development financial institutions CDFIs and volunteer service to community-based organizations that provide assistance to small-business owners and facilitate access to affordable housing. We have received ratings of "Outstanding" from the OCC on each CRA examination we have undergone, five straight examinations, including just recently. We continually seek new opportunities to invest in the communities where we operate and to provide greater access to capital to the underserved.

Many of Morgan Stanley's CRA-related loans and investments support the creation or preservation of affordable housing with set-asides to ensure accessibility and support services for disabled persons, veterans, youth and families experiencing homelessness and for seniors. A recent example is Morgan Stanley's investment to help a non-profit acquire a partnership interest for the new construction of a 175-unit low income senior housing development with a senior center and community health center in the Bronx, NY. Thirty percent of the units are reserved for disabled homeless persons referred from NYC health agencies.

XI. Congresswoman Tlaib

1. *A new report finds that each of your banks benefited significantly from the 2017 corporate tax cut and also that each of your banks bought back at least several billion dollars in stock last year. We were promised going into that tax cut that corporations would spend that money on raising wages and creating jobs. For each of you:*

    a. *What was the net change in your bank's U.S. employment last year?*

As of December 31, 2017, Morgan Stanley had 40,007 employees in the United States. As of December 31, 2018, Morgan Stanley had 41,746 employees in the United States.

    b. *Did median pay at your bank increase last year? If so, by how much?*

Yes. The median annual total compensation of all employees, other than the CEO, increased from $127,863 in 2017 to $142,604 in 2018.

2. *In 2018, did your bank utilize the provision in the 2017 tax law that provides an exemption for a 10 percent return on your overseas tangible investments (such as facilities and equipment)? If so, how much did that exemption cut your bank's taxes?*

We are still in the process of completing our 2018 tax return and have not finalized our 2018 tax liability. Although the 2017 law requires us to include as part of the calculation of our global intangible low-taxed income ("GILTI") the amounts of our overseas tangible investments, given the nature of our business we expect these amount to have negligible to zero impact on the bank's 2018 US tax liability.

3. *How much profit have you generated in your high-carbon energy portfolio?*

Due to the complexity of addressing climate change in both developed and emerging economies a transition to a low-carbon economy will necessitate joint efforts by governments, businesses and individuals. We consider these complex issues carefully and endeavor to find the right balance. At Morgan Stanley, we believe that as a financial institution, our greatest impact on climate change lies in how we can leverage the capital markets to scale low-carbon sources of energy and other sustainability strategies.

Recognizing the need to rapidly scale climate finance, in April 2018, we announced plans to mobilize $250 billion to support low-carbon solutions by 2030. Our business activities in clean-tech and renewable energy financing, sustainable bonds and other relevant transactions and investments contribute to this commitment. In 2018, we mobilized nearly $30 billion in capital toward this goal.

We have policies in place that guide how we review and transact with companies with potentially significant environmental impacts, including climate change impacts. This may include increased scrutiny and enhanced due diligence that considers factors such as emissions controls and measures to address the physical and transition risks of climate change. We have also implemented specific restrictions on financing coal mining and coal-fired power generation.

We have significantly reduced our exposure to thermal coal mining over the past several years, and in February 2019, we were ranked by the Institute for Energy Economics and Financial Analysis as number one in limiting coal financing.

HFSC CEO Hearing Follow-Up Questions/Answers

Congresswoman Alexandria Ocasio Cortez (Private Prisons)
Mr. Dimon indicated that JP Morgan Chase will no longer be financing or working with private prisons and detention centers. Earlier this month, the Wells Fargo and US Bank also announced that their banks would no longer be financing or working with private prisons or detention centers. When do your banks plan to cease providing lending or other services to companies in the private prison and detention industry?

Answer
There are critical underlying issues at the core of the private detention debate that must be addressed; these include the need for comprehensive immigration and criminal justice reform, both of which Bank of America supports.

Bank of America conducts enhanced due diligence for transactions with privately-owned prisons and/or private immigrant detention providers who contract with the state and federal government to provide services to those governmental entities. Our client engagement and due diligence includes a further review of issue areas that have received scrutiny, including the following: human rights; access to counsel, medical care, education and other necessary services; labor practices; incidence of violence or sexual assault; and any other area involving the management of facilities administered by these companies. Inquiries may include a requirement for specific documentation, meetings with the client to discuss concerns, or visits to facilities in question. We have conducted site visits and facilitated constructive dialogue between the advocacy community and clients.

We also seek counsel from our National Community Advisory Council, a group of 30 leading civil rights, consumer policy, and environmental organizations. As a result of our engagement thus far, we have advanced important issues, particularly around importance of re-entry efforts. This engagement is ongoing.

Congressman Barr (Reg Reform)
What is one regulation, either implemented or proposed, that your institution is subject to, that you believe could potentially exacerbate an economic downturn or may impede recovery from a downturn?

Answer
The core post-crisis regulatory reforms have made the U.S. financial system safer.

In part to address the very question at hand, the U.S. Department of Treasury report on banking recommended, in addition to greater transparency for stress testing, recalibration of several capital reforms applicable to global systemically important banks (G-SIBS), including the G-SIB surcharge, the total loss-absorbing capacity final rule, and the enhanced supplementary leverage ratio. The Treasury report also recommended delay and recalibration of potential forthcoming reforms such as the Net Stable Funding Ratio and Fundamental Review of the Trading Book.[1] Tailored adjustments to these requirements would improve the ability of financial services institutions to support market liquidity, including during an economic downturn.

Similarly, the Federal Reserve Board staff has demonstrated that the Volcker rule may reduce bond liquidity during times of stress.[2] The agencies responsible for implementing the Volcker rule have proposed changes to the existing regulation to address these concerns.

It also is prudent to consider the impact of proposed additional rules in this context. For example, inter-affiliate initial margin requirements for swaps transactions under the prudential regulator margin rule are a potential requirement that would result in large amounts of liquid resources being locked up in a manner such that they would be unavailable to use during an economic downturn or to support a recovery.

[1] See U.S. Department of The Treasury, A Financial System that Creates Economic Opportunities: Banks and Credit Unions (June 2017), https://www.treasury.gov/press-center/press-releases/documents/a%20financial%20system.pdf.

[2] Bao et al., The Volcker Rule and Corporate Bond Market-Making in Times of Stress, J. Fin. Econ. (2018).

Congressman McAdams (HR)

How do you survey and evaluate employee morale? And how do you incorporate that feedback into action plans to improve your companies? What steps does your company take to ensure employees can report concerns or grievances up the chain of command and/or to an independent entity outside the direct chain of command? How do you ensure these employees can report any concerns without fear of reprisal?

Answer

Bank of America conducts an annual, full census, employee engagement survey. Our 2018 survey reflected a strong level of employee engagement with scores at the highest in company history (consistent with financial service industry benchmarks). Leaders receive their aggregate engagement scores as well as scores on individual questions, and are expected to address specific areas where the results indicate that focus is needed. Senior executives report out on progress against their engagement action plans during quarterly business reviews with the CEO.

Bank of America encourages employees to escalate concerns to their manager, risk and compliance, or Global Human Resources as appropriate, and provides multiple channels for concerns to be internally escalated anonymously, including the Ethics & Compliance Hotline, the Code of Conduct mailbox, a dedicated Employee Relations function for managers and employees to contact via phone or online and the Referral Management System for reporting suspicious activity.

The Bank of America Code of Conduct reiterates that Bank of America will not retaliate, and prohibits all employees from retaliating against anyone who in good faith reports suspected unethical conduct, or violations of laws, regulations, or company policies. All employees are required to take annual training on the Code of Conduct. Alleged retaliation against an employee for reporting what they reasonably believe to be prohibited behavior, including harassment or discrimination or taking part in an investigation, is investigated by the Internal Enterprise Investigations team.

Congresswoman Tlaib (Tax Cuts/High Carbon Energy Portfolio)
A new report finds that each of your banks benefited significantly from the 2017 corporate tax cut and also that each of your banks bought back at least several billion dollars in stock last year. We were promised going into that tax cut that corporations would spend that money on raising wages and creating jobs.

- What was the net change in your bank's U.S. employment last year?

  Answer: During 2018, we hired approximately 27,000 people in the company. Also in 2018, we announced our intent to hire 10,000 new employees in low-and moderate-income communities. We are halfway through that commitment. Our U.S. headcount was approximately 175,000 in 2017 and our U.S. headcount was approximately 170,000 in 2018, a decrease in headcount of approximately 5,000.

- Did median pay at your bank increase last year? If so, by how much?

  Answer: Being paid competitively and fairly for the work each of us does in our roles at all levels of our organization is a key component of how we invest in our teammates. Core to this is our support for a competitive minimum rate of pay. That's why we are proud to be a leader in announcing that our minimum hourly wage for U.S. employees increased to $17 on May 1, 2019, and will continue to rise until it reaches $20 in 2021. Our increase to $20 over the next two years builds on regular increases over the past several years of our internal minimum rate of pay for our U.S. hourly employees.

  As disclosed in the annual proxy statement our median pay changed from $87,115 in 2018 to $92,040 in 2019, an increase of $4,925 (or 5.7%).

- In 2018, did your bank utilize the provision in the 2017 tax law that provides an exemption for a 10 percent return on your overseas tangible investments (such as facilities and equipment)? If so, how much did that exemption cut your bank's taxes?

  Answer: As a general matter, the banking business model does not involve a significant investment in depreciable assets. Bank of America is in the process of finalizing its 2018 tax return, but we expect that any benefit from the referenced provision would be minimal.

- How much profit have you generated in your high-carbon energy portfolio?

  Answer: Since 2007, Bank of America has committed significant capital to helping accelerate the transition to a low-carbon economy. Most recently, we announced an extension of our Environmental Business Initiative to bring our total capital commitment to low-carbon businesses since 2007 to $445 billion by 2030 through lending, investing, capital raising, advisory services and developing financing solutions. Since 2007, Bank of America has deployed more than $126 billion in support of environmental business efforts across the globe.

  We would be pleased to meet with you to discuss how we are working with all our clients to transition to a low-carbon economy.

Congressman Rose (Guns)

I am concerned with the recent trend of banks pulling financing from firearm industry participants. Responding to a question Chairman Mike Crapo asked in a Senate Banking Committee hearing in April 2018, Federal Reserve Vice Chairman of Supervision Randy Quarles responded: "I do not believe that lending to the NRA or to law-abiding gun firms in the gun industry raises security and soundness questions."

Can you outline how your bank ensures that any withholding of banking services for the firearm industry, or any lawful business activity, is based on legitimate concerns of federal and state law compliance or creditworthiness as opposed to activist groups' disfavor of a certain lawful business activity?

Answer

We operate in and support communities throughout the U.S. More than 150 of our employees have been affected directly and indirectly by mass shootings involving military styles firearms in many of the communities where we operate.

We have firearms industry clients who do not manufacture this type of firearm for civilian use. We engaged the limited number of clients who do engage in the production and sale to the general public of these types of guns to learn their plans to keep this type of firearm from being used in mass shootings. In those discussions, we have indicated it is our intent that we will not finance the manufacture of this type of firearm for non-law enforcement, non-military use.

This is an important issue and we would be pleased to meet with you to discuss this in further detail.

Congresswoman Alexandria Ocasio Cortez (financial crisis settlements/fines)

Between 2011 and 2016, Bank of America / Merrill Lynch paid over $50 billion in fines and criminal penalties to various federal and state agencies and law enforcement bodies for violations that included abuses in residential mortgage backed securities markets, mortgage servicing and foreclosure abuses, consumer banking violations, and investor protection violations. (For a full list see https://violationtracker.goodjobsfirst.org/violation-tracker/-bank-of-america-0).

1) Was Mr. Moynihan employed at Bank of America during the time that the conduct leading to these judgements of regulatory and criminal violations took place? What was his position?

2) Did Mr. Moynihan personally make or approve any decisions related to the conduct leading to those judgements of regulatory and criminal violations?

3) Was Mr. Moynihan in the reporting line for any of the individuals who participated in the conduct leading to these judgements, and/or in a position of direct or indirect management responsibility for their supervision during the time they participated in such conduct?

4) How much did Mr. Moynihan earn in incentive pay or bonuses during the years in which the conduct leading to the above-mentioned fines and criminal penalties took place? Please give a total figure and tabulate by year.

Did Mr. Moynihan ever have to return, pay back, or surrender any of this incentive pay or bonuses for the years during which the conduct leading to the above-mentioned fines and criminal penalties took place, due to any role in the direct or indirect supervision of individuals participating in this conduct? If so, how much?

Answer

Mr. Moynihan has been employed by Bank of America or one of its predecessor organizations since 1993. At Bank of America, he served as President of Global Wealth and Investment Management from 2004 to 2007; President of Global Corporate and Investment Banking from 2007 to 2008; General Counsel from December 2008 to January 2009; President of Global Banking, Global Wealth & Investment Management from January 2009 to August 2009; President of Consumer & Small Business Banking from August 2009 to December 2009; and CEO from 2010 to present and Chairman from 2014 to present.

As detailed in the attachment enclosed in response to Chairwoman Waters' questions for the record, many matters addressed behavior by legacy institutions such as Countrywide that occurred before those entities became part of Bank of America. As CEO, Mr. Moynihan has instituted a culture of Responsible Growth, which guides the firm in living its purpose of helping to make financial lives better and in achieving strong operating results the right way. The three-year company strategy that the board of directors reviews and approves each fall is based upon continued adherence to that approach. This means understanding the risk and reward in everything we do and empowering our teammates to share their opinions and ideas so we make better decisions.

Even though settlements occurred as late as 2016, much of the activities were from the period when Countrywide and Merrill Lynch were independent companies where no Bank of America person was involved.

Since becoming CEO of Bank of America, Mr. Moynihan has been awarded incentive bonuses solely in the form of equity that must be re-earned based upon the company's performance over time; there has been no cash component. These awards are subject to multiple cancellation and clawback features as well as a requirement that Mr. Moynihan hold half of the net after-tax shares received until one year after his retirement. To date, none of his awards have been forfeited or cancelled.

Between 2010 to 2016 Mr. Moynihan received the following bonus and incentive pay, which is included in the proxy and subject to shareholder say on pay approval:

Year	Cash Incentive	Equity Incentive	Total Incentive
2016	$0	$18,500,000	$18,500,000
2015	$0	$14,500,000	$14,500,000
2014	$0	$11,500,000	$11,500,000
2013	$0	$12,500,000	$12,500,000
2012	$0	$11,050,000	$11,050,000
2011	$0	$6,050,000	$6,050,000
2010	$0	$9,050,000	$9,050,000

Congresswoman Beatty (D&I)[3]
To best examine this concern about Bank of America's implementation of diversity and inclusion initiatives, please provide the following about your institution's diversity and inclusion data and policies from 2015 through present, including:[4]

1. Demographic totals on your employees, including:
    a. Total number of employees (full- and part-time)
    b. Career level of employees (executive and manager versus employees in other roles);
    c. Gender, race and ethnic identity of your employees, as otherwise known or provided voluntarily;
    d. Employee compensation by gender, race and ethnicity;
2. Number and dollar value invested with minority- and women-owned vendors and asset managers as compared to all vendor and asset manager investments, as applicable;
    a. Amount and percentage of company 401K plan and other pension plan assets invested with diverse-owned asset management firms and categorize each firm by gender and racial ownership type (i.e. women, African-American, Latino etc.)
    b. Amount and percentage of externally-managed wealth management platform assets invested with diverse-owned asset management firms and categorize each firm by gender and racial ownership type (i.e. women, African-American, Latino etc.)
    c. Amount and percentage of investments managed by diverse owned banks and underwriters and categorize each firm by gender and racial ownership type (i.e. women, African-American, Latino etc.)
3. Title(s) and reporting structure for your institution's lead diversity officer(s);
    a. Number of staff and budget dedicated to diversity initiatives;
4. Description of performance measures and compensation tied to diversity initiatives;
5. Company-wide diversity policies and practices, including:
    a. Recruitment strategies;
    b. Outreach to diverse organizations, such as historically black colleges and universities and professional organizations;
    c. Gender pay equity data and efforts to close any identified gaps;
6. Corporate board demographic data, including;

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[3] The 2008 financial crisis, in particular, revealed the depth of the problems in the financial services industry, including a lack of diversity in the industry's workforce and business activities. In response to this concern, Section 342 of the Dodd Frank Wall Street Reform and Consumer Protection Act created 20 Offices of Minority and Women Inclusion (OMWI) in the nation's most powerful financial regulatory agencies, to be responsible for all matters relating to diversity in regulated agencies' management, employment, and business activities.[3] Section 342(b)(2)(C) of the Dodd-Frank Act also required the OMWI Director of each agency to develop standards for assessing the diversity policies and practices of entities regulated by the agency. The Final Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity and Policies and Practices of Entities Regulated (Joint Standards) was adopted in June 2015 by the lead prudential banking and consumer finance regulatory agencies to implement this requirement.[3] Unfortunately, a complete picture of diversity and inclusion in the financial services industry cannot be obtained until the financial services industry shares their diversity data and policies with the OMWIs, Congress, and the public. Under the Joint Standards, regulated entities were encouraged, but not required, to share diversity data and policies with the OMWI offices. Without access to this data, it is not fully possible to gauge whether regulated entities are meeting the spirit and intention of Section 342.
[4] If your institution is a member of and participated in diversity surveys conducted by the Securities Industry and Financial Markets Association, you may have previously provided similar diversity statistics and information to that trade association. If so, that data may be provided as a response, in part, to this data request.

a. Total number of board members;
b. Gender, race and ethnic identity of board members, as otherwise known or provided voluntarily;
c. Board position title, as well as any leadership and subcommittee assignments;

7. Your institution's diversity policies and practices; and
8. Any challenges your institution faces in implementing its diversity goals and initiatives.

Answer

We are a diverse and inclusive company where our employees are encouraged to bring their full selves to work, and are empowered to share their perspectives on how we run our company and support one another. The diversity of our employees — in thought, style, sexual orientation, religion, gender identity, race, ethnicity, culture, and experience — is essential to our ability to meet the needs of our diverse customers and clients.

We regularly review our diversity and inclusion strategy with our board, CEO, and the management team. We have a disciplined approach to maintaining and continuing to improve our diversity. Our Global Diversity and Inclusion Council, chaired by Brian Moynihan and comprised of leaders from every line of business and region, is responsible for setting and upholding diversity and inclusion goals and practices. Our Global Diversity and Inclusion Organization is a team of employees whose full-time responsibility is to partner with every business and region to develop diversity and inclusion strategies, recruit diverse talent, manage partnerships and alliances focused on diversity, and actively engage our employees. Each member of our management team, including the CEO, has diversity and inclusion strategies incorporated into their business plans, and that focus is expected for all managers across the company. In fact, each of our lines of business have councils charged with planning and implementing diversity strategies.

Today, more than half of our global workforce is female, and more than 45 percent of our U.S. workforce is racially and ethnically diverse. We have a diverse Board of Directors and global management team with significant representation of women and persons of color.

We also have 11 employee networks, which are comprised of more than 250 chapters and over 120,000 memberships around the world for women, black/African-American, Hispanic/Latino, Asian, military, LGBT, parents and caregivers, employees at various ages, and employees with disabilities. These networks provide employees with opportunities to connect with each other, develop leadership skills, build strong ties with the communities we serve, and bring lasting value to our business strategies.

We support in both policy and practice equal opportunity for employment, advancement and professional development, and prohibit discrimination or harassment of any kind on the basis of race, color, religious creed, religion, sex (including pregnancy, childbirth or related medical condition), genetic information, gender, gender identity, gender expression, sexual orientation, national origin, citizenship status, age, ancestry, marital status, medical condition, physical or mental disability status, military and veteran status or any other factor that is irrelevant to employment and advancement or prohibited by law.

Bank of America has a multi-faceted recruitment process that puts the focus on the candidate experience and recruiting the most diverse slate of talent into its programs. Through strong diversity partnerships and a global footprint, the company hires from more than 350 universities around the world, with on-campus sourcing at nearly 100 core schools. Over the past year, Bank of America has increased its work with Hispanic-Serving Institutions (HSIs) in key locations, including Puerto Rico, and has expanded its recruiting efforts at four Historically Black Colleges/Universities (HBCUs). The bank has also attracted students from a further 28 HBCUs through virtual and national efforts to reach previously untapped talent. In addition, since 2013, Bank of America has hired 168 interns from universities in Côte d'Ivoire, Egypt, Ghana, Kenya, Nigeria, South Africa, Togo, Uganda, and Zimbabwe through its Africa Internship Program. In 2019, Bank of America welcomed its most diverse class of summer interns to the company. The global class of more than 1,500 interns is 47 percent female (up from 45 percent last year), and its U.S. class is 57 percent people of color (up from 55 percent last year).

We have many programs in place to help develop high-performing, diverse employees, and prepare them for the next level of their career. Programs like our Global Women's Conference, Black Executive Leadership Summit, and Hispanic Latino Leadership Summit connect employees to senior leaders, outside experts, and guidance on how to differentiate themselves and achieve their career goals.

Across all wealth platforms, we have 17 minority or women owned asset managers with over $5.5B on the platform. There are also nine additional asset managers in the pipeline.

Details on our demographics (total employees, career levels, and gender/race statistics) can be found below:
https://about.bankofamerica.com/en-us/what-guides-us/our-global-workforce.html?bcen=8a6b#fbid=XmK1EdSonQv

Diversity and inclusion leadership:
https://about.bankofamerica.com/en-us/what-guides-us/leadership-of-diversity-and-inclusion.html?bcen=8a6b#fbid=XmK1EdSonQv

How we support inclusion:
https://about.bankofamerica.com/en-us/what-guides-us/supporting-inclusion.html?bcen=8a6b#fbid=XmK1EdSonQv

Awards and recognition:
https://about.bankofamerica.com/en-us/what-guides-us/awards-and-recognition.html?bcen=8a6b#fbid=XmK1EdSonQv

Corporate Board Demographics

- Total number of board members: 16 members.
- Gender, race, and ethnic identity of board members, as otherwise known or provided voluntarily:
  - 5 women directors.
  - 2 African-American directors.
  - 1 Hispanic director.
- Board position title, as well as any leadership and subcommittee assignments: Under our Board's current leadership structure, we have a Chairman and a Lead Independent Director. Each of our Board's standing committees–Audit, Compensation and Benefits, Corporate Governance, and Enterprise Risk—is chaired by an independent director. Both the Audit Committee and the Compensation and Benefits Committee are chaired by women.

See 2019 Proxy Statement, pages 2, 5 to 15.

Supplier Diversity

At Bank of America, we aim to source from diverse suppliers, which include businesses owned by individuals who are minorities, veterans, women, lesbian, gay, bi-sexual or transgender, and individuals with disabilities. Supplier Diversity and Development program managers collaborate to ensure that we include diverse suppliers across the Bank. Bank of America sponsors our own Diverse Supplier Mentor Program, awarding numerous scholarships to entrepreneurial executive education programs through the Bank of America Diverse Supplier Scholarship Fund.

Bank of America is recognized as a leader in supplier diversity

- We were the first financial services institution on the Billion Dollar Roundtable, in recognition of our commitment to supplier diversity.
- In 2017, we were recognized as a Top 50 Company for Supplier Diversity by *Black Enterprise Magazine*
- In 2018, Bank of America won a Corporation of the Year — Financial Award from the National Minority Supplier Development Council (NMSDC), was awarded the Platinum Top Corporation Award from the Women's Business Enterprise National Council, and was named Corporation of the Year by the National LGBT Chamber of Commerce (NGLCC).
- In 2019, we were named one of the Best of the Best Corporations for diverse supplier inclusion by the National Business Inclusion Consortium (NBIC).

Our commitment to supplier diversity initiatives and programs include:

- Awarding capacity building scholarships for executive education and entrepreneurial programs to help diverse business owners take their businesses to the next level.
- Offering development training through our high-touch mentoring program and Supplier Diversity and Development Small Business Institute to help small and diverse businesses overcome challenges to growth and capacity building.

Gender Pay Equity Data

Our company compensates our employees fairly and equitably based on performance, with equal pay for equal work, regardless of race or gender. We maintain robust policies and practices reinforcing our commitment, including analyses and reviews with oversight from our Board and senior leaders. Additionally, we've had a rigorous process and analysis from outside experts in place for over a decade which examines employee pay before year-end compensation decisions are finalized, and we adjust compensation where appropriate. In 2018, we expanded our review of total compensation from the U.S. and U.K. to include France, Ireland, Hong Kong, Singapore (82% of our global workforce). Results show that compensation received by women is on average greater than 99% of that received by men and that in the U.S., compensation received by people of color is on average greater than 99% of non-people of color teammates. We discuss our company's focus on equal pay for equal work in our 2019 Proxy Statement (Page 34).

We look forward to further discussions and providing further information to you and your staff. We share a common goal of promoting diversity and inclusion within the financial services industry and look forward to working together on the issues.

Congressman Cleaver - LMI[5]

What are your firms doing to create long-term, sustainable changes to help these struggling communities?

- Specially, what measurable long-term commitments have your firms made to uplift struggling communities and where are you in achieving measurable benchmarks?
- If no such process exist would you be willing to develop such commitments?

Are your firms planning to deploy recourses in the core of communities who need them through the opportunity zones program?

- If yes, please articulate exactly how your firm plans to do that?
- If not, why not?

How will you ensure your firms resources will deployed in communities that need them and not diverted to those that do not? What metrics and tools are you using to ensure your resources and investments will be deployed in the most needed areas?

Answer

Core to our commitment to Responsible Growth is sharing our success in the communities where our employees and our clients live and work. Among many ways we do this includes more than two million employee volunteer hours in support of causes important to the communities and to our company across the United States. We also share our success through our business activities and working with partners to foster economic mobility, advance workforce development, and enable access to capital for small businesses, entrepreneurs and nonprofits.

A few highlights of this work include:

- Affordable Home Ownership: In April 2019, we announced a new $5 billion affordable homeownership initiative for low- to moderate-income and diverse homebuyers and communities across the country. This commitment will help more than 20,000 individuals and families thrive through the power of homeownership over the next five years.
- Affordable Housing: Through Community Development Banking, we provided $4.7 billion in loans, tax credit equity investments, and other real estate development solutions in 2018. Resources deployed by CDB help build and support strong communities by financing affordable housing, schools, health care and economic development. In 2018, the developments CDB financed produced more than 15,000 affordable housing units.
- CDFI Lending: We manage a $1.6 billion Community Financial Services Portfolio, extending our ability to lend to communities throughout the U.S. to finance affordable housing, small businesses, economic development projects, and other community facilities. Through this work we have committed:

[5] The Kansas City Fed produced a report on low- and moderate-income individuals' economic conditions within their district. The report read that "more survey contacts still reported worsening conditions than improving conditions, and those who reported no change were in some sense comparing current conditions with a low base." This is to say that conditions for some of low-income people have been negative for so long it is like looking up from a hole that hasn't gotten any deeper. but is still far underground. Nationally, less than 75 percent of those younger than 65 with incomes less than $25,000 have health insurance coverage, compared with about 95 percent of those with incomes greater than $50,000. Since 2008, more than 2.5 million new jobs were created in the most prosperous ZIP codes, while the least prosperous areas lost nearly 1.5 million jobs, according to research from the Economic Innovation Group. People are struggling all over this country and when they hear about a tax reform bill that resulted in record stock buybacks and bonusses to senior executives—they are understandably upset.

*$100 million in capital for small business lending for women-owned businesses. We have completed our initial $50 million commitment in 2019 and have increased to $100 million.
*$20 million small business lending for veteran-owned businesses. Since 2018, we have deployed $10 million toward this effort.
*$30 million for affordable housing in Charlotte: $25 million low cost debt, $2.5 million for equity fund and $5 million in property donation. This effort was just announced earlier in 2019.

- Hiring: Since the beginning of last year, Bank of America has hired 4,700 individuals from low- and moderate-income ("LMI") communities into Consumer roles, bolstered by the 2018 launch of its Pathways career program. Nearly 30 percent of the company's external Consumer business hires come from LMI neighborhoods. The company is on track to exceed its 2018 commitment to hire 10,000 individuals over five years from the LMI neighborhoods it serves.
- Participants in the Pathways program receive at least 80 hours of training at The Academy, Bank of America's proprietary training program to help Consumer employees succeed in their roles. Almost 40,000 people participated in this training in 2018.
- Bank of America's relationship with nonprofits, such as Year Up and UnidosUS, is one aspect that is key to Pathways success.

Opportunity Zones
The Bank is in the process of evaluating The Opportunity Zone Program: rules, regulations and opportunities. To the extent the Bank has a qualifying capital gain eligible for the OZ incentive, the plan would be to invest through our Community Development Banking team in affordable and/or workforce housing projects developed within Opportunity Zones.

Deployment of Resources
The company is diligent in ensuring that resources are deployed effectively and across all our communities. Examples of this work include:

- Our LMI/CRA Strategy and Analytics team. This team prepares market assessments for each of Bank of America's CRA assessment areas - collecting demographic data, housing and economic information and lending volumes and share in low- and moderate- income communities. This analysis helps our lines of business prioritize opportunities and report on CRA performance. For example, approximately one-third of our financial centers (1,265) and ATMs (5,230) are in LMI areas, reflecting our overall strategy to help these communities thrive and prosper.
- Our Community Development Banking team - an experienced team focused on financing affordable housing for lower-income families to make the biggest impact. We work with a broad network of developers and community-based organizations working in low- and moderate- income communities.
- Engagement with stakeholders - Our National Community Advisory Council is made up of 30 of the nation's leading community, civil rights, and environmental advocates, including housing & economic development experts. This group meets with Bank of America leadership formally twice a year and helps to identify community needs and opportunities in LMI and minority communities.

We would look forward to further discussions with you and your staff on our commitment to these shared goals.

Congressman Cleaver - D&I

Would you all be willing to commit to abiding by a Rooney Rule when interviewing for every open executive level position in your firm?

Has your firm identified disparities in the promotion/retention rates of diverse employees? If so, what steps has your company taken to evaluate and address such disparities?

What steps does you firm take to ensure equal pay for equal work for women and minorities?

Do your companies currently set targets and/or goals for supplier diversity (including outside legal services)?

Answer

Bank of America has several processes to drive a diverse organization and supplier base.

Diverse Slating goes beyond the Rooney Rule

As our CEO Brian Moynihan recently discussed with Congresswoman Beatty, Bank of America has for many years – prior to the NFL solidifying the Rooney Rule - been focused on driving the underlying principles of the Rooney Rule. The expectation for all senior level roles is there is a diverse slate — including gender and ethnicity — before an offer is extended.

Supplier Diversity

At Bank of America, we aim to source from diverse suppliers, which include businesses owned by individuals who are minorities, veterans, women, lesbian, gay, bi-sexual or transgender, and individuals with disabilities. Supplier Diversity and Development program managers collaborate to ensure that we include diverse suppliers across the Bank. Bank of America sponsors our own Diverse Supplier Mentor Program, awarding numerous scholarships to entrepreneurial executive education programs through the Bank of America Diverse Supplier Scholarship Fund.

Bank of America is recognized as a leader in supplier diversity

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- In 2017, we were recognized as a Top 50 Company for Supplier Diversity by *Black Enterprise Magazine*
- In 2018, Bank of America won a Corporation of the Year — Financial Award from the National Minority Supplier Development Council (NMSDC), was awarded the Platinum Top Corporation Award from the Women's Business Enterprise National Council, and was named Corporation of the Year by the National LGBT Chamber of Commerce (NGLCC).
- In 2019, we were named one of the Best of the Best Corporations for diverse supplier inclusion by the National Business Inclusion Consortium (NBIC).

Our commitment to supplier diversity initiatives and programs include:

- Awarding capacity building scholarships for executive education and entrepreneurial programs to help diverse business owners take their businesses to the next level.
- Offering development training through our high-touch mentoring program and Supplier Diversity and Development Small Business Institute to help small and diverse businesses overcome challenges to growth and capacity building.

On your question of equal pay for equal work, our company compensates our employees fairly and equitably based on performance, with equal pay for equal work, regardless of race or gender. We maintain robust policies and practices reinforcing our commitment, including analyses and reviews with oversight from our Board and senior leaders. Additionally, we have had a rigorous process and analysis from outside experts in place for over a decade that examines employee pay before year-end compensation decisions are finalized, and we adjust compensation where appropriate. In 2018, we expanded our review of total compensation from the U.S. and U.K. to include France, Ireland, Hong Kong, Singapore (82% of our global workforce). Results show that compensation received by women is on average greater than 99% of that received by men and that in the U.S., compensation received by people of color is on average greater than 99% of non-people of color teammates. We discuss our company's focus on equal pay for equal work in our 2019 Proxy Statement (Page 34).

Stay Conversations

We have established a firm-wide process to retain diverse talent at the Bank. Senior leaders regularly conduct "stay conversations" with diverse talent as part of talent planning exercises.

Sponsorship

All Black and Hispanic/Latino senior leaders have sponsors that are 1 or 2-deep from the CEO.

Congressman Cleaver - Fintech

I understand from our exchange during the hearing that you may not be aware of the Berkeley University report entitled "Consumer-Discrimination in the Era of Fintech.[6] I would request that you all committee to reviewing the report and its findings. What steps are you prepared to take to address its findings? How does your firm ensure compliance with fair lending laws while deploying algorithms? What steps do your firms take to monitor and evaluate the impact of automated decision making on racial subgroups? What forms of self-testing do you utilize in this area? If your firm utilizes "alternative data" for evaluating credit worthiness and terms of contract, what data has your firm has definitively determined should not be used either because it is explicitly discriminatory or may serve as a proxy for discrimination?

Answer

Bank of America recognizes potential fair lending risks with models and implemented internal control frameworks over them many years ago. We monitor studies on potential risks with artificial intelligence and we have reviewed the Berkeley study. You may also be aware that Bank of America and the Harvard Kennedy School's Belfer Center for Science and International Affairs formed the Council on the Responsible Use of Artificial Intelligence in April 2018. We are committed to fairness in how we treat our customers.

Bank of America maintains a Model Risk Management framework to identify, document, and classify models and algorithms used in the credit decision process. In addition, all models used in our consumer and small business areas are required to be reviewed by Legal, Risk, and Compliance prior to implementation to identify potential fair lending risks. The Bank also maintains a fair lending compliance and operational risk program, including an enterprise fair lending policy, mandatory fair lending training, and monitoring of lines of business that use automated credit decisions. Finally, corporate audit conducts independent reviews.

Bank of America evaluates new data sources to improve our credit decision processes. All data sources must meet rigorous enterprise data management standards and all regulatory requirements (e.g., FCRA, Fair Lending, Privacy, etc.). Any data used to make lending decisions must adhere to safety and soundness principles to ensure compliance with laws, rules, and regulations and demonstrate a customer's creditworthiness.

[6] https://faculty.haas.berkeley.edu/morse/research/papers/discrim.pdf

Rep. Garcia (financial crisis settlements)
Bank of America paid $335 million in response to allegations that it discriminated against Black and Latino applicants by charging them higher fees and issuing them riskier subprime mortgages. What steps have you taken to resolve these past issues to ensure that discriminatory lending practices don't continue to harm communities of color?

In 2014, Bank of America settled with the Department of Justice for $16.65 billion for financial fraud. In the settlement, Bank of America essentially admitted that its subsidiary, Countrywide Financial, engaged in fraud and deception, concealing documents, lying to investors claiming that the highest underwriting standards had been used when that was clearly false. Bank of America has also paid tens of billions dollars for Countrywide's malfeasance in originating and selling mortgage loans to investors. When Bank of America acquired Countrywide in 2008, did it understand the extent of Countrywide's malfeasance? At that time, did Bank of America expect to pay tens of billions for Countrywide's malfeasance?

Answer
We resolved the issues with Countrywide Financial, which derived from products and activities that took place prior to the acquisition. Our mortgage lending capabilities reflect our commitment to responsible growth, including our focus on serving clients and managing risk well.

Congressman Green (D&I/discriminatory lending practices)
Has your firm ever had a woman or person of color in the position of Chair & CEO?

At the full Committee hearing on April 10, 2019, when asked about your likely successor, you each indicated that it is unlikely that a woman or person of color will replace you. Why do your likely successors exclude women and people of color? What are you doing to diversify the talent pipeline for very senior leadership roles at your bank?

Often a CEO's responsibilities include leadership planning. Is this one of your exclusive or shared responsibilities as CEO? If yes:

- Do you believe your leadership planning sufficiently prioritizes the development of diverse candidates for the bank's most senior roles?
- What changes in your bank's leadership development and planning would increase the likelihood that likely candidates to succeed you will include women, people of color, and LGBTQ people?
- Do you commit to making those changes to your bank's leadership development plan?

Produce documentation of your bank's leadership development plan.

What options do you offer disaster relief victims after the first year for long term solutions that help borrowers keep their homes?[7]

Do you agree that discrimination exists in mortgage lending?[8]

What changes, if any, have you made to your systems and procedures to prevent this type of discrimination in the future?

What systems do you have in place to make sure your bank is not discriminating against borrowers of color?

Answer
Although a person of color or a woman has not yet been appointed to the position of Chair or CEO at Bank of America, we are focused on our talent pipeline diversity within our senior leadership. For

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[7] It often takes years to recover from the damage and loss caused by a natural disaster. I know this because my district of Houston is unfortunately still struggling to recover since Hurricane Harvey devastated countless homes and communities. That is why I believe we need to push banks to provide real assistance after the foreclosure moratoria expire. People need more time to rebuild and a way to deal with the inevitable missed payments through a modification or other form of relief that isn't just resuming their regular payment or paying back a lump sum.

[8] According to a recent study by Reveal from the Center for Investigative Reporting, fifty years after the Fair Housing Act banned discrimination in lending, African-Americans and Hispanic (or Latinx) Americans are still denied conventional mortgage loans at rates far higher than their white counterparts in 61 metro areas across the United States. Earlier this year, Citi entered into a settlement with the OCC for failing to give minority customers mortgage discounts that were available to many other borrowers. In 2017, JP Morgan Chase entered into a $53 million settlement for overcharging African-American and Hispanic borrowers higher rates and fees on mortgage loans.

example, six of the executives reporting to the CEO are women and one executive is a person of color. Consistent with the succession planning as described in our annual proxy, the CEO also works closely with the Board of Directors to ensure they have a broad and diverse set of candidates to consider as the Bank's next CEO.

Our leadership planning prioritizes the development of diverse candidates for the Bank's most senior roles. Our diversity and inclusion goals and practices are set and upheld by our Global Diversity & Inclusion Council, chaired by our CEO and comprised of leaders representing every line of business and region. Those goals include representation at the most senior levels of our company. Senior executives review progress against diversity and inclusion goals during quarterly business reviews with the CEO, and bi-annually during our CEO talent planning process and annually with the Board.

We offer a range of development programs specifically for diverse teammates. These programs include comprehensive development offerings for underrepresented ethnic groups, women, veterans, employees with a disability, and LGBT+ individuals to address their unique needs. Our CEO and members of our management team often participate in these programs. Our management team also personally invests in the development of diverse talent individually as well as sponsoring senior diverse executives.

Additional leadership development opportunities exist through our 11 Employee Networks with more than 250 chapters, made up of over 120,000 members worldwide.

<u>Disaster Relief</u>
At Bank of America, we have established a Client Assistance Program that offers relief programs to assist clients experiencing distress and financial hardship. We work with clients on a case-by-case basis to assist with their specific needs. Clients can call a priority assistance phone line to contact a specialist who can walk them through tailored options. This support could include fee refunds, home loans, and other credit assistance for those impacted. For example, during the partial government shutdown, we received 25,296 calls from clients to discuss financial assistance and/or information about relief options available. Of those who contacted us, 14,427 clients requested and received assistance with a wide range of customized solutions, including credit card payment deferrals, limited-time zero percent interest rates on credit card purchases and cash direct deposits into their Bank of America checking accounts, and deferrals for up to three months on mortgage and home equity loans. Impacted clients who called the Client Assistance Program for assistance were also assured that they faced no late fees or delinquency reporting to the credit bureaus for these options during the partial shutdown. Similarly, during Hurricane Harvey in 2017, we received over 17,000 calls from clients in the first two weeks. We sent approximately one million emails to clients in the impacted area providing information on client relief options related to fee refunds and waivers. And we ultimately provided fee refunds and waivers on two million deposit accounts; payment deferrals for 400,000 credit card accounts; and payment forbearance was accepted by more than 5,000 home owners.

We also offer long-term payment relief programs to assist customers impacted by disaster. Typically a disaster-impacted customer is placed on a payment forbearance plan of no less than three months, and under certain circumstances, up to 12 months. Thirty (30) days prior to the expiration of the payment forbearance plan Bank of America contacts the customer to determine what, if any, additional assistance they may require. In the event additional assistance is needed the customers are encouraged to apply for options intended to provide a long term solution, including permanent loan modifications.

Mortgage Lending Discrimination
We do not tolerate discrimination at Bank of America. Bank of America is committed to fairly and responsibly meeting the credit needs of our customers and to complying with the letter and spirit of fair lending laws, regulations, and principles.

Bank of America has controls to prevent discrimination in every phase of the mortgage credit lifecycle. Our underwriting function is centralized and based on clear underwriting guidelines, and exceptions are monitored and reviewed regularly. Our mortgage loan pricing is not manually determined; rather, it is consistently assigned by the pricing system. Management of pricing exception requests is centralized, and there are limited scenarios eligible for a pricing exception – either error correction or competitive match. In competitive match situations, there are documentation requirements, and supporting documents are reviewed and approved by the centralized and independent pricing function to ensure consistent adherence to our policies and procedures. Our employee Code of Conduct includes a whistle blower program to further strengthen our policies and practices prohibiting discrimination.

Bank of America has an independent Compliance and Operational Risk function that systematically analyzes our mortgage lending data and conducts reviews of thousands of credit decisions annually to ensure that Bank of America is not discriminating on the bases of race, national origin, or other prohibited bases under the fair lending laws. The Office of the Comptroller of the Currency and the Consumer Financial Protection Bureau regularly examine Bank of America for compliance with various consumer protection laws and regulations, including fair lending.

<u>**Congresswoman Porter (GAP Insurance)**</u>

1. Is your bank notified automatically (without any manual work required) when a customer pays off a loan early?

   <u>**Answer**</u>: Yes.

2. Is the internal notification process automated?

   <u>**Answer**</u>: Yes. Customers can pay off their accounts in a variety of ways including check and wire transfer. Payments received are posted to the customer's account at which time the process starts to close the account, release the Bank's lien on the customer's vehicle, etc.

3. Does your bank administer, sell, hold, or otherwise participate in financing products that contain a Guaranteed Automobile Protection (GAP) premium?

   <u>**Answer**</u>: The Bank does not administer, sell, or offer to sell GAP products. The Bank is aware that customers may choose to purchase GAP from a car dealership. If so, the customer may choose to include the cost of GAP as part of the amount financed on a vehicle sales transaction. GAP (either a "waiver" or "insurance") is typically associated with a Retail Installment Sales Contract between the dealership, as seller, and the customer, as purchaser. This deferred sales contract is then assigned to an indirect financing source such as the Bank. The Bank's responses to the below questions are in the context of these deferred sales contracts.

4. How much money in GAP premiums has your bank not refunded to customers who have paid off their GAP loans early and so are owed a refund?

   <u>**Answer**</u>: The Bank does not administer, sell, or offer to sell GAP products. The Bank is aware that customers may choose to purchase GAP from a car dealership. If so, the customer may choose to include the cost of GAP as part of the amount financed on a vehicle sales transaction. The Bank has procedures and processes in place to comply with applicable state law requirements regarding direct refunds of unearned GAP premiums for those states that require such direct refunds.

5. I understand that your bank is not legally required to automatically refund GAP customers who have paid off their loans, in some states. Despite this lack of legal mandate, does your bank automatically refund those customers? Your bank is able to do so, as indicated by the 11 states in which the process is required (Minority Rule states). If you don't automatically refund those customers, why don't you?

   <u>**Answer**</u>: The Bank does not administer, sell, or offer to sell GAP products. The Bank is aware that customers may choose to purchase GAP from a car dealership. If so, the customer may choose to include the cost of GAP as part of the amount financed on a vehicle sales transaction. The Bank has procedures and processes in place to comply with applicable state law requirements regarding direct refunds of unearned GAP premiums for those states that require such direct refunds. The Bank notes the requirements for GAP refunds varies by state and, sometimes, by product as well. For example, a state's requirements for GAP "waivers" may be different than for GAP "insurance." The Bank then ensures that the GAP provider follows the

particular state requirements and defers to state law as to whether third parties such as the Bank should be required to provide direct refunds to obligors.

6. Does your bank financially benefit in any way by *not* automatically refunding GAP customers who have paid off their loans in non-Minority Rule States?

   Answer: No.

7. When a loan is paid off, does your bank know if a GAP premium was part of the loan?

   Answer: Yes, the Bank has procedures and processes in place to determine if the Bank has a GAP refund obligation as part of the customer's auto financing transaction. These procedures/processes are related to the payoff notification process described in our response to Question #1 above. As indicated in other responses, the Bank does not administer, sell, or offer to sell GAP products. The Bank is aware that customers may choose to purchase GAP from a car dealership. If so, the customer may choose to include the cost of GAP as part of the amount financed on a vehicle sales transaction.

8. When a customer submits a GAP refund request, how is that request processed? Please describe the internal process step-by-step.

   Answer: The Bank does not administer, sell, or offer to sell GAP products. The Bank is aware that customers may choose to purchase GAP from a car dealership. If so, the customer may choose to include the cost of GAP as part of the amount financed on a vehicle sales transaction. Customers do not typically submit a GAP refund request to the Bank. The Bank nevertheless proactively and systemically commences any appropriate actions that may be required related to GAP when the account is pre-paid in full. The Bank has procedures and processes in place to comply with applicable state law requirements regarding direct refunds of unearned GAP premiums in the states that require such direct refunds. Practices vary by state but may include direct refund to the customer, notification to applicable insurer, dealer, and/or customer.

9. How does your bank verify that a customer requesting a GAP refund is owed money?

   Answer: See our response to Question #4. Where state law requires the Bank to provide a refund, the Bank will either (a) calculate the GAP refund to which the customer may be entitled itself; or (b) obtain the refund amount directly from the GAP provider.

10. If you have responded to any of the prior questions that a separate GAP administrator is responsible for refunding GAP premiums, what is the name, phone number, and address of the company to which you are referring? What is the name of the individual who directs GAP refund issuance—or participates in any elements of GAP refunds—within that company?

    Answer: The Bank does not use a particular vendor for refunding GAP premiums and therefore does not have a specific point of contact to include in this response. The Bank notes that each individual GAP agreement will typically specify the contact information for the GAP administrator, but without identifying an individual. As indicated in prior responses, the Bank does not administer, sell, or offer to sell GAP products. The Bank is aware that customers may choose to purchase GAP from a car dealership. If so, the customer may choose to include the cost of GAP as part of the amount financed on a vehicle sales transaction.

11. What is the name and phone number of the individual within your bank who oversees any elements of GAP refunds (e.g. the individual who oversees responding to customers who request refunds)?

    Answer: The Bank does not administer, sell, or offer to sell GAP products. The Bank is aware that customers may choose to purchase GAP from a car dealership. If so, the customer may choose to include the cost of GAP as part of the amount financed on a vehicle sales transaction. Just the same, the Bank has a trained team to respond to specific questions related to GAP refunds. Bank of America customers who have questions about GAP refunds may contact the Bank of America Consumer Vehicle Lending Customer Escalation Unit: 1-904-475-4900. Philip A. Clay is the Bank of America Executive responsible for oversight of this unit.

Congressman Sherman (ADA/Assisting Employees with Disabilities)

Please explain what your Financial Institution is currently doing or planning to do to support low-income people with disabilities in these specific areas:[9]

- Employment/Vocational Training
- Financial Literacy
- Promotion of ABLE Accounts
- Housing
- Education
- Socialization
- Public Policy

There are over 22 million working-age Americans and 70 percent of them are striving to work. However only one in three has a job. What is your financial institution's strategy for connecting with this pool of potential employees? How does your talent recruitment and employee education process meet the needs of job-seekers with disabilities? What processes are in place for when an employee with a disability requests a reasonable accommodation?

As a federal contractor, your financial institution has an aspirational goal to have 7 percent of your employees, in all job categories, be qualified individuals with disabilities. What efforts have you made to work towards this goal? How has your organizational culture evolved to include employees with disabilities? What percentage of your employees have disabilities? What barriers have you experienced to success? What successes have you achieved?

Fully 26 percent of people with disabilities live in poverty and fully 18 percent of households headed by people with disabilities are unbanked. What efforts have your financial institutions made to support people with disabilities who want to seek our financial literacy, open a savings account or otherwise improve their financial status?

What are you doing to help people with disabilities start or grow their own companies or have access to credit for home ownership?

Answer
We have a long-standing commitment to diversity and inclusion, from employing individuals with intellectual disabilities on our Support Services team to creating opportunities every day in our communities with our products and services. Other programs and initiatives include our partnership with Special Olympics, which provide athletes with the power to achieve their goals through leadership opportunities, employment and skills-building.

[9] The American with Disabilities Act is nearing its 30th Anniversary (July 26, 2020) and several subsequent pieces of legislation have worked to fulfill the promise of the ADA. The Workforce Innovation and Opportunity Act transformed our nation's workforce development system to become more accessible, the Section 503 regulations encouraged federal contractors to recruit qualified individuals with disabilities, the Achieve a Better Life Expectancy (ABLE) Act created tax-free savings account to help pay for disability needs and CRA applies to low income people with disabilities.

See the following links for more information of how we support people with disabilities at Bank of America:

Supporting People with Disabilities Through Advocacy & Employment:
https://about.bankofamerica.com/en-us/supporting-people-with-disabilities.html?bcen=8a6b#fbid=XmK1EdSonQv

https://about.bankofamerica.com/en-us/what-guides-us/support-services.html?bcen=8a6b#fbid=XmK1EdSonQv

Accommodations for Applicants with Disabilities:
https://careers.bankofamerica.com/us/applicants-with-disabilities

Auto loans for Customers with Disabilities:
https://www.bankofamerica.com/auto-loans/disability-access-loans/

30 Year Partnership with the Special Olympics:
https://www.specialolympics.org/stories/news/banking-on-inclusion-with-bank-of-america

Better Money Habits – Helping our all clients – including those with a disability – with financial literacy on topics like credit, debt, home ownership, saving, budgeting, retirement, college, and more
https://bettermoneyhabits.bankofamerica.com/en

We have been recognized for our efforts including:

- Diversity Best Practices Above and Beyond Awards - Our Disability Advocacy Network (DAN) was recognized in the Workplace Culture Impact category
- Scored 100% on the US Business Leadership Network's Disability Equality Index, naming us a Best Place to Work for Disability Inclusion
- Best Places to Work for Disability Inclusion" by Disability: IN and the American Association of People with Disabilities.

We are also committed to achieving the U.S. federal guideline of 7% employment of individuals with disabilities over time.

Congresswoman Waters Questions

Consumer and Investor Harm (All Witnesses)
In the Committee's hearing invitation letter, I asked each bank to include in your testimony, "...a detailed description of... enforcement actions, including any consent orders and settlements, against your bank ***and the number of consumers or investors harmed by your bank's actions***..." (emphasis added). While your testimony provided some information related to enforcement actions, your testimony failed to provide the Committee with the number of consumers or investors harmed by your bank's actions in the context of any enforcement actions, consent orders and settlements, where consumer or investor harm was identified. Therefore, I ask again, please provide the Committee with a detailed description of enforcement actions, including any consent orders and settlements, against your bank, including the number of consumers or investors harmed by your bank's actions in the last 10 years.

Answer
Since 2009, Bank of America has settled a number of enforcement actions brought by various federal agencies; for more detail associated with those actions please see the attached chart containing descriptions of public actions brought by the Bank's federal regulators, including, where available, information about impacted consumers or investors where identified by the government in the settlement documents or contemporaneous press releases. It is regrettably not possible to provide a precise answer to your question, in part because settlements with government regulators often do not include determinations of the extent of harm or even the culpability of the settling party, and in part because a significant portion of these involved actions taken by companies we later acquired. Many settlements involve procedural violations with no attributable consumer harm.

We are very aware of the significant financial hardships many consumers experienced during and after the financial crisis. While we were able to resolve nearly two million delinquent mortgages for customers in some fashion acceptable to them, there were many others who faced foreclosure and other harm. We saw that first hand as we cleaned up the Countrywide aftermath.

Ongoing Misconduct and Need for Accountability (Bank of America, Chase, and Citi)
What is your bank doing to improve business practices and stay within the bounds of the law? How are you addressing those responsible in your leadership for misconduct and/or negligence?[10]

Mr. Moynihan, how many times has your bank been fined, and how much has it paid for those violations in the last 10 years?

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[10] Running a federally-chartered or federally-insured bank is a privilege, not a right. When megabanks repeatedly exhibit indifference toward consumer protection and demonstrate that they are incapable of or unwilling to comply with U.S. laws and regulations, they should face real consequences, and if no improvements occur, those consequences should escalate, including having culpable executives removed if not permanently barred from working in the industry.[10] I note that while certain institutions like Wells Fargo take the spotlight for negative actions and errors, many of your institutions also face various fines, regulatory actions, and settlements due to issues of mass misconduct, errors, and discrimination. According to a 2018 report, Bank of America, JPMorgan Chase, and Citigroup have each paid more in fines since the financial crisis than Wells Fargo has. These may be formalities or even annoyances, but for hardworking consumers, these types of mistakes if not intentional predatory behavior have devastating impacts from which some people may never fully recover. This is unacceptable.

Answer
We operate the company by driving Responsible Growth. Responsible Growth has four tenets: 1) We have to grow, so we can do our part to help drive economic growth in the communities we serve. 2) Our growth has to come through serving our customers and client well. 3) We have to grow by managing our risk carefully. 4) And our growth has to be sustainable, meaning we strive to be the best place to work for our employees, we seek continuous improvement through operational excellence so we can reinvest in our team and our capabilities, and we share our success with the communities.

Core to our ability to deliver responsible growth is managing risk well. Our risk culture stresses clear responsibility for managing risk at each level of the organization. The Board of Directors and management team of the company – the CEO and his direct reports – set Bank of America's values and drive its culture of risk management by setting the tone from the top and establishing expectations for a culture of compliance and high ethical standards across Bank of America. For additional insights, please see the extended discussion of our risk management principles and governance in our annual proxy statement, in particular in pages 23-25.

Our culture of compliance is rooted in well-trained employees. We conduct mandatory sessions and trainings on risk issues to ensure that we manage risk effectively from top to bottom. To ensure good practices, we also maintain extensive monitoring functions. The Audit Committee of the Board is responsible for ultimate oversight of the legal and regulatory requirements of the compliance program; the Board receives regular updates from the Corporate General Auditor and from management, reviews significant legal and regulatory matters, and reviews the annual review of the effectiveness of the Bank's Risk Framework. We pride ourselves on having an open environment in which employees of all levels are encouraged to identify and elevate issues for thorough investigation.

Any allegations of misconduct are investigated and penalized regardless of seniority. In other words, our leaders are subject to the same penalties for misconduct, from reprimands to termination. The Bank's robust compliance program is designed to address issues at all levels of the organization.

Please refer to the materials provided in the written testimony, which included responses to Chairwoman Waters's questions prior to the April 10th hearing, for an extended summary of enforcement actions and fines. The attached chart provides the requested information about individual enforcement actions by the Bank's primary regulators, including fines, since 2009.

Access to Credit (Citi, Chase, and Bank of America)
Access to credit remains an under addressed issue in lending. There are millions of hardworking individuals and families, whom with the right outreach and underwriting can repay loans they take out and safely participate in the prime market. At a time when your institutions are steadily experiencing record profits, but when we still have modern day redlining in more than 60 metro areas,[11] it seems as if there is more you could be doing. I've heard from many of you on educational efforts you are making to inform your customers and prospective borrowers of your products, but can any of you state specific programs of significance where you're providing financial services to communities, businesses and consumers, including to low- and moderate-income communities, communities of color, and small businesses?

[11] https://www.revealnews.org/article/gentrification-became-low-income-lending-laws-unintended-consequence/

Specifically, I want to know how you, Mr. Corbat, Mr. Dimon, and Mr. Moynihan have increased lending to these communities, businesses and consumers since the financial crisis. Please provide specific numbers in terms of the increase in people served and the value of the increased lending.

Answer

Approximately one-third of our financial centers (1,265) and ATMs (5,230) are in LMI areas, and we are an industry leader with 35% of our centers in majority-minority markets, with a financial center in more than 80% of majority-minority markets. All of our financial centers are staffed with professionals who can readily assist clients with any financial need, and each center is equipped with free Wi-Fi for our clients' convenience, so they can download and connect to our leading digital and mobile resources and tools. Because our team reflects the communities they serve, we have 9,790 employees in 3,070 financial centers who speak more than one language. In other words, 72% of our financial centers are multilingual. In 1,006 of our LMI financial centers (80%), we have 4,020 employees who speak more than one language.

Products/Services/Digital Offerings

Clients in LMI communities have access to all Bank of America products and services. In addition, we offer specially designed and tailored products to help best meet their needs.

- Clients have opened more than 1,000,000 Advantage SafeBalance Banking accounts over the past five years. These accounts do not allow for overdrafts.
- 700,000 households currently use our BankAmericard Secured credit card.
- Affordable Loan Solution, Home Possible, and America's Home Grants help clients overcome down payment and closing cost barriers.
- Our industry-leading digital and mobile banking capabilities give clients more control over their daily finances.
- 51% of underserved clients set up alerts in their mobile app to actively manage their daily finances.

Financial Education

- Client professionals are onsite in our financial centers and available by phone to assist clients with any financial need. In addition, our free Better Money Habits financial education program — accessible online or through client mobile devices — was developed in partnership with the Khan Academy, a leader in online learning.
- Clients are using our free financial education tools to improve their finances. One in four users of Better Money Habits and the Spending & Budgeting tool grew their savings by 20% or more, and one in seven reduced their credit balance by 20% or more.

Small Business Lending

- We work with 12 million small business owners, with over 60% of our small business lending going to LMI clients or in LMI communities.
- We're a top lender in the U.S. SBA's 504 and 7(a) programs.
- Last year, we originated more than $8.6 billion in new small business loans.

Community Development Capital

We invest in the institutions, individuals, and programs that help make neighborhoods stronger by addressing economic revitalization projects in LMI areas.

- Bank of America is the nation's largest lender to community development financial institutions (CDFIs) — we've provided more than $1.5 billion to finance affordable housing, community facilities and small businesses through 255 CDFIs in all 50 U.S. states and the District of Columbia, with approximately $400 million focused on U.S. small businesses.
- In January 2019, we issued our first social bond, becoming the first U.S. bank to do so.
- We have invested $2 billion in philanthropic capital over 10 years to address issues related to workforce development and education, community development, and basic needs in the communities we serve.
- In 2018, we provided more than $4.7 billion in loans, tax credit equity investments, and other real estate development solutions to help build strong communities by financing affordable housing, charter schools, and economic development across the United States.

Disclosure of Diversity Data (All Witnesses)[12]
Please explain why your bank has not done more to share your workforce and board diversity demographics with OMWIs and the public?

What immediate plans do you have to share this information and be accountable to Congress and the American people about your commitment to diversity?

Answer
Bank of America has voluntarily shared workforce diversity data, policies, and practices with the following OMWI offices since 2017:

- April 2017 – Self-assessment submitted to OCC and FRB.
- March, April, and May 2018 - Self-assessments submitted to SEC, FRB, and OCC.
- May 2019 – Self-assessments submitted to SEC, FRB, and OCC.

In addition, we have provided detailed workforce diversity demographic data in our annual CSR and ESG reports since 2012 which are publically available on our website.

Diversity Question for Panel (All Witnesses)[13]
Please describe the current diversity of the directors of your board and C-Suite executives.

Please explain what your bank is doing to increase diversity of the directors of your board and C-suite executives, the policies and practices implemented at your institution to promote diversity and inclusion

[12] Many of the banks have acknowledged the importance of data in identifying and addressing diversity gaps in your organizations. Despite this acknowledgment, Citigroup is the only bank represented on this panel who has made efforts to publicly disclose diversity statistics and openly report on its efforts to address gender pay equity. Citi's efforts are a step in the right direction but there is much more information that is needed so that regulators, through their Office of Minority and Women Inclusion (OMWI), and the public, via annual reports and proxy statements, can be aware of your diversity status.
[13] Diversity is an issue that is very important to me, which is why I am very pleased that the Financial Services Committee created the Diversity and Inclusion Subcommittee, the very first of its kind in Congress, headed up by my colleague, Representative Joyce Beatty. When institutions embrace diversity, more voices and more ideas have a chance for action and businesses thrive.

among your workforce, and the policies to promote the use of diverse contractors, including diverse asset managers, brokers, and underwriters, by your institution.

Answer

More than 40% of our Board is female and/or people of color, and seven of the CEO's direct reports are women and/or persons of color. Our management team is over 45% women, which is more than double the 16% industry benchmark as reported in the most recent Oliver Wyman Women In Financial Services report.

Our Global Diversity & Inclusion Council, chaired by our CEO, is comprised of leaders representing every line of business and region, and is responsible for setting and upholding diversity and inclusion goals and practices.

We host courageous conversations, and group and one-on-one discussions that encourage employees to have open dialogue on topics that are important to them. These dialogues foster inclusion, understanding, empathy, and positive action by creating awareness of employees' experiences and perspectives related to differences in thought, style, sexual orientation, gender identity, race, religion, ethnicity, disability, culture, and experience.

We have a range of programs to connect employees, executives, and thought leaders across our company, including 11 Employee Networks with more than 250 chapters made up of over 120,000 memberships worldwide. We have also increased Black/African American and Hispanic/Latino representation (over time and year-over-year) in key Equal Employment Opportunity Commission categories—Executive and Senior Level Officials and managers and first and mid-level officials and managers.

In 2014, Bank of America became the first (and remains the only) Financial Services Institution to ever be inducted into the Billion Dollar Roundtable, a nationally recognized organization created to celebrate corporations that spend at least $1 billion with diverse-owned suppliers. We support the growth of diverse businesses through our Supplier Diversity program, which develops relationships with vendors owned by minority, women, veterans, disabled, service-disabled veteran, LGBT, and other diverse-owned suppliers. Through strategic collaborations, we include diverse suppliers in our procurement practices, which in 2017 resulted in more than $2.1 billion of diverse procurement spending. Bank of America offers scholarships, mentoring, and training through our Supplier Diversity and Development Small Business Institute.

Bank Branch Closures (Chase and Bank of America)

A March 6, 2019 Bloomberg article reported that "nationally, banks have shut 1,915 more branches in lower-income neighborhoods than they've opened in the four years through 2018, according to S&P Global Inc." The report cited Bank of America among the large consumer banks leading the way."[14]

- Mr. Moynihan, how many branches has Bank of America closed over the past four years through 2018?

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[14] https://www.bloomberg.com/news/articles/2019-03-06/as-u-s-banks-shut-branches-jpmorgan-leads-shift-toward-wealthy

Answer: Bank of America closed 612 centers between January 1, 2015 and December 31, 2018.

- Mr. Moynihan, how many branches in low-income communities has Bank of America closed over the past four years through 2018?
  Answer: Approximately one-third of our financial centers (1,265) and ATMs (5,230) are in LMI areas, and we are an industry leader with 35% of our centers in majority-minority markets, with a financial center in more than 80% of majority-minority markets. LMI and non-LMI community branch closures have been proportionate. BAC has consistently maintained the leading benchmark of ~30% of our Financial Center network in LMI areas. Over the past four years on a national basis, we have closed 54 branches in low-income neighborhoods and 138 closures in moderate income neighborhoods out of a total of 612 closures. In contrast, 420 closures were in upper- and middle-income neighborhoods. We are committed to serving the LMI communities, including with our new community bank centers.

Bank of America and Chase Fines Since the Crisis/Dual Role of Jamie Dimon and Brian Moynihan as CEO and Chairman of the Board

Mr. Moynihan, you have been Chief Executive of Bank of America since January 2010 and Chairman of the Board since October 2014. Since the 2008 financial crisis, the Bank has paid at least $76.1 billion in fines and settlements for violating the law – the highest of any Bank according to a Keefe, Bruyette and Woods report released in February 2018.[15] In 2014, Bank of America agreed to a $16.65 billion settlement, including a $5 billion penalty to the Department of Justice, for conduct related to its residential mortgage-backed securities, collateralized debt obligations, and mortgage loan origination.[16] Also in 2014, the Bank paid a $20 million penalty and agreed to provide $727 million in consumer relief related to its sale of credit card add-on products.[17] In 2015, the OCC fined Bank of America $30 million for violating the Servicemembers Civil Relief Act (SCRA) that provides protections for service members on active duty.[18] There are only a few examples of the enforcement actions brought against Bank of America.

Mr. Moynihan, why didn't Bank of America have an effective compliance management program in place across all the Bank's businesses to prevent the types of consumer abuses cited in these settlements?

Given your dual role as CEO and Chairman of the Board, how can the Board exercise independent oversight of the Bank's compliance with the laws and regulations of this country?

Answer

The immediate period following the financial crises saw significant regulatory actions and penalties, in particular to clean up the mortgage-related matters pertaining to our acquisition of Countrywide Financial, as well as matters involving other acquired entities.

[15] https://www.marketwatch.com/story/banks-have-been-fined-a-staggering-243-billion-since-the-financial-crisis-2018-02-20

[16] https://www.justice.gov/opa/pr/bank-america-pay-1665-billion-historic-justice-department-settlement-financial-fraud-leading

[17] https://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-bank-of-america-to-pay-727-million-in-consumer-relief-for-illegal-credit-card-practices/

[18] https://www.occ.gov/news-issuances/news-releases/2015/nr-occ-2015-74.html

We maintain an enhanced compliance-testing capabilities, focusing the Bank's compliance risk assessment approach on business and control functions, enhancing compliance reporting, and establishing clear roles and responsibilities for the management of compliance risk. The Board and its committees play a key role in oversight of our compliance requirements, holding management accountable for its maintenance of high ethical standards and effective policies and practices to protect our reputation, assets, and business. The roles of the various committees are described in the Bank's most recent Proxy Statement, available at http://media.corporate-ir.net/media_files/IROL/71/71595/BOAML_2019_Proxy.pdf, as well as in the Committee Charters, available at http://investor.bankofamerica.com/phoenix.zhtml?c=71595&p=irol-govcommcomp#fbid=F08JHC-ANjb.

Under the Board's current leadership structure, we have a Chairman and a Lead Independent Director. The Lead Independent Director is empowered with, and exercises, robust, well-defined duties as set forth in Bank of America's Corporate Governance Guidelines, available at http://investor.bankofamerica.com/phoenix.zhtml?c=71595&p=irol-govhighlights#fbid=F08JHC-ANjb.

HAMP Violations

As of March 2018, Bank of America received $2.1 billion in government funds from the Home Affordable Modification Program (HAMP) to help lower the payments of borrowers at risk of foreclosure.[19] However according to an April 2018 report from the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), "Bank of America has one of the worst track records in HAMP."[20] Bank of America failed to reduce principal balances of mortgages, despite receiving payments from Treasury to do so;[21] repeatedly wrongfully denied HAMP applications;[22] and repeatedly miscalculated homeowners' income, leading to improper denials or higher payments.[23]

Describe the specific action, if any, the Bank took in response to the SIGTARP finding that the Bank had "one of the worst track records in HAMP."

Bank of America received billions to help homeowners struggling to pay their mortgage only to have the Bank inflict further hardship. What specific actions is the Bank taking to compensate borrowers whose HAMP applications were improperly denied by the Bank?

Answer

The SIGTARP report focused on issues that had been remediated at least two years earlier. As of the end of 2017, we helped more than 190,000 borrowers modify their loans through the HAMP or other Making Home Affordable programs. Bank of America has performed well in areas such as reducing principal balances, granting HAMP applications, and calculating borrower income. Bank of America did not take any actions to address SIGTARP's April 2018 report because any necessary actions had been taken years prior.

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[19] https://www.sigtarp.gov/Quarterly%20Reports/January_30_2019_Report_to_Congr ess.pdf at 10.

[20] https://www.sigtarp.gov/Quarterly%20Reports/April_26_2018_Report_to_Congress.pdf at 45.

[21] *Id.* at 46.

[22] *Id.*

[23] *Id.*

Since the beginning of HAMP, the Bank has implemented a number of enhancements to ensure compliance with the program's requirements, including creating a single point of contact for borrowers navigating the loss mitigation process.

When the Bank determines that a mistake has been made that results in borrower harm, the Bank takes all steps within its powers to put the borrower back into the position they should be in. This includes providing monetary remediation, as well as requesting relief from the courts on behalf of the borrowers.

Proxy Vote on Diversity and Inclusion (Bank of America and Chase)
Currently, Bank of America only reports on whether it compensate women equally for the same work performed by men. Bank of America's 2019 proxy statements includes a stockholder proposal to require the Bank to report on the global median gender pay gap.[24] The proposal defines the gender pay gap as "the difference between male and female median earnings expressed as a percentage of male earnings." The median global gender pay gap would provide insight on whether men hold most of the higher-paying jobs at the Bank.

Mr. Moynihan, Bank of America's Board recommended that its shareholders vote against this stockholder proposal. As a Member of the Board, can you explain why the Board opposed greater transparency regarding whether women are equally represented in higher paying jobs at the Bank?

Answer
We provide significant transparency and systematic process to ensure women and men working in the same position are paid equally. As to the question about the shareholder proposal re: median gender pay, we provided extensive discussion on pages 80-84 in our proxy statement, and provided in the link below. The result of the vote was that 77% of shareholders agreed with Bank of America's Board, and only 23.0% of shareholders supporting the proposal.
http://media.corporate-ir.net/media_files/IROL/71/71595/BOAML_2019_Proxy.pdf#page=90.

Toxic Sales Culture (Bank of America, JP Morgan, Citigroup)
On June 5, 2018, American Banker reported that the OCC had conducted a sales practice review of 40 large and midsize banks and found five systemic issues prevalent throughout the industry and over 250 specific items regulators wanted to see fixed at individual banks.[25] A June 2018 report issued by the National Employment Law Project on the state of front line bank employees two years after the Wells Fargo scandal found that workers surveyed in both retail banking and collections, including those employed by Bank of America, JPMorgan Chase, and Citibank "reported that they were still compensated in part on meeting quotas."[26]

What role do sales play in the incentive bonuses or compensation paid to front line employees at bank branches? Are front line employees at bank branches evaluated in part based on sales? Do collectors have targets in terms of the number of calls they are supposed to make per hour and the amount of

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[24] http://media.corporate-ir.net/media_files/IROL/71/71595/BOAML_2019_Proxy.pdf at 80; https://www.jpmorganchase.com/corporate/investor-relations/document/proxy-statement2019.pdf at 85.
[25] American Banker, *Wells Fargo not alone: OCC finds sales abuses at other banks*, June 5, 2018. https://www.americanbanker.com/news/not-just-wells-fargo-occ-finds-sales-practice-abuses-at-other-banks
[26] https://betterbanks.org/wp-content/uploads/2018/06/Cashing_Out_Report.pdf at 2.

money they are supposed to collect in a given time period? Are collectors compensated based on the number of calls they make or the amount of money they collect? What controls has the Bank put in place to make sure your customers are receiving only those products they need and affirmatively select?

Answer

Our compensation program rewards employees for meeting customers' needs. Our practices in this regard were confirmed by the Comptroller of the Currency, who reported in a January 25, 2018 letter to Senator Menendez that the OCC's horizontal review "did not identify systemic issues with bank employees opening accounts without the customers' consent."[3] This is consistent with Bank of America's internal review of its processes, which it conducted in response to the allegations pertaining to another financial institution.

Related to collections, while the Bank tracks the number of calls made and the dollar amounts collected, the Bank does not set specific targets. Those numbers are used for process capability purposes, and to identify outliers that could indicate performance or compliance concerns. The Bank does not set standards or compensation for its third-party collections vendors.

We annually review our compensation governance policies to ensure they are consistent with our risk framework and the tenets of responsible growth. Incentive plan designs are reviewed annually with documented input from independent control functions, to provide additional governance to balance risk and reward. Our corporate audit team reviews all incentive plans at least every three years using a risk-based approach.

We are prepared to discuss this in further detail with you.

Violating Servicemembers Rights (Bank of America)

In 2015, Bank of America settled with the Office of the Comptroller of the Currency for $30 million after investigators found that the bank illegally collected on debts from more than 73,000 servicemember accounts.[27] The consent order required Bank of America to submit a remediation plan acceptable to the OCC.

- Has the Bank fully compensated service members harmed by the Bank's misconduct?

  Answer: Yes, in accordance with the Bank's consent order remediation plan.

- The OCC's consent order also required the Bank to improve its SCRA compliance plan. What steps has the Bank taken to improve SCRA compliance? Has the OCC determined that the Bank has satisfied the consent order's requirement to improve SCRA compliance?

  Answer: Bank of America completed improvements to its SCRA compliance program as were required under the consent order. The OCC terminated the consent order in January 2018.

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[3] Letter from Joseph M. Otting to Senator Robert Menendez, January 25, 2018 (*available at https://www.law360.com/articles/1005873/attachments/0*).

[27] OCC, *OCC Takes Action Against Bank of America to Protect Consumers and to Ensure Servicemembers Receive Credit Protections for Their Non-Home Loans*, May 2019, 2015. https://www.occ.gov/news-issuances/news-releases/2015/nr-occ-2015-74.html

Minority Depository Institutions (All Witnesses)
Since the Crisis the six largest banks have grown tremendously in both assets and deposits, however, the number of Minority Depository Institutions (MDIs) have seen a rapid decline. Could you briefly inform the Committee of how many business relationships your bank currently has with MDIs, if any, and describe the amount of investments you have made to or in partnership with MDIs?

Answer
We maintain business relationships with the following institutions:

- East West Bank; and
- CTBC Bank Corp (USA)

We are limited in our ability to provide certain proprietary, confidential, and competitively-sensitive information, including the amount of investments with the MDIs.

Payday Lending and Small Dollar Credit (Citi, Chase, Bank of America, Goldman Sachs)
Mr. Corbat, Mr. Dimon, Mr. Moynihan and Mr. Solomon, recently, the CFPB announced that it would rescind its Payday Lending Ability to Repay requirement. As you all are aware, payday loan products often result in consumers being seriously harmed and targets low-income communities.

Do you currently offer any small dollar credit products? If so, what is the annual percentage rate your customers are paying for these products? Are there any safeguards to ensure customers are not caught in a never-ending debt trap in using your bank's product, the same way they can be with payday loans? What percentage of your portfolio is comprised of small-dollar loans?

Answer
We do not offer small dollar credit products.

Pay Parity (Bank of America and Citigroup)
In an effort to push companies toward transparency on the pay gap between men and women, recently, an investment firm released its second annual gender pay scorecard where it graded 46 large companies, 19 of which were financial services companies. Of the 19, ten received an "F" on the scorecard. BNY Mellon, JP Morgan, Wells Fargo earned a "B." Bank of America earned a "C." Goldman Sachs received an "F." Citigroup received an "A" rating for voluntarily disclosing that women made 29% less than men. Alarmingly, Arjuna Capital filed shareholder proposals urging financial services companies to disclose their raw pay-gap numbers.

Mr. Moynihan, Bank of America asked the SEC to block the shareholder proposals. Why?

Answer
Our Board supports transparency and is focused on diversity at all levels in the company. Our company has practices in place to compensate all of our employees fairly and equitably based on performance, with equal pay for equal work, regardless of race or gender. We maintain robust policies and practices reinforcing our commitment, including analyses and reviews with oversight from our Board and senior

leaders. Outside experts also examine employee pay before year-end compensation decisions are finalized, and we adjust compensation where appropriate. This practice has been in place for over a decade. We have disclosed that, through the processes described here, compensation received by women at our company is on average greater than 99% of that received by men. Similarly, compensation received by people of color is on average greater than 99% of white employees.

We publicly disclose our progress in compensating all of our employees fairly and equitably in our proxy statement. In our 2019 Proxy Statement we disclosed that more than 50% of our global workforce are women. Our board is over 30% women, our management team is over 45% women, more than 40% of our global managers are women, and approximately 45% of our senior level employees are women. Recruiting, retaining, supporting, and promoting our female employees is a complex and multifaceted process. Given the important roles women play in our workforce, with our customer base, in the communities we serve, and society generally, our Responsible Growth can succeed only if we provide the best place for women to work and thrive professionally. Our 2018 annual employee satisfaction survey results reflected the highest employee engagement scores in the company's history, with female engagement results two percentage points higher than those for men.

We discuss the shareholder proposal you cite in extensive detail in our 2019 Proxy Statement, pp 80-84 and provided at the link below. The result of the vote was that 77% of shareholders agreed with Bank of America's Board, with only 23% of shareholders supporting the proposal. Given the importance of the issue, we would rather not try to summarize it and hope the full discussion in the proxy responds to your question.

https://about.bankofamerica.com/en-us/what-guides-us/our-people.html (for more information generally about our D&I).

Bank Merger/Consolidation—Small Business Lending. (Bank of America, Chase, Citi, and Goldman Sachs)

Mr. Corbat, Mr. Dimon, Mr. Moynihan and Mr. Solomon, earlier this year, BB&T and SunTrust announced they would be merging to create the sixth largest bank in the United States with around $442 billion in assets.[28] One notable recurring theme that has been reported is the ability to compete against the largest banks in the country as a primary driver for the merger, which was the latest of bank consolidation within the industry. According to the Federal Reserve Bank of New York's 2017 Small Business Credit Survey,[29] community banks and CDFIs achieved net lender satisfaction scores of 73 percent and 76 percent, respectively, which measures the overall experience small businesses have with their lenders. That compares with 49 percent for large banks and 35 percent for online lenders. This is a clear sign that community banks play an integral role in supporting small businesses.

- Could you please explain why small businesses reported such lower scores when banking with large banks compared to community banks and CDFIs?

  Answer: At Bank of America, our internal small business client satisfaction numbers (those scoring us a 9 or a 10 on a 10-point scale) have risen from 68% to 84% in the last three years.

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[28] https://www.marketwatch.com/story/suntrust-and-bbt-are-merging-heres-what-customers-need-to-know-2019-02-09

[29] https://www.newyorkfed.org/smallbusiness/small-business-credit-survey-2017

- At the current rate of consolidation within the industry, will small businesses be left with only megabanks in a decade or two to seek credit from instead of the more familiar community banks they prefer to do business with?

  Answer: In 2018, we originated $8.6 billion in new small business lending – a 12% increase over the previous year. With our 11 million customers we hold approximately $39 billion total outstanding small business loan balances as of Q4 2018, based on FDIC classifications. Small businesses have many options for meeting their credit needs – in addition to ourselves, as the largest small business lender in the country, there are community banks, credit unions, and Community Development Financial Institutions (CDFIs). Bank of America has $1.5 billion portfolio of loans and investments with approximately 260 CDFIs, of which approximately $400 million is focused on small businesses.

Corporate Social Responsibility (All Witnesses)
Recently, in his annual letter to shareholders, Mr. Dimon noted, that, quote, "America should and can afford to provide a proper safety net to our elderly, our sick and our poor,"[30] as well as help generate more opportunities for more Americans. This comes on the heels of Mr. Dimon's noting that the Trump tax cuts added almost $4 billion to JP Morgan's profits.[31] This also comes at a time when income inequality is at an all-time high, limited affordable housing, and rising homelessness across the country.

Should G-SIBs do more to address these issues? With the Trump tax cuts benefitting your bank's bottom line, what percentage of the tax benefits did your bank spend on affordable housing?

Answer
We believe there is a role for G-SIBs to address the issues you raise. At Bank of America, we are focused on addressing income inequality and have a variety of efforts in place across our company to work to close the gap.

Our Consumer and Small Business division will hire 10,000 individuals from low- and moderate-income neighborhoods over the next five years. Through our Pathways program, we are working with nonprofit partners to provide professional skills training and career pathways for members of the communities the bank serves. The program's focus is on preparing candidates for ongoing career opportunities with the bank. As of April 2019, we had 4,700 individuals from low- and moderate-income communities through the Pathways program. Nearly 30 percent of the company's Consumer business teammates come from LMI neighborhoods.

We've also made a commitment to increase our minimum wage to $20 per hour (or $35,000 a year) over a two-year period. The increase will occur in increments. On May 1, 2019, the minimum hourly wage increased to $17, and will continue to rise until it reaches $20 in 2021. This is part of the

[30] https://www.marketwatch.com/story/5-things-jpmorgan-ceo-jamie-dimon-just-told-investors-and-the-american-public-2019-04-04 and https://www.jpmorganchase.com/corporate/investor-relations/document/ceo-letter-to-shareholders-2018.pdf
[31] https://www.cnn.com/2019/04/04/business/jamie-dimon-letter-jpmorgan-chase/index.html

company's commitment to being a great place to work and delivering sustainable, responsible growth through competitive benefits and programs that support the diverse needs of its 205,000+ employees.

Together with Ally Financial and Barings, three of the leading financial services companies in Charlotte, we recently announced a combined investment of $70.75 million for affordable housing in the city and surrounding area. This private investment marks the largest private-public initiative of its kind in Charlotte.

In addition, one important aspect of our Environmental, Social and Governance focus is how we can help mobilize participants across the financial system to increase the flow of capital to address the major global challenges broadly articulated by the United Nations Sustainable Development Goals (SDGs). In 2018 alone we deployed more than $50 billion in capital to address these issues.

Community Development Banking: In 2018, we provided more than $4.7 billion in loans, tax credit equity investments, and other real estate development solutions to help build strong communities by financing affordable housing, charter schools, and economic development across the United States.

Blended Finance: In 2014, we launched the Catalytic Finance Initiative by committing our own capital with a goal to attract $10 billion in capital from across the financial spectrum that would finance innovative renewable energy opportunities that fall outside normal business activity. To date, the CFI partners have completed 30 deals that address the UN Sustainable Development Goals, while mobilizing more than $11.6 billion in investment.

Philanthropy: In 2019 we will advance economic mobility in local communities around the world by deploying more than $250 million in philanthropic capital from the Bank of America Charitable Foundation.

Bank of America's investment in affordable housing in 2018, discussed above, exceeds Bank of America's net financial benefit from the Tax Cuts and Jobs Act through 2018.

Climate Change (All Witnesses)

Recently, EPA scientists published a peer reviewed report entitled *Climate Damages and Adaptation Potential Across Diverse Sectors of the United States*. The report echoes and confirms the dire findings of the Fourth National Climate Assessment published in 2018 by the United States Global Change Research Program. This new study "....show[s] complex patterns of projected changes across the country, with damages in some sectors (for example, labor, extreme temperature mortality and coastal property) estimated to range in the hundreds of billions of US dollars annually [in each such sector] by the end of the century under high emissions. Inclusion of a large number of sectors shows that there are no regions that escape some mix of adverse impacts. Lower emissions, and adaptation in relevant sectors, would result in substantial economic benefits."[32]

1. How should the extremely well-known and increasingly well-documented material risks associated with current and projected climate change impacts on the US economy be

[32] https://www.nature.com/articles/s41558-019-0444-6.epdf

communicated by the management of publicly traded companies to their shareholders and to the average investor?

Answer: In 2015, the Financial Stability Board (FSB) created the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD is focused on climate change related risk disclosure. As an institution dedicated to identifying, managing, and mitigating risk, we support the voluntary recommendations of the TCFD. In November 2017, Bank of America expressed our support.

2. Specifically, how should the management of publicly traded companies discuss and disclose the risks to their shareholders value and a company's assets and operations of the legislative, regulatory, business and market impacts of current and projected trends in climate change, including those documented and forecast by the Fourth National Climate Assessment?

   Answer: The October 2018 Intergovernmental Panel on Climate Change (IPCC) report and November 2018 report issued by 13 federal agencies of the United States government make the need for an understanding of climate risks all the more pressing and robust analysis, mitigation, and associated governance around climate-related financial risks all the more relevant. Based on the belief that climate change represents a threat to the global financial system, in 2015 the FSB created the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD is focused on climate change related risk disclosure. Bank of America has reviewed and evaluated the recommendations in the TCFD and will document our initial steps in integrating them into our business risk assessments and reporting.

3. If you do not concur with the US government's findings or the overwhelming preponderance of scientific studies documenting the increasing risks to our economy and public health from increasing greenhouse gas concentrations in the atmosphere, please explain why.

   Answer: Please see our response to questions #1 and #2 above.

4. If you do not believe that climate change impacts are a material risk that should be managed, discussed, and disclosed by leaders of public companies to protect shareholder value and corporate assets and operations, please explain why.

   Answer: Please see our response to questions #1 and #2 above.

Bank of America will mobilize an additional $300 billion in capital by 2030 through our Environmental Business Initiative. This commitment increases our investment in low-carbon business activities as part of a focus on deploying capital for responsible, sustainable growth. Through lending, investing, capital raising, advisory services and developing financing solutions, this new commitment will drive innovation and help accelerate the transition to a low-carbon, sustainable economy. The $300 billion goal brings Bank of America's total commitment to more than $445 billion since 2007, when we issued our first Environmental Business Initiative. We have deployed more than $126 billion over the past 12 years in support of environmental business efforts across the globe.

Enforcement Action*	Description of Conduct	Total Amount	Additional Detail from Settlement **
SEC v. Bank of America Corporation, 09 Civ. 6829 (JSR); 10 Civ. 0215 (JSR) (SEC, 2/24/2010)	Disclosure of Merrill Lynch losses and bonuses	$151,000,000	The amount was provided to shareholders through a fair fund.
FTC v. Countrywide Home Loans, Inc., and BAC Home Loans Servicing, LP, 10-cv-04193-JFW-SS (FTC 6/15/10)	Practices related to fees for mortgage servicing	$108,000,000	The amount was provided as remediation to approximately 450,000 consumers. At the time of the settlement agreement, the Bank serviced a mortgage portfolio of approximately $2.1 trillion.
Written Agreement by and between Bank of America Corporation and Federal Reserve Bank of Richmond, Docket No. 10-240-WA/RB-HC (FED, 12/6/2010); Bank of America Reaches Settlement With IRS (IRS, 12/7/2010); Agreement by and between Bank of America, N.A. and The Office of the Comptroller of the Currency, NR 2010-139 (OCC, 12/7/2010); In the Matter of Banc of America Securities LLC, Admin. File No. 3-14153 (SEC, 12/7/2010)	Guaranteed investment contract and municipal bond bidding	$137,300,000	
In the Matter of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Admin. File No. 3-14204 (SEC, 1/25/2011)	Order information and trading fee practices	$10,000,000	
In the Matter of Bank of America, N.A., AA-EC-11-12 (OCC, 4/13/2011); In the Matter of Bank of America Corporation, Docket No. 11-029-B-HC (FED, 4/13/2011), *amended by* In the Matter of Bank of America Corporation, Docket No. 11-029-B-HC (FED, 2/28/2013)	Residential mortgage servicing and foreclosure activities	$2,886,578,478	Loan modification and loss mitigation options offered to class.
United States v. BAC Home Loans Servicing, LP F/K/A Countrywide Home Loans Servicing, 11-cv-04534-PA-MRW (DOJ, 5/31/2011)	SCRA-related mortgage foreclosure practices	$20,000,000	
Settlement Agreement (HUD 7/11/2011)	Foreclosure on delinquent mortgages	$10,000,000	The full amount was made available to around 57,000 potentially impacted borrowers.
United States v. Countrywide Financial Corporation; Countrywide Home Loans, Inc.; Countrywide Bank, 11-cv-10540-PSG-AJW (DOJ, 12/28/2011)	Countrywide subprime mortgage consumer practices	$335,000,000	Full settlement was made available to the estimated 200,000 potentially impacted individuals.
In the Matter of Bank of America Corporation, Docket No. 12-007-CMP-HC (FED, 2/9/2012)	Loan servicing, loss mitigation, and foreclosure activities	$175,500,000	

Enforcement Action*	Description of Conduct	Total Amount	Additional Detail from Settlement **
United States v. Bank of America Corp. et al., 12-cv-00361-RMC (DOJ, 4/4/2012)	National Mortgage Settlement	$11,000,000,000	Bank of America identified 286,486 loans (out of a population of 1.2 million delinquent loans) as eligible for relief and solicited those borrowers for relief. The monitor determined that Bank of America had exceeded the required $8,574,200,000 payments for consumer relief by at least $850,000,000.
In the Matter of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Admin. File No. 3-15642 (SEC, 12/12/2013)	Disclosures related to CDOs	$131,800,000	
In the Matter of Bank of America, N.A.; and FIA Card Services, N.A., File No. 2014-CFPB-0004 (CFPB, 4/9/2014); In the Matter of Bank of America, N.A.; and FIA Card Services, N.A., AA-EC-2014-5 (OCC, 4/7/2014); In the Matter of Bank of America, N.A.; and FIA Card Services, N.A., AA-EC-2014-6 (OCC, 4/7/2014)	Marketing of add-on products	$772,000,000	Amount compensated approximately 3 million consumers. At the time of the settlement, the Bank serviced approximately 30 million credit card accounts.
Settlement Agreement, COMPL-2013-193233 (OFAC, 7/22/2014)	Processing of transactions for OFAC designated individuals	$16,562,700	Settlement related to transactions valued at approximately $91,000.
Settlement Agreement (DOJ, 8/20/2014); FDIC Announces Settlement With Bank of America, PR-69-2014 (FDIC, 8/21/2014); In the Matter of Bank of America Corporation, Admin. File No. 3-16028 (SEC, 8/21/2014); SEC v. Bank of America, N.A., Banc of America Mortgage Securities, Inc., and Merrill Lynch, Pierce, Fenner and Smith Inc, 13-cv-00447 (SEC, 11/25/2014)	Issuance of RMBSs and CDOs	$16,650,000,000	Settlement related to 2,480 securitizations issued by Bank of America, Merrill Lynch, and Countrywide, with an original principal balance of more than $300 billion. As part of the settlement, the Bank performed 134,990 "creditable actions," such as modifying mortgage loans to make them more affordable and financing construction of new affordable housing projects.
In the Matter of Bank of America, N.A., AA-EC-14-99 (OCC, 11/11/2014)	Inappropriate communications among traders, allegations of inadequate monitoring and surveillance of those communications.	$250,000,000	
In the Matter of Bank of America Corporation, Docket Nos. 15-010-B-HC, 15-010-CMP-HC (FED, 5/20/15)	Inappropriate communications among traders, allegations of inadequate monitoring and surveillance of those communications.	$205,000,000	
In the Matter of Bank of America, N.A., AA-EC-2015-1 (OCC, 5/29/2015); In the Matter of Bank of America, N.A., AA-EC-2015-2 (OCC, 5/29/2015)	SCRA-related sworn document and collections litigation practices	$30,000,000	Approximately 73,000 accounts were offered remediation.

Enforcement Action*	Description of Conduct	Total Amount	Additional Detail from Settlement **
In the Matter of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Merrill Lynch Professional Clearing Corporation, Admin. File No. 3-16567 (SEC, 6/1/2015)	Regulation SHO short sales execution	$10,900,810	
In the Matter of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Admin. File No. 3-17314 (SEC, 6/23/2016)	Disclosures related to a structured product	$10,000,000	Approximately 4,000 individuals were sold the product.
In the Matter of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Merrill Lynch Professional Clearing Corp., Admin. File No. 3-17312 (SEC, 6/23/2016)	Separation and holding of securities customer funds	$415,000,000	No customers were harmed and no losses were incurred relating to this conduct.
In the Matter of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Admin. File No. 3-17573 (SEC, 9/26/2016)	Market Access Rule trading limits	$12,500,000	
In the Matter of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Admin. File No. 3-18313 (SEC, 12/21/2017)	Anti-money laundering controls for retirement accounts	$13,000,000	The settlement related to approximately $105 billion worth of transactions.
In the Matter of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Admin. File No. 3-18538 (SEC, 6/12/2018)	Disclosure of securities pricing	$15,700,000	
In the Matter of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Admin. File No. 3-18549 (SEC, 6/19/2018)	Disclosure of securities execution methods	$42,000,000	
In the Matter of Bank of America, N.A., Docket No. 18-34 (CFTC, 9/19/2018)	Practices related to pricing of a market fix	$30,000,000	

*This chart lists enforcement actions, available in the public domain and identified based on the Bank's reasonable due diligence and good faith efforts, that the Bank has settled for $10 million or more with the following federal regulators since 2009: the Federal Reserve, the Commodity Futures Trading Commission, the Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation, the Department of Housing and Urban Development, the Department of Justice, the Department of the Treasury (including the Office of Foreign Assets Control, the Office of the Comptroller of the Currency, and the Internal Revenue Service), the Department of Labor, the Federal Trade Commission, and the Securities and Exchange Commission.

** This chart reflects settlement amounts and additional detail regarding impacted consumers and investors based on the settlement agreements, consent orders, or contemporaneous press releases from the federal regulators.

State Street Corporation - Questions for the Record from Chairwoman Waters

Committee on Financial Services Hearing - April 10, 2019

Consumer and Investor Harm (All Witnesses)

1. **In the Committee's hearing invitation letter, I asked each bank to include in your testimony, "...a detailed description of... enforcement actions, including any consent orders and settlements, against your bank *and the number of consumers or investors harmed by your bank's actions...*" (emphasis added). While your testimony provided some information related to enforcement actions, your testimony failed to provide the Committee with the number of consumers or investors harmed by your bank's actions in the context of any enforcement actions, consent orders and settlements, where consumer or investor harm was identified. Therefore, I ask again, please provide the Committee with a detailed description of enforcement actions, including any consent orders and settlements, against your bank, including the number of consumers or investors harmed by your bank's actions in the last 10 years.**

As noted in my written testimony, since 2009 State Street has reimbursed clients or others and made payments to government agencies in settlements totaling approximately $1 billion. This amount is primarily attributable to seven matters involving enforcement.

Four were matters that involved clients or others who were reimbursed:

Subject	**Date of Activity**	**Date Settled**	**Total Settlement Amount (Penalty & Disgorgement)**	**Agencies**	**Clients Impacted**
Active Fixed Income - improper investor disclosure	2007 - 2008	2/25/2010	$383M	SEC; MA AG; MA Securities Div.	273 asset management clients
Transition Management - improper billing	2010 - 2011	1/18/2017 (DOJ, SEC) 1/30/2014 (UK-FCA)	$122.5M	UK-FCA, DOJ, SEC	7 transition management clients
Foreign exchange (FX) - improper pricing	2003 - 2009 (began as far back as 1998)	12/2017 (SEC, MA AG) 7/16/2016 (DOJ, DOL)	$395M	DOJ, DOL, SEC, MA AG	1,164 institutional investors & asset managers
Pay Discrimination - State Street payment practices	2010 - 2011	9/29/2017	$5M	OFCCP	314 current and former employees

Three were matters that only involved fines that were paid to the relevant agency or government

Subject	Date of Activity	Date Settled	Total Settlement Amount (Penalty & Disgorgement)	Agencies
Carina CDO - improper issuance and selling of notes	2006 - 2007	2/28/2012	$5M	MA Securities Div.
State of Ohio - improper solicitation of custody contracts	2010	1/14/2016	$12M	SEC
GovEx - trading platform Securities Act violation	2009 - 2015	9/7/2017	$3M	SEC

authority:

Disclosure of Diversity Data (All Witnesses)

4. **Many of the banks have acknowledged the importance of data in identifying and addressing diversity gaps in your organizations. Despite this acknowledgment, Citigroup is the only bank represented on this panel who has made efforts to publicly disclose diversity statistics and openly report on its efforts to address gender pay equity. Citi's efforts are a step in the right direction but there is much more information that is needed so that regulators, through their Office of Minority and Women Inclusion (OMWI), and the public, via annual reports and proxy statements, can be aware of your diversity status.**

- **Please explain why your bank has not done more to share your workforce and board diversity demographics with OMWIs and the public?**

We have voluntarily submitted the Diversity Self-Assessment for the Federal Reserve Board Regulated Entities Section 342(b)(2)(C) of the Dodd-Frank Wall Street Reform and Consumer Protection Act for the last 2 years.

State Street is an Affirmative Action contractor and has a reporting obligation to the Office of Federal Contractors Compliance Programs. Affirmative Action plans are prepared annually for all sites and State Street cooperates with OFCCP in all audits.

Our annual Corporate Responsibility report also provides information regarding State Street's workforce and Board diversity demographics: http://www.statestreet.com/content/dam/statestreet/documents/values/2018_STT_CR_Report.pdf. In addition to this report, State Street has also published its diversity goals and metrics since the beginning of 2018 on its corporate website.

www.statestreet.com/values/inclusion-diversity/diversity-goals.html.

- **What immediate plans do you have to share this information and be accountable to Congress and the American people about your commitment to diversity?**

  Our diversity goals are publicly stated on our internet site: www.statestreet.com/values/inclusion-diversity/diversity-goals.html.

  We plan to continue to annually submit the Diversity Self-Assessment for the Federal Reserve Board Regulated Entities Section 342(b)(2)(C) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Diversity Question for Panel (All Witnesses)

5. **Diversity is an issue that is very important to me, which is why I am very pleased that the Financial Services Committee created the Diversity and Inclusion Subcommittee, the very first of its kind in Congress, headed up by my colleague, Representative Joyce Beatty. When institutions embrace diversity, more voices and more ideas have a chance for action and businesses thrive.**

a. **Please describe the current diversity of the directors of your board and C-Suite executives.**

   State Street's Board of Directors has 12 members of which 25% are female and 8% are people of color. Our Lead Independent Director is a woman. *See attached Board of Directors information: "BOD Pages from State Street 2019 Proxy Stmt.".*

   The C-Suite (defined as CEO and Management Committee). As of June 2019 State Street will have 15 global members of the CEO's management committee; 40% are female and 13% are people of color.

b. **Please explain what your bank is doing to increase diversity of the directors of your board and C-suite executives, the policies and practices implemented at your institution to promote diversity and inclusion among your workforce, and the policies to promote the use of diverse contractors, including diverse asset managers, brokers, and underwriters, by your institution.**

Our differences make us stronger and have a measurable impact on our organization's performance. That is why we strive to have a workforce that brings a variety of ideas and perspectives. At State Street, we value diversity of all types — including age, ethnicity, gender, physical and mental ability, race, sexual orientation, gender identity and expression, spiritual practices and family status, to name a few.

Three key components of our effort are to:

- Establish our leaders as champions of diversity and inclusion, and give them the tools and resources to help them convey the importance and business value of a diverse workforce.
- Build a sustainable pipeline of diverse talent for leadership positions.
- Implement a clear standard to hold leaders accountable for creating a diverse workforce and behaving inclusively.

We want to create an environment where people of all backgrounds and experiences can succeed. Our more than 24 employee-established networks are one way that we celebrate and support our differences. In addition, while diversity targets have been formally tracked in the company since 2012, we introduced a formal three-year global inclusion and diversity strategy in 2015 to educate employees, shift behaviors and embed these elements throughout the company. As we continue our diversity journey, we have reviewed and launched a new set of three and five year diversity goals for the 2018-2022 period - and built on four inclusion and diversity strategy pillars: Communication, Accountability, Talent Pipeline and Learning and Development. The inclusion and diversity goals can be viewed at www.statestreet.com/values/inclusion-diversity/diversity-goals.html. These goals continue to focus on reporting progress, sourcing diverse talent from within and improving leadership opportunities for internal talent. We will continue to analyze the success of our diversity and inclusion efforts through our employee survey and by participating in a myriad of external surveys that allow us to benchmark ourselves against our peers.

To improve the diversity of our hiring process, a majority of our recruiting team has attended in-depth unconscious bias training to understand the role that implicit bias can play in hiring as well as learning about ways to mitigate that effect. In addition, we require a diverse slate of candidates for each open position at the Managing Director level and above. As part of State Street's performance management process, our CEO regularly reviews progress against our diversity goals with each of his Management Committee members, holding each accountable for progress. *See attached "2018 Diversity Overview".*

State Street's asset management arm (State Street Global Advisors) manages nearly all investors' assets internally, with only about 3% outsourced to outside managers. When we use outside managers, we do work to recruit minority managers; for example, we are currently using minority managers for about $350M in private equity investments. Our asset manager is also a leader in using minority trading firms.

In 2018, State Street's total spend with diverse suppliers increased in overall amounts and percentages due to improved focus on diversity. In 2018, our Global Procurement Services (GPS) team began a new formal staffing strategy to support our Supplier Diversity program which led to a significant improvement in supplier diversity in 2018.

Additional details on our supplier diversity, policies, and other diversity efforts within State Street can be found in our 2018 Corporate Responsibility report:
http://www.statestreet.com/content/dam/statestreet/documents/values/2018_STT_CR_Report.pdf

Gender Discrimination (State Street)

18. In October 2017, State Street paid $5 million in back pay and interest after a Department of Labor audit found the bank was paying female employees less than their male counterparts and black executives less than similarly situated white executives.[1]

- **Can you describe what steps, if any, the Bank has taken to show its commitment to gender and racial equality since the settlement? For example, what mentoring programs or affinity groups have been established within your organizations to improve the success and retention of qualified women and minority employees?**
    - **What outreach, if any, have you conducted with historically black colleges and universities ("HBCUs"), affinity groups, minority professional associations and similar organizations to widen your options to identify and hire qualified women and minorities?**

We have a number of programs, many specific to our business units, that promote gender and racial equity. Examples include our Leading Women group who help to promote, sponsor and mentor women and women of color as a precursor to our executive development program. We also launched a sponsorship program specifically for employees of color in one of our business units. This is in addition to the many mentoring programs that exist within our Employee Networks. We also have a Leadership Development Program which promotes employees of color and women at the AVP level, which culminates in a VP position.

In 2018 we attended the AUC career fair which includes Morehouse, Spelman and Clark Atlanta. We continue to recruit people from HBCU 's and HSI's through our relationships and attendance at conferences and events such as NABA, ALPFA, NBMBAA, Ascend, NAAAP, SACC, Grace Hopper, among others. *See attached - "2018 Diversity Example Events".*

- **What safeguards has State Street put in place to ensure pay equity for women and minorities?**

Over the last few years, State Street has taken an aggressive stance on pay equity. Here are just some of the ways we are addressing the issue:

<u>The Compact</u>: In 2013, State Street became one of the first companies to publicly commit to pay equity by launching and pledging full support for the Boston Women's Workforce Council's 100% Talent Compact (the "Compact"). State Street also encouraged other members of the business community to sign on to the Compact, under which employers participate in a wage data collection and analysis process intended to foster more accurate understanding of the wage gap in Boston as a whole, and to develop methods to address it.

[1] http://fortune.com/2017/10/05/fearless-girl-state-street-pay-discrimination/

In addition to participating in that unique data analysis process, the first of its kind in the United States, State Street and other participating employers also commit to review practices they have implemented internally, and to improve upon those practices through discussions of successes and challenges.

Redesign of the Internal Job Structure: In 2017, State Street redesigned its job architecture. In doing so, logical grouping of jobs were put together to create job families. This not only helped bring all like jobs together to form a career progression, it also linked each job to a specific salary and total compensation range. This gives the managers structure and guidance to make well informed pay decisions.

Eliminating the Salary History Question: Since 2017, State Street has prohibited pay history inquiries nation-wide. In January of 2019, State Street made this a global policy. This is another way to ensure consistent salaries by job level.

Hiring and Compensation Training: Our managers undergo annual training on compensation decision making, using tools that enable consistent, performance-based pay decisions. Additionally, we provided unconscious bias training for all managers globally, and have made a variety of training modules available to all employees concerning the topic of unconscious bias.

Diversity Goals: One of the primary drivers of the pay gap in most organizations arises from uneven distribution across different pay levels. State Street has set goals to increase the representation of women and minorities at all levels, including the more highly-paid levels, in the organization. These goals are reviewed annually and measured every three years.

Diverse Slate Requirement: One of the tools State Street uses to advance these diversity goals is to require that managers consider a diverse slate of candidates for any role posted internally or externally at the MD level or above. This is aimed at increasing the diversity of individuals at the highest levels within the company.

Interview Panel Strategy: In 2017, The State Street Global Advisors (SSGA) business unit implemented an Interview Panel Strategy, as part of its efforts to build a more diverse senior-level workforce. Under this approach, once a required diverse slate of qualified applicants for a position have been identified, SSGA uses panel-format interviews in which all interviewers meet with a candidate at the same time with a consistent list of interview questions. The panel of interviewers chosen is also diverse. This format ensures a consistent interview process, helps mitigate the risk of unconscious bias, and fosters more consistent discussion and conversation regarding the candidate among interview team members. The Interview Panel Strategy is also used for SSGA's Summer Intern Undergraduate and Global Graduate Rotational Programs, which are designed to attract recent undergraduate and MBA graduates into the world of institutional asset management. State Street is currently evaluating implementing the Interview Panel Strategy in all businesses across the company, globally.

- **What is the specific percentage gap in gender pay at your institutions?**

Rather than simply having one specific percentage gap, which we are required to provide in some locations (UK), State Street uses a variety of factors to look at pay equity rather than just pay gap. A simple percentage gap commonly arises when an organization has more men in senior level roles than women. As indicated above, by setting diversity targets and changing hiring practices, this gap will be narrowed. Globally, State Street is committed to paying equal pay for work of equal value. A variety of factors are analyzed such job, experience, and performance to ensure we are delivering on this commitment. *See Attached: "2018 UK Gender Pay Gap Report".*

- **Please describe when and how State Street plans to close that gap?**

State Street remains committed to ensuring that men and women are paid equally for doing equivalent jobs. We regularly train our managers, review compensation decisions, and assess compensation outcomes to ensure that we meet that goal.

Minority Depository Institutions (All Witnesses)

21. Since the Crisis the six largest banks have grown tremendously in both assets and deposits, however, the number of Minority Depository Institutions (MDIs) have seen a rapid decline. Could you briefly inform the Committee of how many business relationships your bank currently has with MDIs, if any, and describe the amount of investments you have made to or in partnership with MDIs?

As a custody bank, State Street does not participate in the retail, consumer, or commercial banking activities typical of Minority Depository Institutions. State Street does, however, currently have a small minority investment in one MDI.

Corporate Social Responsibility (All Witnesses)

26. Recently, in his annual letter to shareholders, Mr. Dimon noted, that, quote, "America should and can afford to provide a proper safety net to our elderly, our sick and our poor,"[2] as well as help generate more opportunities for more Americans. This comes on the heels of Mr. Dimon's noting that the Trump tax cuts added almost $4 billion to JP Morgan's profits.[3] This also comes at a time when income inequality is at an all-time high, limited affordable housing, and rising homelessness across the country.

- **Should G-SIBs do more to address these issues?**
- **With the Trump tax cuts benefitting your bank's bottom line, what percentage of the tax benefits did your bank spend on affordable housing?**

State Street has historically demonstrated a commitment to affordable housing. This is demonstrated through having received the highest Community Reinvestment Act review scores (8 consecutive Outstanding ratings dating back to 2003), partially in recognition of the consistent

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[2] https://www.marketwatch.com/story/5-things-jpmorgan-ceo-jamie-dimon-just-told-investors-and-the-american-public-2019-04-04 and https://www.jpmorganchase.com/corporate/investor-relations/document/ceo-letter-to-shareholders-2018.pdf

[3] https://www.cnn.com/2019/04/04/business/jamie-dimon-letter-jpmorgan-chase/index.html

dedication of resources to affordable housing investments. According to the most recent CRA review dated October 2017, "The bank exhibits an excellent responsiveness to the assessment area's need for affordable housing through its partnership in the Massachusetts Housing Investment Corporation and its participation in projects within Massachusetts involving tax credits and LIHTCs [Low-Income Housing Tax Credits]. Given the capacity of State Street, the bank is in a position to provide this funding, which is not routinely provided by private investors."

In 2018, we committed US$98.5 million to low-income tax credits and other affordable housing investments, as well as US$150.29 million toward CRA-qualified mortgage-backed securities. The total investment amounted to US$248.7 million towards affordable housing during the 2018 calendar year. While we did not specifically earmark a portion of the tax cuts to affordable housing, this investment is nearly double the estimated tax savings that State Street received from the tax cut.

Climate Change (All Witnesses)

Recently, EPA scientists published a peer reviewed report entitled *Climate Damages and Adaptation Potential Across Diverse Sectors of the United States*. The report echoes and confirms the dire findings of the Fourth National Climate Assessment published in 2018 by the United States Global Change Research Program. This new study "....show[s] complex patterns of projected changes across the country, with damages in some sectors (for example, labor, extreme temperature mortality and coastal property) estimated to range in the hundreds of billions of US dollars annually [in each such sector] by the end of the century under high emissions. Inclusion of a large number of sectors shows that there are no regions that escape some mix of adverse impacts. Lower emissions, and adaptation in relevant sectors, would result in substantial economic benefits."[4]

27. **How should the extremely well-known and increasingly well-documented material risks associated with current and projected climate change impacts on the US economy be communicated by the management of publicly traded companies to their shareholders and to the average investor?**

28. **Specifically, how should the management of publicly traded companies discuss and disclose the risks to their shareholders value and a company's assets and operations of the legislative, regulatory, business and market impacts of current and projected trends in climate change, including those documented and forecast by the Fourth National Climate Assessment?**

29. **If you do not concur with the US government's findings or the overwhelming preponderance of scientific studies documenting the increasing risks to our economy and public health from increasing greenhouse gas concentrations in the atmosphere, please explain why.**

[4] https://www.nature.com/articles/s41558-019-0444-6.epdf

30. **If you do not believe that climate change impacts are a material risk that should be managed, discussed, and disclosed by leaders of public companies to protect shareholder value and corporate assets and operations, please explain why.**

The impact of climate change is a significant focus of the asset stewardship program at our asset manager, State Street Global Advisors. Information on our approach to climate change can be found in our latest annual stewardship report (https://www.ssga.com/investment-topics/environmental-social-governance/2019/03/climate-investing.pdf), or in a recent article on climate investing at https://www.ssga.com/investment-topics/environmental-social-governance/2019/03/climate-investing.pdf

DIVERSITY SELF-ASSESSMENT TEMPLATE
for the Federal Reserve Board Regulated Entities

OMB No. 7100-0368
Approval Expires February 29, 2020
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Section 342(b)(2)(C) of the Dodd-Frank Wall Street Reform and Consumer Protection Act

The Board of Governors Federal Reserve System provides this self-assessment template to institutions regulated by the Federal Reserve Board (FRB) in support of the Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies dated June 10, 2015. Pursuant to the Statement of Policy, a self-assessment by an institution is voluntary.

Please provide the following information and submit via email to: ODI-Section342-DiversityStandards@frb.gov

An institution may utilize this template or its own assessment tool when conducting a self-assessment of the diversity policies and practices using the standards contained in the Statement of Policy. Prior to completing the self-assessment, click the Detailed Standards for more information.

Use of Information by the Federal Reserve Board
The FRB may use information submitted by the institution to monitor progress and trends in the financial services industry with regard to diversity and inclusion in employment and contracting activities, and to identify and highlight those policies and practices that have been successful. The FRB will continue to reach out to financial institutions and other interested parties to discuss diversity and inclusion in the financial services industry and share leading practices. The FRB may also publish information disclosed by the institution, such as any identified leading practices, in any form that does not identify a particular institution or individual or disclose confidential business information. Institutions submitting information may designate such information as confidential commercial information as appropriate, and the FRB will follow the Freedom of Information Act in the event of requests for particular information.

Assessment Period From: 01/2017 (MM/YYYY) To: 12/2018 (MM/YYYY)

State Street Corporation — Organization Name

Submitted: 03/08/2019 (MM/DD/YYYY)

Address	City	State	Zip Code (5 digits)
One Lincoln Street	Boston	MA	02111

	Diversity and Inclusion Officer or Equivalent	Supplier Diversity Officer or Equivalent
Name	Paul Francisco	Chris Malley
Title	Senior Vice President & Chief Diversity Officer	Senior Vice President & Chief Procurement Officer
E-mail Address	pfrancisco@statestreet.com	cmmalley@statestreet.com
Phone Number (###-###-####)	(617) 664-6966	(617) 985-0018

Diversity and Inclusion Website: http://www.statestreet.com/values/inclusion-diversity.html

Brief description of the institution covered by this assessment (e.g., governance structure, workforce size, total assets, geographic location, and community characteristics):

State Street Corporation (NYSE: STT) is one of the world's leading providers of financial services to institutional investors, including investment servicing, investment management and investment research and trading. With $31.62 trillion in assets under custody and administration and $2.51 trillion* in assets under management as of December 31, 2018, State Street operates in more than 100 geographic markets worldwide, including the US, Canada, Europe, the Middle East and Asia. For more information, visit State Street's website at www.statestreet.com. Total global headcount as of year end 2018 was 40,129.

PAPERWORK REDUCTION ACT NOTICE
This questionnaire is authorized by law (12 U.S.C. § 342(b)(2)(C)) and is voluntary. Public reporting burden for this questionnaire is estimated to average 8 hours per response. Send comments regarding this burden estimate or any other aspect of this information collection, including suggestions for reducing this burden, to Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, DC 20551; and to the Office of Management and Budget, Paperwork Reduction Project (7100-0368), Washington, DC 20503.

DIVERSITY SELF-ASSESSMENT TEMPLATE

PART I. Assessment of the Institution's Diversity Policies and Practices

OMB No. 7100-0368
Page 2 of 8

1. Institution's Commitment to Diversity and Inclusion

Informs how an institution promotes diversity and inclusion in both employment and contracting, and how it fosters a corporate culture that embraces diversity and inclusion.

[In a manner reflective of the individual institution's size and other characteristics.]

STANDARDS	YES	NO	PROGRAM SUCCESSES AND / OR CHALLENGES
1.1. The institution includes diversity and inclusion considerations in both employment and contracting as an important part of its strategic plan for recruiting, hiring, retention, and promotion.	☒	☐	To support our diversity and inclusion goals, we have a strategy to educate employees, shift behavior, and embed these elements throughout the company. In 2018, we renewed our commitment to increase the diversity of our workforce and the inclusiveness of our culture through a series of goals and efforts related to diversity and inclusion.
1.2. The institution has a diversity and inclusion policy that is approved and supported by senior leadership, including senior management and the Board of Directors.	☒	☐	Senior leadership reviews and approves the overall diversity strategy for the organization; all policies are designed by Global Human Resources in support of the overall strategy. State Street current has a Global Equal Opportunity Policy and a Diversity Policy.
1.3. The institution provides regular progress reports to the Board and senior management.	☒	☐	Diversity and inclusion progress is reported on a semi-annual basis and is designed to provide the Board of Directors and senior management an update on the progress against diversity goals, along with written commentary including areas of opportunity to consider.
1.4. The institution regularly conducts training and provides educational opportunities on equal employment opportunity and on diversity and inclusion.	☒	☐	We offer our employees global access to on-line learning programs that focus on workplace diversity; in addition to inclusive leadership training, etiquette training for hiring people with disabilities, and affirmative action program training.
1.5. The institution has a senior level official, preferably with knowledge of and experience in diversity and inclusion policies and practices, who oversees and directs the institution's diversity and inclusion efforts.	☒	☐	Paul Francisco, Senior Vice President is State Street's Chief Diversity Officer, responsible for providing strategic oversight of our global diversity, equity, and inclusion strategies.
1.6. The institution takes proactive steps to promote a diverse pool of candidates, including women and minorities, in its hiring, recruiting, retention, and promotion, as well as in its selection of board members, senior management, and other senior leadership positions.	☒	☐	State Street has adopted a Diverse Candidate Slate policy. We believe requiring a diverse slate of candidates during the hiring process for senior level positions will lead to more diverse hiring decisions, support our diversity and inclusion strategy and have a positive impact overall. For an applicant pool of 5, at least two 2 diverse candidates must be interviewed in order to be considered a diverse slate.

DIVERSITY SELF-ASSESSMENT TEMPLATE
PART I. Assessment of the Institution's Diversity Policies and Practices—Continued

2. Workforce Profile and Employment Practices

Promotes the fair inclusion of minorities and women in their workforce by publicizing employment opportunities, creating relationships with minority and women professional organizations and educational institutions.

[In a manner reflective of the individual institution's size and other characteristics.]

STANDARDS	YES	NO	PROGRAM SUCCESSES AND / OR CHALLENGES
2.1. The institution implements policies and practices related to workforce diversity and inclusion in a manner that complies with all applicable laws.	☒	☐	We have Equal Opportunity and Diversity Policies; and as a federal contractor we also maintain an Affirmative Action Policy and Program.
2.2. The institution ensures equal employment opportunities for all employees and applicants for employment and does not engage in unlawful employment discrimination based on gender, race, or ethnicity.	☒	☐	State Street has Equal Opportunity and Diversity Policies (as referenced above) in additional to Non-Discrimination, Sexual Harassment, Anti-Bulling & Harassment, American's with Disabilities Policies and a Human Rights Statement.
2.3. The institution has policies and practices that create diverse applicant pools for both internal and external opportunities that may include: a. Outreach to minority and women organizations;	☒	☐	Currently State Street utilities external diversity job boards and relationships with minority and women professional organizations. We have internal employee resources groups that provide mentoring and career development to encourage internal mobility.
b. Outreach to educational institutions serving significant minority and women student populations and;	☒	☐	Bunker Hill Community College Career Services, UMass Boston's Office of Career Services, Boston College Career Center and Northeastern University Office of Career Services, Year Up
c. Participation in conferences, workshops, and other events to attract minorities and women and to inform them of employment and promotion opportunities.	☒	☐	Event participation & sponsorship with The Partnership, Ascend, NAAAP, NABA, ALPFA, Catalyst, Diversity Best Practices, Out Leadership, Work Without Limits, the Conferences for Women (MA, CA, TX and PA).
2.4. The institution utilizes both quantitative and qualitative measurements to assess its workforce diversity and inclusion efforts. These efforts may be reflected, for example, in applicant tracking, hiring, promotions, separations (voluntary and involuntary), career development, and retention across all levels and occupations of the institution, including the executive and managerial ranks.	☒	☐	Through WorkDay (our HCM), we are able to track our workforce diversity against established diversity and inclusion goals -- reviewing hiring, promotions and retention trends and business observations. We conduct surveys to tell us how we are doing and what we can do to further enhance our standing as an employer of choice. It allows us to observe trends, progression and the impact of initiatives; providing us insight on engagement activities and areas of opportunity.
2.5. The institution holds management at all levels accountable for diversity and inclusion efforts, for example, by ensuring that such efforts align with business strategies and individual performance plans.	☒	☐	Diversity goals are established at the enterprise level every 3 years and then cascaded to business level; business leaders are held accountable for progress and status is included in individual scorecards and performance plans.

DIVERSITY SELF-ASSESSMENT TEMPLATE

PART I. Assessment of the Institution's Diversity Policies and Practices—Continued

3. Procurement and Business Practices–Supplier Diversity

Understands the competitive advantage of having a broad selection of available suppliers to choose from with respect to factors such as price, quality, attention to detail, and future relationship building.

[In a manner reflective of the individual institution's size and other characteristics.]

STANDARDS	YES	NO	PROGRAM SUCCESSES AND / OR CHALLENGES
3.1. The institution has a supplier diversity policy that provides for a fair opportunity for minority-owned and women-owned businesses to compete for procurement of business goods and services. This includes contracts of all types, including contracts for the issuance or guarantee of any debt, equity, or security, the sale of assets, the management of the institution's assets, and the development of the institution's equity investments.	☐	☒	We do not have a supplier diversity policy at this time, although we have a defined program and policy in the development stage.
3.2. The institution has methods to evaluate its supplier diversity, which may include metrics and analytics related to: a. Annual procurement spending;	☒	☐	We have methods to measure the diversity of annual procurement spending.
b. Percentage of contract dollars awarded to minority-owned and women-owned businesses by race, ethnicity, and gender and;	☒	☐	We can provide spend by percentage of North American spend or of global spend.
c. Percentage of contracts with minority-owned and women-owned business subcontractors.	☒	☐	We can provide spend by percentage of North American spend or of global spend.
3.3. The institution has practices to promote a diverse supplier pool, which may include: a. Outreach to minority-owned and women-owned contractors and representative organizations;	☐	☒	At this time, we do not reach out to diverse suppliers to promote a diverse supplier pool, but again, our program is in the early stages of development.
b. Participation in conferences, workshops, and other events to attract minority-owned and women-owned firms and inform them of contracting opportunities and;	☒	☐	Partner with local and national groups focused on supplier diversity. Including: Boston Chamber of Commerce,Black Economic Council of MA, DisabilityIN, Women's Business Enterprise National Council, National & local LGBT Chamber of Commerces
c. An ongoing process to publicize its procurement opportunities.	☐	☒	We have a plan to implement a process to publicize procurement opportunities in 2019.

DIVERSITY SELF-ASSESSMENT TEMPLATE

PART I. Assessment of the Institution's Diversity Policies and Practices—Continued

4. Practice to Promote Transparency of Organizational Diversity and Inclusion

Transparency and publicity are important aspects of assessing diversity policies and practices. Greater awareness and transparency give the public information to assess those policies and practices.

[In a manner reflective of the individual institution's size and other characteristics, the institution is transparent with respect to its diversity and inclusion activities by making information available to the public annually through its website or other appropriate communication methods.]

STANDARDS	YES	NO	PROGRAM SUCCESSES AND / OR CHALLENGES
4.1. The institution publicizes its diversity and inclusion strategic plan.	☒	☐	See link below to our inclusion and diversity goals: www.statestreet.com/values/inclusion-diversity/diversity-goals.html
4.2. The institution publicizes its policy on its commitment to diversity and inclusion.	☒	☐	See links to our CEO's public commitments to diversity: CHECK LINKS http://www.statestreet.com/values/inclusion-diversity.html http://www.statestreet.com/values/inclusion-diversity/diversity-mission.html
4.3. The institution is transparent about its progress toward achieving diversity and inclusion in its workforce and procurement activities, which may include the institution's current workforce and supplier demographic profiles.	☒	☐	See link below to our inclusion and diversity goals, including our progress: www.statestreet.com/values/inclusion-diversity/diversity-goals.html
4.4. The institution publicizes its opportunities to promote diversity, which may include: a. Current employment and procurement opportunities;	☒	☐	See link below to our external career site: http://www.statestreet.com/about/careers.html
b. Forecasts of potential employment and procurement opportunities and;	☐	☒	n/a
c. The availability and use of mentorship and developmental programs for employees and contractors.	☒	☐	See link below to our programs available: http://www.statestreet.com/about/careers/global-inclusion.html

DIVERSITY SELF-ASSESSMENT TEMPLATE

PART I. Assessment of the Institution's Diversity Policies and Practices—Continued

5. Institution's Self-Assessment

Institutions that have successful diversity policies and practices allocate time and resources to monitoring and evaluating performance under their diversity policies and practices on an ongoing basis. Institutions are encouraged to disclose their diversity policies and practices, as well as information related to their assessments, to the Federal Reserve Board and the public.

[In a manner reflective of the individual institution's size and other characteristics.]

STANDARDS	YES	NO	PROGRAM SUCCESSES AND / OR CHALLENGES
5.1. The institution conducts an assessment of its diversity policies and practices annually.	☒	☐	Policies are available on our internal site and most are reviewed on an annual basis.
5.2. The institution monitors and evaluates its performance under its diversity policies and practices on an ongoing basis.	☒	☐	Diversity Goal progress is monitored on a semi-annual basis.
5.3. The institution publishes information pertaining to its assessment of its diversity policies and practices.	☒	☐	As stated above, our goals for the next three years and progress is posted on our external site: www.statestreet.com/values/inclusion-diversity/diversity-goals.html

DIVERSITY SELF-ASSESSMENT TEMPLATE
PART II. Diversity Data

Workforce Profile and Employment Practices

	Total Number	Women	Minorities
Institution's total workforce and percentages of women and minorities:	15,515	41.26 %	32.37 %
Number of Executive/Senior Level Officials and Managers job category as shown in its most recent EEO-1 Report:	361	104	53
Percentage of Executive/Senior Level Officials and Managers job category as shown in its most recent EEO-1 Report:		28.80 %	14.68 %
Total number on Board of Directors:	12	3	0
Total percentage on the Board of Directors:		25.00 %	0 %

Procurement–Supplier Diversity

	Total-Spending	Women-Owned Spending	Minority-Owned Spending
Most recent total amount of annual spending compared with the total spending with all vendors and suppliers:	$ 2,726,729,717	$ 196,595,980	$ 47,071,286
Total Percentage compared to all vendors and suppliers:		7.21 %	1.73 %

DIVERSITY SELF-ASSESSMENT TEMPLATE
PART III. Other Information or Comments

Provide any other information or comments regarding the self-assessment of its diversity and inclusion policies and practices.

2018 Awards & Recognitions: HRC-Corporate Equality Index; Bloomberg-Gender Equality Index; DiversityInc Top 50-Most Noteworthy Company; Working Mother-100 Best Companies & Best Company for Dads; Disability Equality Index-Best Places to Work; Fatherly's 50 Best Places to Work for Dads; Black EOE Journal-Best of Best; Diversity Journal-Diversity Leader Award.
Fearless Girl - changing corporate board rooms. See: https://www.ssga.com/global/en/about-us/who-we-are/fearless-girl.html
CEO Action for Diversity & Inclusion: Signatory to CEO commitment; https://www.ceoaction.com/
The Compact: commitment to pay equity for women; https://www.bostonwomensworkforcecouncil.com/
Boston WINs: multi-year, $20 million philanthropic initiative; www.statestreet.com/values/BostonWINs.html

DETAILED STANDARDS

Institution's Committment to Diversity and Inclusion
The leadership of an institution with successful diversity policies and practices demonstrates its commitment to diversity and inclusion. Leadership comes from the governing body, such as a board of directors, as well as senior officials and those managing the institution on a day-to-day basis. These Standards inform how an institution promotes diversity and inclusion in both employment and contracting and how it fosters a corporate culture that embraces diversity and inclusion.

Workforce Profile and Employment Practices
Many institutions promote the fair inclusion of minorities and women in their workforce by publicizing employment opportunities, creating relationships with minority and women professional organizations and educational institutions, creating a culture that values the contribution of all employees, and encouraging a focus on these objectives when evaluating the performance of managers. Institutions with successful diversity and inclusion programs also regularly evaluate their programs and identify areas to be improved.

Procurement and Business Practices – Supplier Diversity
Companies increasingly understand the competitive advantage of having a broad selection of available suppliers to choose from with respect to factors such as price, quality, attention to detail, and future relationship building. A number of institutions have achieved success at expanding available business options by increasing outreach to minority-owned and women-owned businesses. As in the employment context, institutions often use metrics to identify the baseline of how much they spend procuring and contracting for goods and services, how much they spend with minority-owned and women-owned businesses, and the availability of relevant minority-owned and women-owned businesses, as well as changes over time. Similarly, institutions may use outreach to inform minority-owned and women-owned businesses (and affinity groups representing these constituencies) of these opportunities and of the procurement process. In addition, institutions' prime contractors often use subcontractors to fulfill the obligations of various contracts. The use of minority-owned and women-owned businesses as subcontractors provides valuable opportunities for both the minority-owned and women-owned businesses and the prime contractor. Institutions may encourage the use of minority-owned and women-owned subcontractors by incorporating this objective in their business contracts.

Practice to Promote Transparency of Institution's Diversity and Inclusion
Transparency and publicity are important aspects of assessing diversity policies and practices. Greater awareness and transparency give the public information to assess those policies and practices. Institutions publicize information about their diversity and inclusion efforts through normal business methods, which include displaying information on their websites, in their promotional materials, and in their annual reports to shareholders, if applicable. By making public an institution's commitment to diversity and inclusion, its plans for achieving diversity and inclusion, and the metrics it uses to measure success in both workplace and supplier diversity, an institution informs a broad constituency of investors, employees, potential employees, suppliers, customers, and the general community about its efforts. The publication of this information can make new markets accessible for minorities and women and illustrate the progress made toward an important business goal.

Entities' Self-Assessment
Institutions that have successful diversity policies and practices allocate time and resources to monitoring and evaluating performance under their diversity policies and practices on an ongoing basis. Institutions are encouraged to disclose their diversity policies and practices, as well as information related to their assessments, to the Federal Reserve Board and the public.

Download and save the file to your computer prior to clicking the submit button.

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DIVERSITY SELF-ASSESSMENT TEMPLATE
for the Federal Reserve Board Regulated Entities

Section 342(b)(2)(C) of the Dodd-Frank Wall Street Reform and Consumer Protection Act

OMB No. 7100-0368
Approval Expires February 29, 2020
Page 1 of 8

The Board of Governors Federal Reserve System provides this self-assessment template to institutions regulated by the Federal Reserve Board (FRB) in support of the Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies dated June 10, 2015. Pursuant to the Statement of Policy, a self-assessment by an institution is voluntary.

Please provide the following information and submit via email to: ODI-Section342-DiversityStandards@frb.gov

An institution may utilize this template or its own assessment tool when conducting a self-assessment of the diversity policies and practices using the standards contained in the Statement of Policy. Prior to completing the self-assessment, click the Detailed Standards for more information.

Use of Information by the Federal Reserve Board

The FRB may use information submitted by the institution to monitor progress and trends in the financial services industry with regard to diversity and inclusion in employment and contracting activities, and to identify and highlight those policies and practices that have been successful. The FRB will continue to reach out to financial institutions and other interested parties to discuss diversity and inclusion in the financial services industry and share leading practices. The FRB may also publish information disclosed by the institution, such as any identified leading practices, in any form that does not identify a particular institution or individual or disclose confidential business information. Institutions submitting information may designate such information as confidential commercial information as appropriate, and the FRB will follow the Freedom of Information Act in the event of requests for particular information.

Assessment Period From: 01/2017 (MM/YYYY) To: 12/2017 (MM/YYYY)

State Street Corporation — Organization Name
Submitted: 04/25/2018 (MM/DD/YYYY)

One Lincoln Street — Address
Boston — City
MA — State
02111 — Zip Code (5 digits)

Diversity and Inclusion Officer or Equivalent

Paul Francisco — Name
Senior Vice President & Chief Diversity Officer — Title
pfrancisco@statestreet.com — E-mail Address
(617) 664-6966 — Phone Number (###-###-####)

Supplier Diversity Officer or Equivalent

Brian Downer — Name
Senior Vice President & Chief Procurement Officer — Title
bjdowner@statestreet.com — E-mail Address
(617) 662-7209 — Phone Number (###-###-####)

Diversity and Inclusion Website: http://www.statestreet.com/values/inclusion-diversity.html

Brief description of the institution covered by this assessment (e.g., governance structure, workforce size, total assets, geographic location, and community characteristics):

State Street Corporation (NYSE: STT) is the world's leading provider of financial services to institutional investors including investment servicing, investment management and investment research and trading. With $33.1 trillion in assets under custody and administration and $2.8 trillion* in assets under management as of December 31, 2017, State Street operates globally in more than 100 geographic markets and employs 36,643 worldwide.

DIVERSITY SELF-ASSESSMENT TEMPLATE

PART I. Assessment of the Institution's Diversity Policies and Practices

1. Institution's Commitment to Diversity and Inclusion

Informs how an institution promotes diversity and inclusion in both employment and contracting, and how it fosters a corporate culture that embraces diversity and inclusion.

[In a manner reflective of the individual institution's size and other characteristics.]

STANDARDS	YES	NO	PROGRAM SUCCESSES AND / OR CHALLENGES
1.1. The institution includes diversity and inclusion considerations in both employment and contracting as an important part of its strategic plan for recruiting, hiring, retention, and promotion.	☒	☐	To support our diversity and inclusion goals, we have a strategy to educate employees, shift behavior, and embed these elements throughout the company. In 2018, we have renewed our commitment to increase the diversity of our workforce and the inclusiveness of our culture through a series of goals and efforts related to diversity and inclusion.
1.2. The institution has a diversity and inclusion policy that is approved and supported by senior leadership, including senior management and the Board of Directors.	☒	☐	Senior leadership reviews and approves the overall diversity strategy for the organization; all policies are designed by Global Human Resources in support of the overall strategy. State Street current has a Global Equal Opportunity Policy and a Diversity Policy.
1.3. The institution provides regular progress reports to the Board and senior management.	☒	☐	Diversity and inclusion progress is reported on a semi-annual basis and is designed to provide the Board of Directors and senior management an update on the progress against diversity goals, along with written commentary including areas of opportunity to consider.
1.4. The institution regularly conducts training and provides educational opportunities on equal employment opportunity and on diversity and inclusion.	☒	☐	We offer our employees global access to on-line learning programs that focus on workplace diversity; in addition to etiquette training for hiring veterans and people with disabilities, and affirmative action program training.
1.5. The institution has a senior level official, preferably with knowledge of and experience in diversity and inclusion policies and practices, who oversees and directs the institution's diversity and inclusion efforts.	☒	☐	Paul Francisco, Senior Vice President is State Street's Chief Diversity Officer, responsible for providing strategic oversight of our global diversity, equity, and inclusion strategies.
1.6. The institution takes proactive steps to promote a diverse pool of candidates, including women and minorities, in its hiring, recruiting, retention, and promotion, as well as in its selection of board members, senior management, and other senior leadership positions.	☒	☐	State Street has adopted a Diverse Candidate Slate policy. We believe requiring a diverse slate of candidates during the hiring process for senior level positions will lead to more diverse hiring decisions, support our diversity and inclusion strategy and have a positive impact overall. For an applicant pool of 5, at least two 2 diverse candidates must be interviewed in order to be considered a diverse slate.

DIVERSITY SELF-ASSESSMENT TEMPLATE

PART I. Assessment of the Institution's Diversity Policies and Practices—Continued

2. Workforce Profile and Employment Practices

Promotes the fair inclusion of minorities and women in their workforce by publicizing employment opportunities, creating relationships with minority and women professional organizations and educational institutions.

[In a manner reflective of the individual institution's size and other characteristics,]

STANDARDS	YES	NO	PROGRAM SUCCESSES AND / OR CHALLENGES
2.1. The institution implements policies and practices related to workforce diversity and inclusion in a manner that complies with all applicable laws.	☒	☐	We have Equal Opportunity and Diversity Policies; and as a federal contractor we also maintain an Affirmative Action Policy and Program.
2.2. The institution ensures equal employment opportunities for all employees and applicants for employment and does not engage in unlawful employment discrimination based on gender, race, or ethnicity.	☒	☐	State Street has Equal Opportunity and Diversity Policies (as referenced above) in additional to Non-Discrimination, Sexual Harassment, Anti-Bulling & Harassment, American's with Disabilities Policies and a Human Rights Statement.
2.3. The institution has policies and practices that create diverse applicant pools for both internal and external opportunities that may include: a. Outreach to minority and women organizations;	☒	☐	Currently State Street utilities external diversity job boards and relationships with minority and women professional organizations. We have internal employee resources groups that provide mentoring and career development to encourage internal mobility.
b. Outreach to educational institutions serving significant minority and women student populations and;	☒	☐	Bunker Hill Community College Career Services, UMass Boston's Office of Career Services , Boston College Career Center and Northeastern University Office of Career Services
c. Participation in conferences, workshops, and other events to attract minorities and women and to inform them of employment and promotion opportunities.	☒	☐	Event participation & sponsorship with The Partnership, Ascend, NAAAP, NABA, ALPFA, Catalyst, Diversity Best Practices, Out Leadership, Work Without Limits, the Conferences for Women (MA, CA, TX and PA),
2.4. The institution utilizes both quantitative and qualitative measurements to assess its workforce diversity and inclusion efforts. These efforts may be reflected, for example, in applicant tracking, hiring, promotions, separations (voluntary and involuntary), career development, and retention across all levels and occupations of the institution, including the executive and managerial ranks.	☒	☐	Our Executive Insights report, produced semi-annual, tracks our workforce diversity against established diversity and inclusion goals -- reviewing hiring, promotions and retention trends and business observations. D&I efforts are measured quantitatively via our employee survey; 80% of our employees either agreed or strongly agreed with the statement, "My company encourages and promotes diversity of backgrounds, talents, and perspective."
2.5. The institution holds management at all levels accountable for diversity and inclusion efforts, for example, by ensuring that such efforts align with business strategies and individual performance plans.	☒	☐	Diversity goals are established at the enterprise level every 3 years and then cascaded to business level; business leaders are held accountable for progress and status is included in individual scorecards and performance plans.

DIVERSITY SELF-ASSESSMENT TEMPLATE

PART I. Assessment of the Institution's Diversity Policies and Practices–Continued

3. Procurement and Business Practices–Supplier Diversity

Understands the competitive advantage of having a broad selection of available suppliers to choose from with respect to factors such as price, quality, attention to detail, and future relationship building.

[In a manner reflective of the individual institution's size and other characteristics.]

STANDARDS	YES	NO	PROGRAM SUCCESSES AND / OR CHALLENGES
3.1. The institution has a supplier diversity policy that provides for a fair opportunity for minority-owned and women-owned businesses to compete for procurement of business goods and services. This includes contracts of all types, including contracts for the issuance or guarantee of any debt, equity, or security, the sale of assets, the management of the institution's assets, and the development of the institution's equity investments.	☐	☒	We do not have a supplier diversity policy at this time, although we have a defined program in the early stages of development.
3.2. The institution has methods to evaluate its supplier diversity, which may include metrics and analytics related to: a. Annual procurement spending;	☒	☐	We have methods to measure the diversity of annual procurement spending.
b. Percentage of contract dollars awarded to minority-owned and women-owned businesses by race, ethnicity, and gender and;	☒	☐	We can provide spend by percentage of North American spend or of global spend.
c. Percentage of contracts with minority-owned and women-owned business subcontractors.	☐	☒	We do not track diversity by contract at this time.
3.3. The institution has practices to promote a diverse supplier pool, which may include: a. Outreach to minority-owned and women-owned contractors and representative organizations;	☐	☒	At this time, we do not reach out to diverse suppliers to promote a diverse supplier pool, but again, our program is in the early stages of development.
b. Participation in conferences, workshops, and other events to attract minority-owned and women-owned firms and inform them of contracting opportunities and;	☒	☐	We belong to and participate in the National Minority Supplier Diversity Council and attend events for the Greater New England Minority Supplier Diversity Council.
c. An ongoing process to publicize its procurement opportunities.	☐	☒	We do not have a process to publicize procurement opportunities at this time.

DIVERSITY SELF-ASSESSMENT TEMPLATE

PART I. Assessment of the Institution's Diversity Policies and Practices—Continued

OMB No. 7100-0368

4. Practice to Promote Transparency of Organizational Diversity and Inclusion

Transparency and publicity are important aspects of assessing diversity policies and practices. Greater awareness and transparency give the public information to assess those policies and practices.

[In a manner reflective of the individual institution's size and other characteristics, the institution is transparent with respect to its diversity and inclusion activities by making information available to the public annually through its website or other appropriate communication methods.]

STANDARDS	YES	NO	PROGRAM SUCCESSES AND / OR CHALLENGES
4.1. The institution publicizes its diversity and inclusion strategic plan.	☒	☐	See link below to our newly stated inclusion and diversity goals: www.statestreet.com/values/inclusion-diversity/diversity-goals.html
4.2. The institution publicizes its policy on its commitment to diversity and inclusion.	☒	☐	See links to our CEO's public commitments to diversity: http://www.statestreet.com/values/inclusion-diversity.html http://www.statestreet.com/values/inclusion-diversity/diversity-mission.html
4.3. The institution is transparent about its progress toward achieving diversity and inclusion in its workforce and procurement activities, which may include the institution's current workforce and supplier demographic profiles.	☒	☐	See link below to our newly stated inclusion and diversity goals, including our progress: www.statestreet.com/values/inclusion-diversity/diversity-goals.html
4.4. The institution publicizes its opportunities to promote diversity, which may include: a. Current employment and procurement opportunities;	☒	☐	See link below to our external career site: http://www.statestreet.com/about/careers.html
b. Forecasts of potential employment and procurement opportunities and;	☐	☒	n/a
c. The availability and use of mentorship and developmental programs for employees and contractors.	☒	☐	See link below to our programs available: http://www.statestreet.com/about/careers/global-inclusion.html

DIVERSITY SELF-ASSESSMENT TEMPLATE
PART I. Assessment of the Institution's Diversity Policies and Practices—Continued

5. Institution's Self-Assessment

Institutions that have successful diversity policies and practices allocate time and resources to monitoring and evaluating performance under their diversity policies and practices on an ongoing basis. Institutions are encouraged to disclose their diversity policies and practices, as well as information related to their assessments, to the Federal Reserve Board and the public.

[In a manner reflective of the individual institution's size and other characteristics.]

STANDARDS	YES	NO	PROGRAM SUCCESSES AND / OR CHALLENGES
5.1. The institution conducts an assessment of its diversity policies and practices annually.	☒	☐	Policies are available on our internal site and most are reviewed on an annual basis.
5.2. The institution monitors and evaluates its performance under its diversity policies and practices on an ongoing basis.	☒	☐	Diversity Goal progress is monitored on a semi-annual basis.
5.3. The institution publishes information pertaining to its assessment of its diversity policies and practices.	☒	☐	As stated above, our goals for the next three years and progress is posted on our external site: www.statestreet.com/values/inclusion-diversity/diversity-goals.html

DIVERSITY SELF-ASSESSMENT TEMPLATE

PART II. Diversity Data

OMB No. 7100-0368
Page 7 of 8

Workforce Profile and Employment Practices

	Total Number	Women	Minorities
Institution's total workforce and percentages of women and minorities:	16,696	42 %	28 %
Number of Executive/Senior Level Officials and Managers job category as shown in its most recent EEO-1 Report:	381	103	49
Percentage of Executive/Senior Level Officials and Managers job category as shown in its most recent EEO-1 Report:		27 %	13 %
Total number on Board of Directors:	10	3	1
Total percentage on the Board of Directors:		30 %	10 %

Procurement–Supplier Diversity

	Total-Spending	Women-Owned Spending	Minority-Owned Spending
Most recent total amount of annual spending compared with the total spending with all vendors and suppliers:	$ 2,549,576,280	$ 54,886,758	$ 25,348,997
Total Percentage compared to all vendors and suppliers:		2 %	1 %

DIVERSITY SELF-ASSESSMENT TEMPLATE
PART III. Other Information or Comments

OMB No. 7100-0368
Page 8 of 8

Provide any other information or comments regarding the self-assessment of its diversity and inclusion policies and practices.

Fearless Girl - changing corporate board rooms. See: https://www.ssga.com/global/en/about-us/who-we-are/fearless-girl.html
CEO Action for Diversity & Inclusion: Signatory to CEO-driven business commitment to advance diversity and inclusion in the workplace. See https://www.ceoaction.com/
The Compact: Became one of the first companies publicly to commit to pay equity by launching and pledging full support for the Boston Women's Workforce Council's 100% Talent Compact. See https://www.bostonwomensworkforcecouncil.com/
Boston Workforce Investment Network (Boston WINs): multi-year, $20 million philanthropic initiative that helps prepare Boston youth for the workforce. www.statestreet.com/values/BostonWINs.html

DETAILED STANDARDS

Institution's Committment to Diversity and Inclusion

The leadership of an institution with successful diversity policies and practices demonstrates its commitment to diversity and inclusion. Leadership comes from the governing body, such as a board of directors, as well as senior officials and those managing the institution on a day-to-day basis. These Standards inform how an institution promotes diversity and inclusion in both employment and contracting and how it fosters a corporate culture that embraces diversity and inclusion.

Workforce Profile and Employment Practices

Many institutions promote the fair inclusion of minorities and women in their workforce by publicizing employment opportunities, creating relationships with minority and women professional organizations and educational institutions, creating a culture that values the contribution of all employees, and encouraging a focus on these objectives when evaluating the performance of managers. Institutions with successful diversity and inclusion programs also regularly evaluate their programs and identify areas to be improved.

Procurement and Business Practices – Supplier Diversity

Companies increasingly understand the competitive advantage of having a broad selection of available suppliers to choose from with respect to factors such as price, quality, attention to detail, and future relationship building. A number of institutions have achieved success at expanding available business options by increasing outreach to minority-owned and women-owned businesses. As in the employment context, institutions often use metrics to identify the baseline of how much they spend procuring and contracting for goods and services, how much they spend with minority-owned and women-owned businesses, and the availability of relevant minority-owned and women-owned businesses, as well as changes over time. Similarly, institutions may use outreach to inform minority-owned and women-owned businesses (and affinity groups representing these constituencies) of these opportunities and of the procurement process. In addition, institutions' prime contractors often use subcontractors to fulfill the obligations of various contracts. The use of minority-owned and women-owned businesses as subcontractors provides valuable opportunities for both the minority-owned and women-owned businesses and the prime contractor. Institutions may encourage the use of minority-owned and women-owned subcontractors by incorporating this objective in their business contracts.

Practice to Promote Transparency of Institution's Diversity and Inclusion

Transparency and publicity are important aspects of assessing diversity policies and practices. Greater awareness and transparency give the public information to assess those policies and practices. Institutions publicize information about their diversity and inclusion efforts through normal business methods, which include displaying information on their websites, in their promotional materials, and in their annual reports to shareholders, if applicable. By making public an institution's commitment to diversity and inclusion, its plans for achieving diversity and inclusion, and the metrics it uses to measure success in both workplace and supplier diversity, an institution informs a broad constituency of investors, employees, potential employees, suppliers, customers, and the general community about its efforts. The publication of this information can make new markets accessible for minorities and women and illustrate the progress made toward an important business goal.

Entities' Self-Assessment

Institutions that have successful diversity policies and practices allocate time and resources to monitoring and evaluating performance under their diversity policies and practices on an ongoing basis. Institutions are encouraged to disclose their diversity policies and practices, as well as information related to their assessments, to the Federal Reserve Board and the public.

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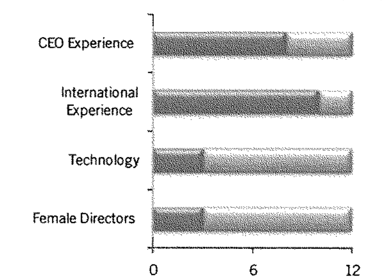
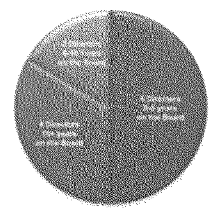
Diversity

State Street recognizes the importance of diversity with regard to the composition of the Board and strives to have a Board that provides diversity of thought and a broad range of perspectives. In an effort to achieve these objectives, the Nominating and Corporate Governance Committee and the Board consider a wide range of attributes when determining and assessing director nominees and prospective candidates including, but not limited to, gender, race, personal and professional backgrounds, tenure of Board service, national origin and age. The Nominating and Corporate Governance Committee and the Board believe the current Board composition reflects these desired attributes, which collectively best serve State Street and our key stakeholders. As noted above, the Nominating and Corporate Governance Committee considers diversity in its director candidate recommendations. However, the Committee does not assign specific weight to the various factors it considers and no particular criterion is a prerequisite for nomination.





Average Director Tenure (8.1 years)

State Street's Governance Standards Relative to the Investor Stewardship Group's (ISG) Corporate Governance Framework[1]

ISG Principle (for U.S. Listed Companies)	State Street's Governance Standards
Principle 1 **Boards are accountable to shareholders**	• All directors stand for shareholder election annually • Majority voting standard in uncontested director elections, and incumbent directors not receiving majority support must tender their resignation for consideration by the Board • Proxy access for shareholders • Board annually reviews and approves Corporate Governance Guidelines to assist in the exercise of duties and responsibilities. These Guidelines, along with Board committee charters, standards of conduct and other governance information, are posted on State Street's website
Principle 2 **Shareholders should be entitled to voting rights in proportion to their economic interest**	• One class of common stock, with each share carrying equal voting rights (a "one-share, one-vote" standard)

1 ISG is an investor-led effort that includes some of the largest U.S.-based institutional investors and global asset managers, along with several of their international counterparts. State Street Global Advisors, State Street's investment management line of business, is a member of ISG. The corporate governance framework articulates six principles that ISG believes are fundamental to good corporate governance at U.S. listed companies. The Principles reflect the common corporate governance beliefs of each ISG member and are designed to establish a foundational set of investor expectations about corporate governance practices in U.S. publicly-listed companies.

ISG Principle (for U.S. Listed Companies)	State Street's Governance Standards
Principle 3 **Boards should be responsive to shareholders and be proactive in order to understand their perspectives**	• Process in place for shareholders and interested parties to communicate with Lead Director • Proactive annual shareholder engagement provides feedback to relevant Board committees
Principle 4 **Boards should have a strong, independent leadership structure**	• Strong independent Lead Director with clearly defined duties that are disclosed to shareholders • Annual public disclosure of the Board's reasoning underlying its leadership structure and affirmation that the current leadership structure is appropriate • All principal Board committees have independent chairs
Principle 5 **Boards should adopt structures and practices that enhance their effectiveness**	• 10 of 12 directors are independent • Directors reflect a diverse mix of industry, regulatory, management, technology, risk and other experience and skills relevant to State Street's businesses and strategies • 3 out of 12 directors are women • Active Board refreshment with 6 new directors in the last 5 years • Key Board committees (Examining and Audit Committee; Executive Compensation Committee; Nominating and Corporate Governance Committee; and Technology and Operations Committee) are fully independent. State Street also has a Risk Committee, on which the Chairman serves along with 5 independent directors • Annual Board-level assessment of each director's contributions, skills, committee assignments and tenure when analyzing the overall composition and effectiveness of the Board • Board has full and free access to officers and employees • During 2018, each of the incumbent directors attended at least 75% of the total of all meetings of the Board and committees on which the director served during his or her service as a director, and each of the 12 nominees for election attended the 2018 annual shareholder meeting

Principle 6
Boards should develop management incentive structures that are aligned with the long-term strategy of the company
	• Executive compensation program received over 95% shareholder support at the 2018 annual meeting of shareholders
	• Executive Compensation Committee evaluates corporate performance, individual performance and market, regulatory and shareholder considerations when making total compensation determinations for each member of State Street's Management Committee, which includes all executive officers
	  • Corporate performance is determined by assessing the company's financial performance, achievement of strategic objectives and risk management performance
	  • Individual performance assessments are determined based on the executive's strategic, financial, risk excellence and leadership contributions
	• Corporate and individual performance assessments for Named Executive Officers are described below under the heading "Compensation Discussion and Analysis"

STATE STREET.

2018 Diversity Recruitment & Outreach Activities

2018 MEDIA OUTREACH

- Initiated partnership agreements with the following media sources with the objective of attracting diverse talent
  - Glassdoor.com
  - eQuest diversity advertising bundle (contract renewal) Boards include:
    - States Compliance
    - Hire A Hero
    - JOFDAV
    - RecruitAbility
      - US Diversity: African American, American Indian, Asian American, Persons with Disabilities, Gay/Lesbian, Hispanic American, Senior Citizen, Veteran, and Women communities
  - LinkedIn
  - Indeed.com

SPONSORSHIPS, EVENTS & CAREER FAIRS

- ALPFA:
  - ALPFA Student Summit, February 24 at Bunker Hill CC, Boston
  - Women of ALPFA Summit - Most Powerful Latina Summit, April 24, New York, NY
  - ALPFA National Convention, the largest gathering of Latino professionals and students from across the United States to learn, network, mentor and develop as leaders. State Street presented a workshop titled "How to Fast Track your Career & Professional Branding: It's Not Who You Know, It's Who Knows You" and hosted a Women of ALPFA panel discussion "Fostering a Generation of Fearless Leaders: Why Gender Equality is Critical for the Success of Corporate America,"as well as a Networking Session. August 6, Las Vegas, NV
- Color Magazine - sponsor of conferences: Women of Color on June 14, the Chief Diversity Officer on July 26 and Men of Color on November 6
- El Mundo Boston Latino Career Expo, career fair and networking event welcomes a diverse group of attendees. State Street hosted a career expo booth, March 30, Boston, MA
- NABA National Convention, 2,000 members and more than 70 corporate partners attended. NABA's convention is a career expo with opportunities for leadership development, skills building/enhancement, relationship development, career building and recognition of commitment to diversity & inclusion. June 6, New Orleans, LA
- Conferences for Women – lead sponsor of Massachusetts Conference for Women on December 6 in Boston; sponsor of California Conference for Women on February 21 and sponsor of Pennsylvania Conference for Women on October 12.

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GLOBAL INCLUSION & DIVERSITY ACTIVITIES AND RESOURCES

State Street's has a goal to enhance our ability to attract and recruit diverse and inclusive talent, as result we seek to work with and support many organizations committed to diversity and inclusion including but not limited to:

- **Corporate Partnerships**

  Global
  - Catalyst: Best practices, resources and innovative solutions for women's advancement.
  - Out Leadership: The first truly global LGBT+ business organization, focusing on the LGBT+ business case and engaging global business leaders in the conversation about LGBT+ inclusion. Provide research, advocacy, professional development, summits, and more.

  North America
  - Ascend: Largest non-profit Pan-Asian organization for business professionals in North America. They offer robust professional development and career enhancement programs designed to cultivate Pan-Asian talent.
  - ALPFA: Association of Latino Professionals for America – provide memberships to select number of STT employees through Global Inclusion & the LAPG.
  - BC Center for Working Families: Collaboration community connecting partner organizations with worlds of academic research and workplace practice.
  - Boston Women's Workforce Council: As a key initiative of the Boston Women's Workforce Council, Boston Women's Compact is committed to closing the wage gap in conjunction with the Mayor of Boston.
  - CEB's Diversity & Inclusion Leadership Council: Best practices, resources, and innovative solutions for diversity and inclusion professionals at large corporations.
  - CFA Institute: Seek to develop and diversify talent in tandem with elevating each respective brand by fostering an ethical culture, education, industry engagement and thought leadership.
  - The Clayman Institute for Gender Research: Based out of Stanford University, seek to implement change that promotes gender equality, offers best practices, gender research, and networks of scholars & advocates.
  - Diversity Best Practices: Best practices, resources and innovative solutions for diversity strategies.
  - NAAAP: NAAAP Boston is the local chapter of National Association of Asian American Professionals (NAAAP), a nonprofit organization that is dedicated to cultivate, support and promote Asian American leaders through professional development programs, community services engagements, and diverse industry connections.
  - The Partnership, Inc.: Professional development program for racially diverse professionals.

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- **Local Partnerships**

  Minority Professional Organizations Affiliation
  - National Association of Black Accountants
  - National Black MBA Association
  - Urban League of Eastern Massachusetts

  Women Conference Sponsorships & Events
  - Massachusetts Conference for Women-Presenting Sponsors
  - Women of ALPFA Summit- Lead Sponsors
  - Color Magazine Women of Color symposium

  LGBT Professional Organizations & Events
  - Out and Equal Work Place Summit
  - Out Leadership Summit
  - Fenway Health Women's Event
  - Fenway Men's Health Event
  - GLAAD Spirit of Justice Gala

  High School & College Diversity Professional Development Organizations
  - The Bottom Line
  - UAspire
  - College Advising Corps
  - The Toigo Foundation- MBA Catapult Session & Spring Career Event
  - The Posse Foundation
  - Latino Leadership Institute at Harvard Kennedy School of Government
  - Junior Achievement
  - Private Industry Council (PIC)
  - Year Up

  Community Event Sponsorship
  - Milagros Para Niños Hispanic Heritage Month Gala- Silver Sponsors
  - Dimock Community Health Center Steppin' Out Gala
  - Human Rights Campaign Gala
  - ELC Gala

- **Employee Resource Groups**

  State Street is committed to championing issues important to professional women and employees of color. State Street sponsors 23 employee resource groups with over 100 global chapters globally that provides opportunities for networking, career advancement, and professional development. All employee resource groups have a governance structure, which includes a steering committee, as well as executive sponsorship at the SVP, Executive Vice President or Management Committee level. Listed below is a selection of established resource groups:
  - Asian Professional Alliance
  - Black Professional's Group
  - Disability Awareness Alliance
  - Indian Employee Network
  - Latin American Professional's Group
  - Professional Women's Network
  - Veterans Network
  - Working Parents Group

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SUPPLIER DIVERSITY

Regional/National Memberships

- DisabilityIN (Disability-Owned Businesses Enterprises (DOBE)
- Financial Services Roundtable for Supplier Diversity (FSRSD)
- National Gay & Lesbian Chamber of Commerce (NGLCC)
- Women's Business Enterprise National Council (WBENC)

Local Memberships

- Greater Boston Chamber of Commerce (GBCC)- Pacesetters Program
- Black Economic Council of Massachusetts (BECMA)
- Center For Women & Enterprise (CWE)
- Greater New England MSDC (GNEMSDC)
- Small Business Administration (SBA)
- Massachusetts LGBT Chamber of Commerce (MLGC)

ADDITIONAL NOTABLE ACTIVITIES

State Street is also a leader in promoting diversity in the broader world. The following highlight State Street's efforts in this area:

- CEO Action for Diversity and Inclusion™- State Street's CEO Jay Hooley joined more than 150 fellow CEOs from top companies and business organizations in signing the *CEO Action for Diversity & Inclusion*™, the largest CEO-driven business commitment to advance diversity and inclusion in the workplace. The *CEO Action for Diversity & Inclusion*™ is led by a steering committee of CEOs and leaders representing more than 50 industries and millions of employees globally. Each signatory has committed to taking steps to increase diversity and foster inclusion within their organizations and the larger business community. https://www.ceoaction.com/

- The Compact: In 2013, State Street became one of the first companies publicly to commit to pay equity by launching and pledging full support for the Boston Women's Workforce Council's 100% Talent Compact (the "Compact"). State Street also encouraged other members of the business community to sign on to the Compact, under which employers participate in a wage data collection and analysis process intended to foster more accurate understanding of the wage gap in Boston as a whole, and to develop methods to address it. In addition to participating in that unique data analysis process, the first of its kind in the United States, State Street and other participating employers also commit to review practices they have implemented internally, and to improve upon those practices through discussions of successes and challenges.

- Boston WINs: In 2015, State Street launched a $20 million venture philanthropy initiative, Boston Workforce Investment Network ("Boston WINs"). Boston WINs is led by the State Street Foundation in partnership with five high-performing partners. — The Boston Private Industry Council ("PIC"), Bottom Line, College Advising Corps ("CAC"), uAspire, and Year Up, as well as the Boston Public Schools. The mission of the partnership is to advance job readiness and create meaningful career paths for Boston youth and to cultivate a pipeline of diverse candidates for employment at State Street and other firms.

- Conferences for Women: For a number of years, State Street has been a sponsor of the Conference of Women in California, Pennsylvania and Massachusetts–a suite of premier networking and educational events and experiences designed to help women connect, collaborate, and grow personally and professionally. These conferences feature nationally recognized speakers, presenters and panelists, who are leaders in various industries. They share their experiences and expertise on everything from leading change to managing money to finding work / life balance.

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- Charitable Giving: The State Street Foundation ("the Foundation") allocates grants to support education and workforce development programs and initiatives that encourage economic self-sufficiency and demonstrate measurable social impact in the communities where we operate. In 2016, State Street gave $19.6M in philanthropic contributions and matched another $4.3M of employee contributions. The Foundation's Matching Gift Program encourages and supports employees who give their time and money to education and workforce development programs and other charitable organizations.

- SHE – State Street's Gender Diversity ETF: Introduced in 2016, Ticker Symbol, *SHE* – invests in companies with higher levels of Gender Diversity in Senior Leadership and offers core US Large Cap exposure. *SHE* seeks to track the performance of the SSGA Gender Diversity Index, comprising US large capitalization companies with the highest levels within their sectors of

CORPORATE RECOGNITION

- 2019 DiversityInc Noteworthy List: State Street Corporation has earned a spot on the 2019 DiversityInc Noteworthy

- 2019 Corporate Equality Index: Earned a perfect score of 100 percent on the Human Rights Campaign's 2019 Corporate Equality Index (CEI), a national benchmarking survey and report on corporate policies and practices related to LGBT workplace equality. This is the fourth year in a row that the company has received a perfect score on the CEI.

- Nation's Top 25 Employee Resource Groups and Diversity Councils List: State Street's Professional Women's Network (PWN) – MA Chapter has been recognized for the third consecutive year as one of the "Top 25" ERGs in US by the Association of ERGs and Councils.

- 2018 Working Mother 100 Best Company: 2018 Working Mother 100 Best Companies List for our commitment to forward-thinking workplace programs in the areas of advancement of women, flexibility, childcare and paid parental leave.

- Corporate Responsibility Magazine's Top 100 Corporate Citizens. State Street was recognized as one of Corporate Responsibility Magazine's 2018 100 Best Corporate Citizens List, which recognizes the standout environmental, social and governance (ESG) performance of public companies across the United States.

- 2019 Bloomberg Financial Services Gender-Equality Index (BFGEI): One of 230 companies recognized in the 2019 BFGEI.

- 2020 Women on Boards – Winning "W" Company

See Link for more details: http://www.statestreet.com/values/inclusion-diversity/partnerships-recognition.html

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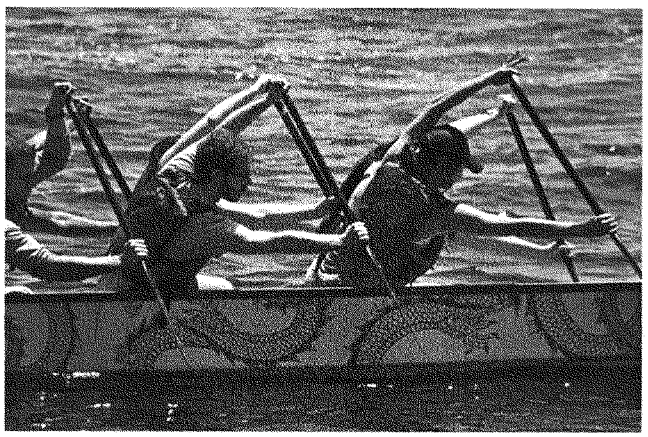
2018 Diversity Recruitment & Outreach Activities

SAMPLE EVENTS & NEWSLETTERS

Asian Professionals Alliance Events:

39th Boston Dragon Boat Festival
When: June 10th, 2018 | 7:00 – 5:00PM
Where: Charles River (along Memorial Drive)
Click here for more information

Save the date and come cheer for teams Golden Dragon, Golden Sun, and Fearless Women!!!



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Asian Professionals Alliance

Upcoming Events

Global Inclusion & Diversity Updates:

Engagement Opportunity w/ Community Partner | Corporate Citizenship

You're invited to register for **Skills for Cities Boston** on **Tuesday, September 25th**.

Skills for Cities Boston is first-of-its-kind skills-based city-wide day of service, envisioned by Common Impact, SVP Boston and Impact 2030! Several companies who see the value in leveraging employees' talents and skills have joined together to support local nonprofits. This is an opportunity for you, as an **employee**, to *apply your specific skills to support impactful nonprofits*, collaborate with like-minded professionals, and meet new people!

Common Impact, SVP Boston, Impact 2030 are collaborating with local nonprofits to develop several projects that require a variety of skills. Interested in joining? Join our State Street project on CyberGrants and Register here, you'll be contacted if your background matches any of the available projects and provide further information. Space is limited, so be sure to sign up today!

Event Details:

- Date: September 25, 2018
- Time: The event kicks off at noon, and registration opens at 11am.
- Location: Federal Reserve Bank of Boston, 600 Atlantic Ave, Boston, MA 02210
- Format: The event will kick off with a panel of local skills-based volunteer leaders, followed by a consulting workshop designed to solve Boston's most critical community challenges and conclude with an evening reception.

Questions? Reach out to Season Eckardt or Valerie DiCristoforo at Common Impact, or Whitney Kimmel, State Street Corporate Citizenship.

Volunteering Opportunities:
To sign up please search for the Project Name on the new Cybergrants portal.

Greater Boston Walk to End Alzheimer's
Hosted by: Alzheimer's Disease and Related Disorders Association Inc
When: September 23rd, 2018 | 7:30 – 12:00PM
Where: DCR North Point Park, Cambridge

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*** there are 2 projects, one for walking and one for volunteering

Professional Development Opportunities:

ASCEND Executive Insight Series (EIS)
Hosted by: Ascend
When: September 17th – 18th, 2018 | 9:00 – 5:00PM
Where: Wellington Management Company
RSVP: Register here
Cost: Professionals - $1000
For group discounts contact Kunal Anand at kanand@wellington.com or BJae at bartholomew.jae@gmail.com

AccelerASIAN Leadership Development Conference
Hosted by: NAAAP
When: September 29th, 2018 | 8:30 – 5:30PM
Where: 200 Clarendon St 23rd Floor Boston, MA 02116
RSVP: State Street has 8 complimentary tickets, raffle details will be sent out in a separate email
See here for more details.

External Partner Events:

WIN (Women in NAAAP) Volunteer Meeting
Hosted by: NAAAP
When: September 12th, 2018 | 6:30 – 7:30PM
Where: CIC Boston, Homer Room, 50 Milk Street 18th floor, Boston MA 02109
RSVP: Register here

Networking Mixer: LeaderSIP
Hosted by: NAAAP
When: September 13th, 2018 | 7:00 – 9:00PM
Where: LimeRed Teahouse 1092 Commonwealth Avenue, Boston, MA 02215
RSVP: Purchase tickets here | $5 members, $10 non-members

Toastmasters
Hosted by: NAAAP
When: September 13th and 20th, 2018 | 6:30 – 8:30PM
Where: CIC, 50 Milk St, 16th Floor, Edison Room, Boston, MA 02109
RSVP: Open to the public

STATE STREET

Black Professionals Group (BPG)

Empowering Our Future Leaders

Lunch & Learn Event with the Big Sister Association of Greater Boston

The Black Professionals Group is hosting a Lunch and Learn session with the Big Sister Association of Greater Boston on Monday, June 4th from 12:00 PM to 1:00 PM at the John Adams Building. We will hear from the organization's own Kristina Desir and a State Street employee that is currently a Big Sister with the program. We will learn about the association, volunteer opportunities, and the importance of being a role model to young girls. Here are the event details:

Name: BPG – Big Sister Association of Greater Boston Presentation

Date: Monday, June 4th, 2018

Location: The event will be hosted in JAB and broadcasted via WebEx

Time: 12:00PM – 1:00PM

Please sign up here to learn more about the Big Sister Association of Greater Boston and volunteer opportunities that they have available!

Please be aware there are two sign ups -- one for JAB and one for the WebEx.

STATE STREET.

Taste of
NATIONS
Cultural Networking Event
2018
APA BPG IAPA IAPN IEN LAPG

Mark your calendars for the 8th Annual Taste of Nations – Cultural Networking Event

Thursday, July 12th at the JAB2 Cafeteria from 5:30PM - 8:30PM

Look out for more details in upcoming communications!

Click Here to Sign up

*Only confirmed registrants can attend this event. They will need to bring a print out of their ticket and the State Street ID to the event to gain entry

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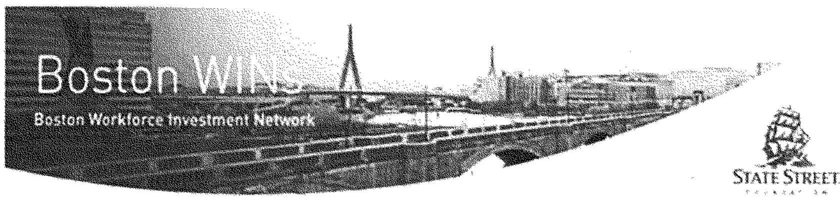

Greetings Boston WINs Employee Resource Group,

We'd like to forward an exciting networking opportunity to our members hosted by the Black Professional Group (BPG).

Black History Month - Growing and Developing Together

Tuesday, February 12th 2019

5:30 pm to 8:00 pm

SFC7, Global Room A

(Refreshments will be provided)

The Black Professionals Group (BPG) is hosting "Growing and Developing Together" on the evening of February 12, 2019. This session will feature several rounds led by coaches (State Street leadership colleagues) that will share their success stories and what actions they have taken to advance in their careers. Coaches will lead discussions within each group touching upon a variety of topics that will enable us to grow, develop and genuinely learn more about each other. We will share background and career path stories on navigating the diversity and inclusion conversation at State Street, strengths and opportunities for improvement, and have participants ask questions and share stories as well. The coaches will rotate to various tables so that participants have an opportunity to speak with multiple coaches throughout the evening. This is a networking and professional development event that you won't want to miss! Please register here.

Please follow our community on Collaborate to stay up to date on upcoming activities!

If you have any questions, please email BostonWINsERG@statestreet.com. We hope to see you there.

Boston WINs ERG

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Latin American Professionals Group (LAPG)

AUGUST 2018 EDITION

Follow Community

Inside this issue:

JOIN LAPG

ALPFA Convention — Recap

The LAPG would like to give a huge thank you to our members who attended the ALPFA Convention this year in Las, Vegas, NV. Thank you to the Diversity and Inclusion team, especially Paul Francisco, Natalie Sanchez and Karen Faison and respective managers for promoting diversity and allowing the opportunity for our employees to build authentic relationships to last a lifetime. Below are some photos taken throughout the convention.

Information Classification: Limited Access

Hispanic Heritage Month (HHM) Celebration:

Please join the STATE STREET LAPG as we host our annual HHM celebration. This year's theme is "Hispanics: One Endless Voice to Enhance our Traditions". We will recognize the importance of continually using our voice and platform to spread cultural awareness of our heritage. This year's keynote speaker is, José Massó, Host and Producer of WBUR's Con Salsa!

Date: Wednesday, September 12, 2018
Time: 5:30 p.m. to 8:30 p.m.
Location: SFC - 1 Lincoln St. Boston, MA Harborview 36th Floor

Fantastic Latin Music will be played
Drinks and Appetizers will be served!

Click Here to RSVP and Join Us for this Special Evening

HHM Lunchtime Panel Discussion:

We have an exciting group of panelist who have demonstrated great leadership at State Street. Hear them as they discuss this year's panel titled *"Thriving in the workplace: Using your traditions and values to succeed."*

Moderator: Paul Francisco, Chief Diversity Officer

Panel: Cesar Estrada, Carlos Monfiglio, Jessyca Feliciano and Hector Lopez Camacho

Date: Wednesday, September 26, 2018
Time: 11:30 am - 1:00 pm
Location: CCB2 - Mustang Room (1 Iron St)

Hot Lunch will be served!

Click Here to RSVP and Join Us

STATE STREET

MONTHLY MEMBER EMPLOYEE SPOTLIGHT

Name: Wilson Ordonez

Country of Origin (Heritage): Ecuador

Hobbies/Interest: Kendo, Fishing, Hiking, Live Music and Foreign Affairs

Fun Fact: I was a Junior Figure Skating Champion for Ecuador at the age of 15.

Words you live by: Intellectual

One of the most important decisions I made was to study abroad. This decision guided me to start my international career at the age of 16. Away from home, I had the opportunity to live with a Japanese family in Oregon and this double exchange shaped the way I saw the world. I attended an American school during the day, but I lived in a house of Japanese traditions at night. How cool is that!

Fascinated by culture and the knowledge I was gaining, I was hungry for more. During my time as a grad student, I took the opportunity to learn more about economics from emerging markets. I took a new journey to explore one of the largest emerging economies in the world: Brazil!

It has been 7 years since I launched my career and I gained experience working in international setting across international organizations and financial enterprises with international teams in the United States, Japan, and Latin America. My work has primarily focused on tapping into the unlimited potential of emerging markets. Up to this day, my professional objective has always been to connect the very best of developed and emerging markets by creating partnerships and delivering solutions to the emerging world.

"Intellectual curiosity makes the difference"

What are the professional skills that you excel at?

WO: Teamwork, Multilingual, Global Dexterity, Business Modeling, Curiosity and Positive attitude

What makes your current job exciting? Challenging?

WO: Assisting in the development of the expansion strategy for Latin America has been challenging as well as rewarding experience for me. Exploring new horizon for business expansion has been a professional objective of mine.

If you could change something about your career path in the past, what would it be?

WO: I'm very pleased with the path my career has taken to date. I've made a series of conscious decisions that have led me to where I am today. However, if there was any aspect of my career path that I would like to have been different then it would probably be to have embarked on my MBA right after I finished my undergraduate degree. With the years life has continued to get more complicated and time gets more difficult to find.

What do you like most about working at State Street?

WO: The People! Sector Solutions allowed me to work with very smart professionals and exposed me to senior management.

What advice would you offer new employees?

WO: Be extra curious, ask a lot of questions, and most importantly find a mentor that will guide you in your professional development.

STATE STREET

Thank you everyone who joined us at this year's summer mixer. It was a pleasure having our members enjoy a nice evening alongside their colleagues.

Additionally, this year in order to commemorate the beginning of the World Cup, the LAPG hosted a **World Cup Jersey Day** for all employees to help raise awareness for **Milagros para Niños**. Thank you all who participated by wearing your favorite team's soccer jersey to the office.

RUSSIA 2018

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Professional
Women's Network

Committee Spotlight: External Engagement

External partnership is something that has become an integral part of the PWN. It provides us with an opportunity not only to further our mission and purpose within the community but also helps raise broad awareness of State Street and the PWN's unique and critical role creates advancement opportunities for women.

Ann Moynihan and Katherine Lucas are co-chairing this committee and are excited about some of the partnerships and events occurring for the remainder of 2018. Many of you are already familiar with Girl Scout Development Day which occurred earlier in the year, but be on the lookout for participation opportunities in other similar partnerships such as the Massachusetts Conference for Women, uAspire, a partnership with schools and community organizations to provide advice and advocacy to overcome financial barriers to education, and opportunities to attend external conferences.

If you're interested in learning more or getting involved let Ann or Katherine know!

STRONG WOMEN
STRONG GIRLS

We want to thank you. Because in addition to everything you do, you helped pave the way forward for young girls in Boston.

Thanks to your contributions over the past five months, Strong Women Strong Girls (SWSG) exceeded their $100,000 Matching Gift goal set by Robert Kraft and the Kraft Foundation! SWSG is a local nonprofit focused on empowering girls to imagine a broader future through a curriculum grounded on female role models. Robert Kraft personally acknowledged the impact of their programs and committed to matching up to $100,000 of funds raised up until April 2018.

That's when many of you kicked it into gear and banded together by hosting events at Athleta, raising awareness and funds through your business unit's charity jean's day, volunteering your time and attending various fundraising events. **Your contributions totaled $6,000!** This is a true testament to the power of our network when we collectively support one another. We can't thank you enough.

For more information on the organization visit their website here: http://swsg.org/boston/. Contact Rebecca Moniri to learn more about ways you can get involved.

Member Spotlight

If you haven't done so already, please check out our **blog post** about Kellie Yankauskas' experience in the LDP program thus far! **Don't forget that the application deadline for the LDP Program is this Wednesday, May 30th!**

STATE STREET

Women's Leadership Showcase at Stanford

PWN was honored to present at Stanford's Clayman Institute for Gender Research 'Small Wins' Showcase on May 24th. Stanford chose to acknowledge Corporate Program member initiatives and projects that have delivered tangible, positive results in increasing diversity and inclusion. Both Mentoring Circles and Enterprise Consulting were highlighted. Please see below links for more information on the Center for the Advancement of Women's Leadership and the Clayman Institute for Gender Research.

Reference Links:
www.gender.stanford.edu
www.womensleadership.stanford.edu

Listen Blog

Check out the newest "listen." blog in honor of Mother's Day. Follow **this link** to read about how **working moms are the new normal**, and to hear about PWN Member, Lyndsey Wickles' perspective on what it is like to balance a full time job with being a Mom to two young children.

Upcoming Events

Interview Workshop
PWN Talent Committee
Interviews are a key part of the hiring process and can be very stressful as a candidate! The purpose of the event to help participants understand key areas of focus from various stakeholders in the interview process, as well as what actions can help them stand out in the interview process.

Attending this event will allow you an opportunity to meet with SMEs representing the Talent Acquisition, Hiring Manager and Candidate perspectives. Attendees will be given an opportunity to ask the SME questions, practice answering interview questions and receive feedback. For questions, contact Amy Lessner and Kristin Gordon. Sign up here!

Event Info
When: Monday, June 18th, 1:00 – 2:30 PM
Where: SFC7 Global Room A / B

Please sign up here!
Timeout to #PoWeriN: Being #BOLD Featuring Maria O'Toole
Membership & Engagement Committee
Our next #PoWeriN will be a fireside chat featuring Maria O'Toole (formerly Luce), Managing Director of Institutional Investor Services. Maria is nominated as our first being #BOLD speaker due to her ability to balance a successful career with her busy personal life. Maria serves as a strong role model because she embodies strong leadership and impactful engagement. Maria has navigated different roles throughout the bank and has significant experience bringing in new business as well as overseeing several large strategic clients across multiple business segments and driving business strategy. She is an active PWN member, involved in the United Way Leadership Council and is a member of our Corporate Responsibility Working Group. Join us as we hear about Maria's personal story and her advice for finding success at State Street.

STATE STREET.

Event Info
When: Thursday, June 14th, 10:30 – 11:30 AM
Where: Crown Colony 3S Squantum Room

There will be time for questions and answers as well as an opportunity to network with your colleagues before and after the event! Space is limited to 25 members and spots are first come first serve, sign up **HERE**!

Consulting Initiative

Thank Yous & Results
As the PWN Enterprise Committee gears up to recruit a new cohort of consultants for its Summer 2018 Enterprise Consulting Initiatives, we would like to take a moment to thank the consultants who made last summer's initiatives such a success. We are grateful for their time, effort, and dedication!
Our consultants made impact across the organization in the most recent round of initiatives including:
GHR Technology Rollout, SSGA Impactful Sponsorship, Regulatory Strategy, GTS – Employee Tech Experience, Pharos/Project Verus Pricing Strategy, Latin American Industry Insights
Upcoming Projects
Our committee will be featured with a Spotlight section in the next Quarterly PWN Newsletter, so stay tuned for more details on upcoming initiatives, past projects, and consultant testimonials!

Participate in TAP!

Are you looking for advice on your resume? Interested in brushing up on your interviewing skills? Signing up as a TAP participant is the perfect opportunity for you to reach your goals in a collaborative environment with PWN members. Sign up for a resume review or mock interview **here**.
Talent Advisory Program (TAP) TAP was designed to help our members take charge of their careers, strengthen their professional profiles, and prepare for internal mobility opportunities. Participants of TAP will benefit from resume reviews, interview coaching, toolkits, and expanded knowledge of State Street in order to build their networks and effectively demonstrate the incredible talents they possess.

Other Events/Engagements

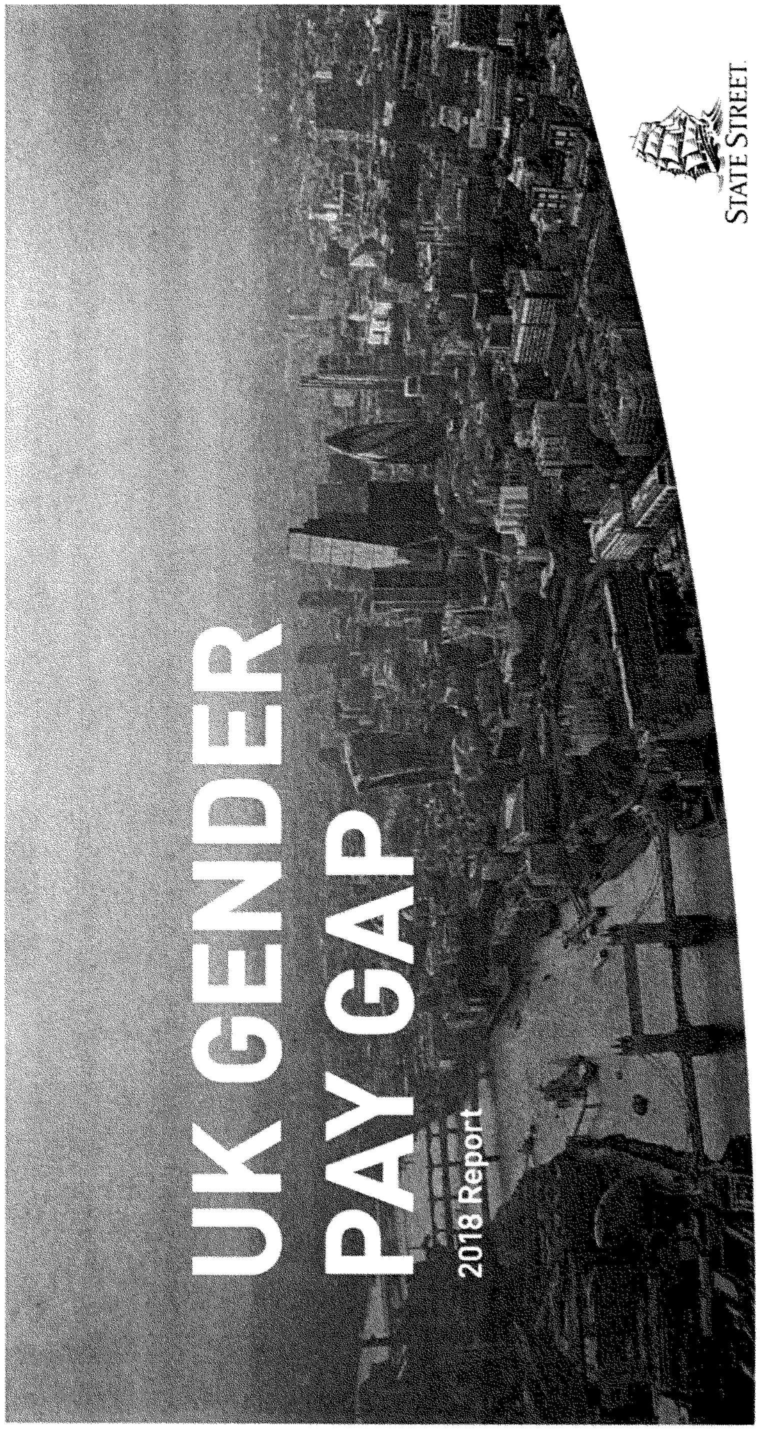
Big Sister Association of Greater Boston Lunch & Learn Event
The Black Professionals Group (BPG) is hosting a Lunch and Learn session with the Big Sister Association of Greater Boston. We will hear from the organization's own Kristina Desir and a State Street employee that is currently a Big Sister with the program. We will learn about the association, volunteer opportunities, and the importance of being a role model to young girls.

Event Info
When: Monday, June 4th, 12 p.m. – 1 p.m.
Location: John Adam's Building (JAB) - Great Republic 2

Dragon Boat Race
The PWN helped to sponsor this year's race, and the 2018 race kickoff event held on May 8th at the MIT Pierce Boathouse. The new State Street branded Dragon Boat was blessed at the kickoff event! Visit the **team's collaborate website** for photos.
Race Info
When: Sunday, June 10th, 7 a.m. – 5 p.m.
Where: John Weeks Bridge (near Harvard Sq.)
FREE Admission

- Volunteer Opportunity: Help support the paddlers and the APA on June 9th (trail day) and June 10th (race day). Please email **Eleni Southworth** if you are interested in learning more. **Jonathan Lei** is the lead volunteer coordinator and is available for additional questions as well.

Please attend, and help support our State Street teams! Check out more race day information **here**!


UK GENDER
PAY GAP
2018 Report
STATE STREET

At State Street we have one purpose: to create better outcomes for the world's investors and the people they serve. A diverse and talented workforce is at the heart of this purpose.

We are committed to advancing opportunities for women at all levels of our organisation. The levers we use to achieve this include mentoring and development, requiring a diverse candidate slate for all open positions, and policies and training for our managers.

While we have not yet achieved the results that we would like, we firmly believe that being clear and transparent about our current state and where we have more work to do is an important part of holding ourselves accountable. We are steadfast in our commitment to improving our gender balance and pay gap, and recognise that this will take continued effort, dedicated focus and time to achieve.

We confirm that the data included in this report is accurate.

LIZ NOLAN
Chief Executive Officer, Europe, Middle East and Africa, Head of Global Delivery

CUAN COULTER
Head of Europe, Middle East and Africa, State Street Global Advisors

Our Pay Gap Numbers

In the UK, we report our gender pay gap numbers for two legal entities: State Street Bank and Trust Company London (SSBT) and State Street Global Advisors Limited (SSGA).

We also report our pay gap numbers in aggregate as "State Street Overall." **Across all three reporting categories, our gender pay gap is a result of lower representation of women in more senior and higher-paying roles.*** Our overall and SSBT pay gap numbers remained largely the same year-over-year. However, the pay gap at SSGA widened due to a small number of male appointments to more senior and higher-paying roles.

Pay Difference Between Men and Women

2018	State Street Overall	SSBT	SSGA
Mean	16.9%	11.6%	32.0%
Median	20.4%	20.3%	17.7%
2017			
Mean	17.0%	15.3%	18.1%
Median	18.3%	19.1%	11.8%

* 2018 headcount figures:
Overall: 2,342 *SSBT*: 1,830 *SSGA*: 353

Our Pay Gap Numbers / Bonus

Bonus Difference Between Men and Women

2018	State Street Overall	SSBT	SSGA
Mean	51.0%	43.9%	61.2%
Median	40.0%	38.5%	32.8%

2017			
Mean	47.9%	41.0%	54.0%
Median	39.0%	41.7%	24.0%

Percentage of Employees Who Received a Bonus

2018	State Street Overall	SSBT	SSGA
Women	91%	91%	93%
Men	91%	91%	96%

2017			
Women	91%	91%	88%
Men	92%	91%	93%

Our Pay Gap Numbers / Pay Quartiles

Percentage of Employees at Each Pay Quartile

First Quartile: Lower

	State Street Overall	SSBT	SSGA
Women	48%	47%	53%
Men	52%	53%	47%

Second Quartile: Lower Middle

	State Street Overall	SSBT	SSGA
Women	47%	47%	40%
Men	53%	53%	60%

Third Quartile: Upper Middle

	State Street Overall	SSBT	SSGA
Women	33%	34%	40%
Men	67%	66%	60%

Fourth Quartile: Upper

	State Street Overall	SSBT	SSGA
Women	33%	31%	33%
Men	67%	69%	67%

What We Are Doing to Address Our Pay Gap

Strong Diversity Goals

In 2018 we reset our diversity goals with three- and five-year targets. Achieving these goals will accelerate representation of women at the senior levels across our organisation, which is a key element in eliminating our gender pay gap. Additional levers are described on the following pages.

Gender Diversity Goals

	2018 Baseline	Three-Year Goal	Five-Year Goal
SVP+	28%	33%	36%
MD	32%	36%	37%
VP	34%	36%	38%
AVP	42%	43%	44%

What We Are Doing to Reduce Our Pay Gap

Hiring and Compensation Practices

We require a diverse candidate slate for all open positions. We have introduced a policy of not asking for compensation history for both internal and external hires to avoid compounding past pay inequities.

Mentoring and Development

We actively support more than 30 employee networks including groups aimed at helping women and diverse populations develop and succeed. Our Professional Women's Network is one such example. With more than 4,000 members across 26 chapters globally, the network focuses on professional development opportunities including internal consulting assignments, mentoring, training and networking.

Training

Our managers participate in annual training on how to make fair and consistent compensation decisions. As a final check, all salaries are audited by an internal committee to address any inconsistencies. We also recently rolled out an updated version of our unconscious bias tra[illegible] for all managers globally, and we are continui[illegible]educate managers on how to lead with inclusion at the forefront of their actions and decisions. All employees have access to a wide range of training programs to enable them to be more effective in their day-to-day work and improve their leadership skills.

"We are constantly measuring and reviewing our practices to ensure that a culture of equality and fairness underpins everything we do."

Jess McNicholas
Head of Global Inclusion, Diversity and Corporate Citizenship for Europe, Middle East and Africa

Making Progress

While we still have work to do to improve our pay gap, we are proud of the work we are doing to achieve a more inclusive industry.

- We are a proud member of the **UK 30% Club**, which works to achieve greater representation of women on FTSE-100 boards
- We support the **UK Diversity Project**, which aims to accelerate progress toward building an inclusive culture in the industry
- For the sixth consecutive year, we were named to The Times **"Top 50 Employers for Women,"** which highlights UK employers leading the way in workplace gender equality
- Also for the sixth consecutive year, *Working Mother* recognised us as one of the **"100 Best Companies"** for our progress in the advancement of women, work flexibility, childcare and paid parental leave
- Our executives are recognised for their work in advancing women in our industry, with two being named to the *Financial News* list of **100 Most Influential Women**, and another two, including our CEO, Ron O'Hanley, being recognised by the *Financial Times* and HERoes Champions of Women in Business 2018

STATE STREET.

statestreet.com

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19-33474 0319 2464630.1.1.GBL.RTL.
Expiration date: 03/01/2020

State Street Corporation - Questions for the Record from Congresswoman Beatty

Committee on Financial Services Hearing - April 10, 2019

The 2008 financial crisis, in particular, revealed the depth of the problems in the financial services industry, including a lack of diversity in the industry's workforce and business activities. In response to this concern, Section 342 of the Dodd Frank Wall Street Reform and Consumer Protection Act created 20 Offices of Minority and Women Inclusion (OMWI) in the nation's most powerful financial regulatory agencies, to be responsible for all matters relating to diversity in regulated agencies' management, employment, and business activities.[1] Section 342(b)(2)(C) of the Dodd-Frank Act also required the OMWI Director of each agency to develop standards for assessing the diversity policies and practices of entities regulated by the agency. The Final Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity and Policies and Practices of Entities Regulated (Joint Standards) was adopted in June 2015 by the lead prudential banking and consumer finance regulatory agencies to implement this requirement.[2]

Unfortunately, a complete picture of diversity and inclusion in the financial services industry cannot be obtained until the financial services industry shares their diversity data and policies with the OMWIs, Congress, and the public. Under the Joint Standards, regulated entities were encouraged, but not required, to share diversity data and policies with the OMWI offices. Without access to this data, it is not fully possible to gauge whether regulated entities are meeting the spirit and intention of Section 342.

To best examine this concern about State Street's implementation of diversity and inclusion initiatives, please provide the following about your institution's diversity and inclusion data and policies from 2015 through present, including:[3]

1. Demographic totals on your employees, including:

a. Total number of employees (full- and part-time)
b. Career level of employees (executive and manager versus employees in other roles);
c. Gender, race and ethnic identity of your employees, as otherwise known or provided voluntarily;
d. Employee compensation by gender, race and ethnicity;

[1] Pub. L. No. 111-203 (2010).
[2] Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Bureau of Consumer Financial Protection and
Securities and Exchange Commission; Final Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Securities and Exchange Commission; OCC-2013-0014, OP-1465 and Release No. 34-75050 File No. S7-10-15 (June 2015).
[3] If your institution is a member of and participated in diversity surveys conducted by the Securities Industry and Financial Markets Association, you may have previously provided similar diversity statistics and information to that trade association. If so, that data may be provided as a response, in part, to this data request.

For items 1.a-c, disclosure of this information is included in our 2018 Corporate Responsibility report *specifically pages 49-53, the full report can be found here:* http://www.statestreet.com/content/dam/statestreet/documents/values/2018_STT_CR_Report.pdf

This information is also included in our voluntary submission of the Diversity Self-Assessment for the Federal Reserve Board Regulated Entities Section 342(b)(2)(C) of the Dodd-Frank Wall Street Reform and Consumer Protection Act *(see attached voluntary disclosures from the past two years).*

For item 1.d, State Street does not currently have that data.

2. Number and dollar value invested with minority- and women-owned vendors and asset managers as compared to all vendor and asset manager investments, as applicable;

a. Amount and percentage of company 401K plan and other pension plan assets invested with diverse-owned asset management firms and categorize each firm by gender and racial ownership type (i.e. women, African-American, Latino etc.)

State Street uses Fidelity as its vendor to administer its 401(k) and pension plans. State Street uses Vanguard and SSGA (State Street Global Advisors) as asset managers for the State Street Salary Savings Program (SSP), and SSGA as the asset manager for the State Street Retirement Plan. The funds offered through these programs are large publically traded mutual funds and ETFs and it is not possible to calculate the percentage of women and minority ownership for all of the underlying holdings for these funds.

The SSP does offer a self-directed brokerage window that allows participants to choose investment funds based upon any criteria important to them, such as women or minority-owned investment management. This includes SSGA's Gender Diversity ETF, which seeks to provide exposure to US companies that demonstrate greater gender diversity within senior leadership than other firms in their sector. Approximately $211 million of SSP assets (5.4% of total SSP assets) are currently invested in the self-directed brokerage window.

b. Amount and percentage of externally-managed wealth management platform assets invested with diverse-owned asset management firms and categorize each firm by gender and racial ownership type (i.e. women, African-American, Latino etc.)

c. Amount and percentage of investments managed by diverse owned banks and underwriters and categorize each firm by gender and racial ownership type (i.e. women, African-American, Latino etc.)

State Street's asset management arm (State Street Global Advisors) managers nearly all investors' assets internally, with only about 3% outsourced to outside managers. When we use outside managers, we do work to recruit minority managers; for example, we are currently using minority managers for about $350M in private equity investments. Our asset manager also is a leader in using minority trading firms.

3. Title(s) and reporting structure for your institution's lead diversity officer(s);

a. Number of staff and budget dedicated to diversity initiatives;

Currently 16 professionals in seven countries provide support to the organization. Our team is strategically located at global hub locations across the APAC, EMEA and NA regions to provide support to those locations. Under our new company strategy and with the focus on those global hubs in Poland and India, the team strategically placed these new members there to support the growing efforts at those locations. Our Chief Diversity Officer is on the senior management team of our Chief Human Resources and Citizenship Officer who sits on State Street's Management Committee, reporting to the CEO. *See attached document for staff list and organization chart.*

The Inclusion and Diversity budget is approximately $2 million dollars.

4. Description of performance measures and compensation tied to diversity initiatives;

We have a Leadership Scorecard for our executives which include progress on diversity, including goals and diverse slate requirements. These measures are tied to our executives Long Term Incentive awards.

Incentive compensation for State Street's Executive Vice Presidents is apportioned into two components. The annual incentive is designed to reflect State Street's and the executive's performance for the year and the long-term incentive is designed to reflect State Street's long-term performance trend and the core responsibilities associated with the executive's role over time, including actions or behaviors that provide long-term value to State Street, such as:

- the executive's impact on State Street's long-term performance trend;
- the executive's leadership behaviors as measured by factors such as diversity and inclusion, talent development, employee engagement and personal leadership qualities (e.g., enterprise thinking and encouraging professional challenge); and
- the executive's achievements in a given year that are particularly significant to the long-term success of State Street and are not captured in annual results.

5. Company-wide diversity policies and practices, including:

a. Recruitment strategies;

b. Outreach to diverse organizations, such as historically black colleges and universities and professional organizations;

c. Gender pay equity data and efforts to close any identified gaps;

Our differences make us stronger and have a measurable impact on our organization's performance. That is why we strive to have a workforce that brings a variety of ideas and perspectives. At State Street, we value diversity of all types — including age, ethnicity, gender, physical and mental ability, race, sexual orientation, gender identity and expression, spiritual practices and family status, to name a few.

Three key components of our effort are to:

- Establish our leaders as champions of diversity and inclusion, and give them the tools and resources to help them convey the importance and business value of a diverse workforce.
- Build a sustainable pipeline of diverse talent for leadership positions.
- Implement a clear standard to hold leaders accountable for creating a diverse workforce and behaving inclusively.

We want to create an environment where people of all backgrounds and experiences can succeed. Our more than 24 employee-established networks are one way that we celebrate and support our differences. In addition, while diversity targets have been formally tracked in the company since 2012, we introduced a formal three-year global inclusion and diversity strategy in 2015 to educate employees, shift behaviors and embed these elements throughout the company. As we continue our diversity journey, we have reviewed and launched a new set of three- and five-year diversity goals for the 2018-2022 period - and built on four inclusion and diversity strategy pillars: Communication, Accountability, Talent Pipeline and Learning and Development. The inclusion and diversity goals can be viewed at www.statestreet.com/values/inclusion-diversity/diversity-goals.html. These goals continue to focus on reporting progress, sourcing diverse talent from within and improving leadership opportunities for internal talent. We will continue to analyze the success of our diversity and inclusion efforts through our employee survey and by participating in a myriad of external surveys that allow us to benchmark ourselves against our peers.

To improve the diversity of our hiring process, a majority of our recruiting team has attended in-depth unconscious bias training to understand the role that implicit bias can play in hiring as well as learning about ways to mitigate that effect. In addition, we require a diverse slate of candidates for each open position at the Managing Director level and above. As part of State Street's performance management process, our CEO regularly reviews progress against our diversity goals with each of his Management Committee members, holding each accountable for progress.

Internally, our Leadership Development Program (LDP), accelerates the development of high-potential, mid-career employees. This program provides targeted rotational assignments and professional development.

Externally, State Street partners with organizations to support efforts to close the gender gap in wages and representation. One such example is the Boston Women's Workforce Council's 100% Talent Compact, a pledge companies can take to commit to closing the gender gap. Additional organizations include The Partnership, Ascend, NAAAP, NABA, Catalyst, Diversity Best Practices, Out Leadership and the Conferences for Women. For the 12th consecutive year, State Street was the presenting sponsor of the 2018 Massachusetts Conference for Women, the world's largest women's conference. *See attachments for additional details on STT diversity efforts.*

6. Corporate board demographic data, including;

a. Total number of board members;

b. Gender, race and ethnic identity of board members, as otherwise known or provided voluntarily;

c. Board position title, as well as any leadership and subcommittee assignments;

State Street's Board of Directors has 12 members of which 25% are female and 8% people of color. See attachment "BOD Summary with Titles" for specific committees and titles (prior to the 2019 Annual Shareholder Meeting).

Highlights:

- Female lead director
- 25% of directors are women and at least one woman sits on all six principal committees
- One female principal committee chair (Technology and Operations Committee)

Board position title, leadership and subcommittee assignments (post-2019 Annual Shareholder Meeting):

Director Nominee	State Street Board Roles and Memberships
Kennett F. Burnes Director Since 2003	Executive Compensation Committee Nominating and Corporate Governance Committee Technology and Operations Committee
Patrick de Saint-Aignan Director Since 2009	Examining and Audit Committee Executive Committee Risk Committee (Chair)
Lynn A. Dugle Director Since 2015	Examining and Audit Committee Executive Committee Technology and Operations Committee (Chair)
Amelia C. Fawcett Director Since 2006	Executive Compensation Committee Executive Committee
William C. Freda Director Since 2014	Examining and Audit Committee (Chair) Executive Committee Risk Committee
Joseph L. Hooley Director Since 2009	Chairman Executive Committee (Chair) Risk Committee
Sara Mathew Director Since 2018	Nominating and Corporate Governance Committee Risk Committee
William L. Meaney Director Since 2018	Executive Compensation Committee Technology and Operations Committee

Ronald P. O'Hanley Director Since 2019	Technology and Operations Committee Executive Committee
Sean O'Sullivan Director Since 2017	Risk Committee Technology and Operations Committee
Richard P. Sergel Director Since 1999	Examining and Audit Committee Nominating and Corporate Governance Committee Executive Committee Executive Compensation Committee (Chair)
Gregory L. Summe Director Since 2001	Executive Committee Executive Compensation Committee Nominating and Corporate Governance Committee (Chair)

7. Your institution's diversity policies and practices; and

Attached are the following State Street policies:

- Global Sexual Harassment Policy
- Global Non Discrimination Policy
- US Affirmative Action
- US Americans with Disabilities
- US Pay Transparency Policy
- Global Equal Employment Opportunity
- Global Diversity Policy
- Global Anti Bullying and Harassment Policy

8. Any challenges your institution faces in implementing its diversity goals and initiatives.

State Street has been diligently focused on tackling Inclusion and Diversity for the last 10 years. And while we have seen some positive change, it is not happening as fast as we would like. However, we feel we are pulling all the right levers and have the full commitment of our Board, CEO and Executive Management team to continue to drive change.

DIVERSITY SELF-ASSESSMENT TEMPLATE
for the Federal Reserve Board Regulated Entities

Section 342(b)(2)(C) of the Dodd-Frank Wall Street Reform and Consumer Protection Act

OMB No. 7100-0368
Approval Expires February 29, 2020

The Board of Governors Federal Reserve System provides this self-assessment template to institutions regulated by the Federal Reserve Board (FRB) in support of the Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies dated June 10, 2015. Pursuant to the Statement of Policy, a self-assessment by an institution is voluntary.

Please provide the following information and submit via email to: ODI-Section342-DiversityStandards@frb.gov

An institution may utilize this template or its own assessment tool when conducting a self-assessment of the diversity policies and practices using the standards contained in the Statement of Policy. Prior to completing the self-assessment, click the Detailed Standards for more information.

Use of Information by the Federal Reserve Board
The FRB may use information submitted by the institution to monitor progress and trends in the financial services industry with regard to diversity and inclusion in employment and contracting activities, and to identify and highlight those policies and practices that have been successful. The FRB will continue to reach out to financial institutions and other interested parties to discuss diversity and inclusion in the financial services industry and share leading practices. The FRB may also publish information disclosed by the institution, such as any identified leading practices, in any form that does not identify a particular institution or individual or disclose confidential business information. Institutions submitting information may designate such information as confidential commercial information as appropriate, and the FRB will follow the Freedom of Information Act in the event of requests for particular information.

Assessment Period From: 01/2017 (MM/YYYY) To: 12/2018 (MM/YYYY)

State Street Corporation — Submitted: 03/08/2019 (MM/DD/YYYY)
Organization Name

One Lincoln Street | Boston | MA | 02111
Address | City | State | Zip Code (5 digits)

Diversity and Inclusion Officer or Equivalent

Paul Francisco
Name
Senior Vice President & Chief Diversity Officer
Title
pfrancisco@statestreet.com
E-mail Address
(617) 664-6966
Phone Number (###-###-####)

Supplier Diversity Officer or Equivalent

Chris Malley
Name
Senior Vice President & Chief Procurement Officer
Title
cmmalley@statestreet.com
E-mail Address
(617) 985-0018
Phone Number (###-###-####)

Diversity and Inclusion Website: http://www.statestreet.com/values/inclusion-diversity.html

Brief description of the institution covered by this assessment (e.g., governance structure, workforce size, total assets, geographic location, and community characteristics):

State Street Corporation (NYSE: STT) is one of the world's leading providers of financial services to institutional investors, including investment servicing, investment management and investment research and trading. With $31.62 trillion in assets under custody and administration and $2.51 trillion* in assets under management as of December 31, 2018, State Street operates in more than 100 geographic markets worldwide, including the US, Canada, Europe, the Middle East and Asia. For more information, visit State Street's website at www.statestreet.com. Total global headcount as of year end 2018 was 40,129.

PAPERWORK REDUCTION ACT NOTICE
This questionnaire is authorized by law (12 U.S.C. § 342(b)(2)(C)) and is voluntary. Public reporting burden for this questionnaire is estimated to average 8 hours per response. Send comments regarding this burden estimate or any other aspect of this information collection, including suggestions for reducing this burden, to Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, DC 20551; and to the Office of Management and Budget, Paperwork Reduction Project (7100-0368), Washington, DC 20503.

DIVERSITY SELF-ASSESSMENT TEMPLATE
PART I. Assessment of the Institution's Diversity Policies and Practices

OMB No. 7100-0368

1. Institution's Commitment to Diversity and Inclusion

Informs how an institution promotes diversity and inclusion in both employment and contracting, and how it fosters a corporate culture that embraces diversity and inclusion.

[In a manner reflective of the individual institution's size and other characteristics.]

STANDARDS	YES	NO	PROGRAM SUCCESSES AND / OR CHALLENGES
1.1. The institution includes diversity and inclusion considerations in both employment and contracting as an important part of its strategic plan for recruiting, hiring, retention, and promotion.	☒	☐	To support our diversity and inclusion goals, we have a strategy to educate employees, shift behavior, and embed these elements throughout the company. In 2018, we renewed our commitment to increase the diversity of our workforce and the inclusiveness of our culture through a series of goals and efforts related to diversity and inclusion.
1.2. The institution has a diversity and inclusion policy that is approved and supported by senior leadership, including senior management and the Board of Directors.	☒	☐	Senior leadership reviews and approves the overall diversity strategy for the organization; all policies are designed by Global Human Resources in support of the overall strategy. State Street current has a Global Equal Opportunity Policy and a Diversity Policy.
1.3. The institution provides regular progress reports to the Board and senior management.	☒	☐	Diversity and inclusion progress is reported on a semi-annual basis and is designed to provide the Board of Directors and senior management an update on the progress against diversity goals, along with written commentary including areas of opportunity to consider.
1.4. The institution regularly conducts training and provides educational opportunities on equal employment opportunity and on diversity and inclusion.	☒	☐	We offer our employees global access to on-line learning programs that focus on workplace diversity; in addition to inclusive leadership training, etiquette training for hiring people with disabilities, and affirmative action program training.
1.5. The institution has a senior level official, preferably with knowledge of and experience in diversity and inclusion policies and practices, who oversees and directs the institution's diversity and inclusion efforts.	☒	☐	Paul Francisco, Senior Vice President is State Street's Chief Diversity Officer, responsible for providing strategic oversight of our global diversity, equity, and inclusion strategies.
1.6. The institution takes proactive steps to promote a diverse pool of candidates, including women and minorities, in its hiring, recruiting, retention, and promotion, as well as in its selection of board members, senior management, and other senior leadership positions.	☒	☐	State Street has adopted a Diverse Candidate Slate policy. We believe requiring a diverse slate of candidates during the hiring process for senior level positions will lead to more diverse hiring decisions, support our diversity and inclusion strategy and have a positive impact overall. For an applicant pool of 5, at least two 2 diverse candidates must be interviewed in order to be considered a diverse slate.

DIVERSITY SELF-ASSESSMENT TEMPLATE

PART I. Assessment of the Institution's Diversity Policies and Practices—Continued

2. Workforce Profile and Employment Practices

Promotes the fair inclusion of minorities and women in their workforce by publicizing employment opportunities, creating relationships with minority and women professional organizations and educational institutions.

[In a manner reflective of the individual institution's size and other characteristics.]

STANDARDS	YES	NO	PROGRAM SUCCESSES AND / OR CHALLENGES
2.1. The institution implements policies and practices related to workforce diversity and inclusion in a manner that complies with all applicable laws.	☒	☐	We have Equal Opportunity and Diversity Policies; and as a federal contractor we also maintain an Affirmative Action Policy and Program.
2.2. The institution ensures equal employment opportunities for all employees and applicants for employment and does not engage in unlawful employment discrimination based on gender, race, or ethnicity.	☒	☐	State Street has Equal Opportunity and Diversity Policies (as referenced above) in additional to Non-Discrimination, Sexual Harassment, Anti-Bulling & Harassment, American's with Disabilities Policies and a Human Rights Statement.
2.3. The institution has policies and practices that create diverse applicant pools for both internal and external opportunities that may include: a. Outreach to minority and women organizations;	☒	☐	Currently State Street utilities external diversity job boards and relationships with minority and women professional organizations. We have internal employee resources groups that provide mentoring and career development to encourage internal mobility.
b. Outreach to educational institutions serving significant minority and women student populations and;	☒	☐	Bunker Hill Community College Career Services, UMass Boston's Office of Career Services, Boston College Career Center and Northeastern University Office of Career Services, Year Up
c. Participation in conferences, workshops, and other events to attract minorities and women and to inform them of employment and promotion opportunities.	☒	☐	Event participation & sponsorship with The Partnership, Ascend, NAAAP, NABA, ALPFA, Catalyst, Diversity Best Practices, Out Leadership, Work Without Limits, the Conferences for Women (MA, CA, TX and PA),
2.4. The institution utilizes both quantitative and qualitative measurements to assess its workforce diversity and inclusion efforts. These efforts may be reflected, for example, in applicant tracking, hiring, promotions, separations (voluntary and involuntary), career development, and retention across all levels and occupations of the institution, including the executive and managerial ranks.	☒	☐	Through WorkDay (our HCM), we are able to track our workforce diversity against established diversity and inclusion goals -- reviewing hiring, promotions and retention trends and business observations. We conduct surveys to tell us how we are doing and what we can do to further enhance our standing as an employer of choice. It allows us to observe trends, progression and the impact of initiatives; providing us insight on engagement activities and areas of opportunity.
2.5. The institution holds management at all levels accountable for diversity and inclusion efforts, for example, by ensuring that such efforts align with business strategies and individual performance plans.	☒	☐	Diversity goals are established at the enterprise level every 3 years and then cascaded to business level; business leaders are held accountable for progress and status is included in individual scorecards and performance plans.

DIVERSITY SELF-ASSESSMENT TEMPLATE
PART I. Assessment of the Institution's Diversity Policies and Practices—Continued

3. Procurement and Business Practices–Supplier Diversity

Understands the competitive advantage of having a broad selection of available suppliers to choose from with respect to factors such as price, quality, attention to detail, and future relationship building.

[In a manner reflective of the individual institution's size and other characteristics.]

STANDARDS	YES	NO	PROGRAM SUCCESSES AND / OR CHALLENGES
3.1. The institution has a supplier diversity policy that provides for a fair opportunity for minority-owned and women-owned businesses to compete for procurement of business goods and services. This includes contracts of all types, including contracts for the issuance or guarantee of any debt, equity, or security, the sale of assets, the management of the institution's assets, and the development of the institution's equity investments.	☐	☒	We do not have a supplier diversity policy at this time, although we have a defined program and policy in the development stage.
3.2. The institution has methods to evaluate its supplier diversity, which may include metrics and analytics related to: a. Annual procurement spending;	☒	☐	We have methods to measure the diversity of annual procurement spending.
b. Percentage of contract dollars awarded to minority-owned and women-owned businesses by race, ethnicity, and gender and;	☒	☐	We can provide spend by percentage of North American spend or of global spend.
c. Percentage of contracts with minority-owned and women-owned business subcontractors.	☒	☐	We can provide spend by percentage of North American spend or of global spend.
3.3. The institution has practices to promote a diverse supplier pool, which may include: a. Outreach to minority-owned and women-owned contractors and representative organizations;	☐	☒	At this time, we do not reach out to diverse suppliers to promote a diverse supplier pool, but again, our program is in the early stages of development.
b. Participation in conferences, workshops, and other events to attract minority-owned and women-owned firms and inform them of contracting opportunities and;	☒	☐	Partner with local and national groups focused on supplier diversity. Including: Boston Chamber of Commerce,Black Economic Council of MA, DisabilityIN, Women's Business Enterprise National Council, National & local LGBT Chamber of Commerces
c. An ongoing process to publicize its procurement opportunities.	☐	☒	We have a plan to implement a process to publicize procurement opportunities in 2019.

DIVERSITY SELF-ASSESSMENT TEMPLATE

PART I. Assessment of the Institution's Diversity Policies and Practices—Continued

4. Practice to Promote Transparency of Organizational Diversity and Inclusion

Transparency and publicity are important aspects of assessing diversity policies and practices. Greater awareness and transparency give the public information to assess those policies and practices.

[In a manner reflective of the individual institution's size and other characteristics, the institution is transparent with respect to its diversity and inclusion activities by making information available to the public annually through its website or other appropriate communication methods.]

STANDARDS	YES	NO	PROGRAM SUCCESSES AND / OR CHALLENGES
4.1. The institution publicizes its diversity and inclusion strategic plan.	☒	☐	See link below to our inclusion and diversity goals: www.statestreet.com/values/inclusion-diversity/diversity-goals.html
4.2. The institution publicizes its policy on its commitment to diversity and inclusion.	☒	☐	See links to our CEO's public commitments to diversity: CHECK LINKS http://www.statestreet.com/values/inclusion-diversity.html http://www.statestreet.com/values/inclusion-diversity/diversity-mission.html
4.3. The institution is transparent about its progress toward achieving diversity and inclusion in its workforce and procurement activities, which may include the institution's current workforce and supplier demographic profiles.	☒	☐	See link below to our inclusion and diversity goals, including our progress: www.statestreet.com/values/inclusion-diversity/diversity-goals.html
4.4. The institution publicizes its opportunities to promote diversity, which may include: a. Current employment and procurement opportunities;	☒	☐	See link below to our external career site: http://www.statestreet.com/about/careers.html
b. Forecasts of potential employment and procurement opportunities and;	☐	☒	n/a
c. The availability and use of mentorship and developmental programs for employees and contractors.	☒	☐	See link below to our programs available: http://www.statestreet.com/about/careers/global-inclusion.html

DIVERSITY SELF-ASSESSMENT TEMPLATE
PART I. Assessment of the Institution's Diversity Policies and Practices—Continued

5. Institution's Self-Assessment

Institutions that have successful diversity policies and practices allocate time and resources to monitoring and evaluating performance under their diversity policies and practices on an ongoing basis. Institutions are encouraged to disclose their diversity policies and practices, as well as information related to their assessments, to the Federal Reserve Board and the public.

[In a manner reflective of the individual institution's size and other characteristics.]

STANDARDS	YES	NO	PROGRAM SUCCESSES AND / OR CHALLENGES
5.1. The institution conducts an assessment of its diversity policies and practices annually.	☒	☐	Policies are available on our internal site and most are reviewed on an annual basis.
5.2. The institution monitors and evaluates its performance under its diversity policies and practices on an ongoing basis.	☒	☐	Diversity Goal progress is monitored on a semi-annual basis.
5.3. The institution publishes information pertaining to its assessment of its diversity policies and practices.	☒	☐	As stated above, our goals for the next three years and progress is posted on our external site: www.statestreet.com/values/inclusion-diversity/diversity-goals.html

DIVERSITY SELF-ASSESSMENT TEMPLATE
PART II. Diversity Data

Workforce Profile and Employment Practices

	Total Number	Women	Minorities
Institution's total workforce and percentages of women and minorities:	15,515	41.26 %	32.37 %
Number of Executive/Senior Level Officials and Managers job category as shown in its most recent EEO-1 Report:	361	104	53
Percentage of Executive/Senior Level Officials and Managers job category as shown in its most recent EEO-1 Report:		28.80 %	14.68 %
Total number on Board of Directors:	12	3	0
Total percentage on the Board of Directors:		25.00 %	0 %

Procurement–Supplier Diversity

	Total-Spending	Women-Owned Spending	Minority-Owned Spending
Most recent total amount of annual spending compared with the total spending with all vendors and suppliers:	$ 2,726,729,717	$ 196,595,980	$ 47,071,286
Total Percentage compared to all vendors and suppliers:		7.21 %	1.73 %

DIVERSITY SELF-ASSESSMENT TEMPLATE
PART III. Other Information or Comments

Provide any other information or comments regarding the self-assessment of its diversity and inclusion policies and practices.

2018 Awards & Recognitions: HRC-Corporate Equality Index; Bloomberg-Gender Equality Index; DiversityInc Top 50-Most Noteworthy Company; Working Mother-100 Best Companies & Best Company for Dads; Disability Equality Index-Best Places to Work; Fatherly's 50 Best Places to Work for Dads; Black EOE Journal-Best of Best; Diversity Journal-Diversity Leader Award.
Fearless Girl - changing corporate board rooms. See: https://www.ssga.com/global/en/about-us/who-we-are/fearless-girl.html
CEO Action for Diversity & Inclusion: Signatory to CEO commitment; https://www.ceoaction.com/
The Compact: commitment to pay equity for women; https://www.bostonwomensworkforcecouncil.com/
Boston WINs: multi-year, $20 million philanthropic initiative; www.statestreet.com/values/BostonWINs.html

DETAILED STANDARDS

Institution's Committment to Diversity and Inclusion

The leadership of an institution with successful diversity policies and practices demonstrates its commitment to diversity and inclusion. Leadership comes from the governing body, such as a board of directors, as well as senior officials and those managing the institution on a day-to-day basis. These Standards inform how an institution promotes diversity and inclusion in both employment and contracting and how it fosters a corporate culture that embraces diversity and inclusion.

Workforce Profile and Employment Practices

Many institutions promote the fair inclusion of minorities and women in their workforce by publicizing employment opportunities, creating relationships with minority and women professional organizations and educational institutions, creating a culture that values the contribution of all employees, and encouraging a focus on these objectives when evaluating the performance of managers. Institutions with successful diversity and inclusion programs also regularly evaluate their programs and identify areas to be improved.

Procurement and Business Practices – Supplier Diversity

Companies increasingly understand the competitive advantage of having a broad selection of available suppliers to choose from with respect to factors such as price, quality, attention to detail, and future relationship building. A number of institutions have achieved success at expanding available business options by increasing outreach to minority-owned and women-owned businesses. As in the employment context, institutions often use metrics to identify the baseline of how much they spend procuring and contracting for goods and services, how much they spend with minority-owned and women-owned businesses, and the availability of relevant minority-owned and women-owned businesses, as well as changes over time. Similarly, institutions may use outreach to inform minority-owned and women-owned businesses (and affinity groups representing these constituencies) of these opportunities and of the procurement process. In addition, institutions' prime contractors often use subcontractors to fulfill the obligations of various contracts. The use of minority-owned and women-owned businesses as subcontractors provides valuable opportunities for both the minority-owned and women-owned businesses and the prime contractor. Institutions may encourage the use of minority-owned and women-owned subcontractors by incorporating this objective in their business contracts.

Practice to Promote Transparency of Institution's Diversity and Inclusion

Transparency and publicity are important aspects of assessing diversity policies and practices. Greater awareness and transparency give the public information to assess those policies and practices. Institutions publicize information about their diversity and inclusion efforts through normal business methods, which include displaying information on their websites, in their promotional materials, and in their annual reports to shareholders, if applicable. By making public an institution's commitment to diversity and inclusion, its plans for achieving diversity and inclusion, and the metrics it uses to measure success in both workplace and supplier diversity, an institution informs a broad constituency of investors, employees, potential employees, suppliers, customers, and the general community about its efforts. The publication of this information can make new markets accessible for minorities and women and illustrate the progress made toward an important business goal.

Entities' Self-Assessment

Institutions that have successful diversity policies and practices allocate time and resources to monitoring and evaluating performance under their diversity policies and practices on an ongoing basis. Institutions are encouraged to disclose their diversity policies and practices, as well as information related to their assessments, to the Federal Reserve Board and the public.

Download and save the file to your computer prior to clicking the submit button.

Submit

DIVERSITY SELF-ASSESSMENT TEMPLATE
for the Federal Reserve Board Regulated Entities

Section 342(b)(2)(C) of the Dodd-Frank Wall Street Reform and Consumer Protection Act

OMB No. 7100-0368
Approval Expires February 29, 2020

The Board of Governors Federal Reserve System provides this self-assessment template to institutions regulated by the Federal Reserve Board (FRB) in support of the Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies dated June 10, 2015. Pursuant to the Statement of Policy, a self-assessment by an institution is voluntary.

Please provide the following information and submit via email to: ODI-Section342-DiversityStandards@frb.gov

An institution may utilize this template or its own assessment tool when conducting a self-assessment of the diversity policies and practices using the standards contained in the Statement of Policy. Prior to completing the self-assessment, click the Detailed Standards for more information.

Use of Information by the Federal Reserve Board

The FRB may use information submitted by the institution to monitor progress and trends in the financial services industry with regard to diversity and inclusion in employment and contracting activities, and to identify and highlight those policies and practices that have been successful. The FRB will continue to reach out to financial institutions and other interested parties to discuss diversity and inclusion in the financial services industry and share leading practices. The FRB may also publish information disclosed by the institution, such as any identified leading practices, in any form that does not identify a particular institution or individual or disclose confidential business information. Institutions submitting information may designate such information as confidential commercial information as appropriate, and the FRB will follow the Freedom of Information Act in the event of requests for particular information.

Assessment Period From: 01/2017 (MM/YYYY) To: 12/2017 (MM/YYYY)

Organization Name: State Street Corporation
Submitted: 04/25/2018 (MM/DD/YYYY)

Address: One Lincoln Street
City: Boston
State: MA
Zip Code (5 digits): 02111

Diversity and Inclusion Officer or Equivalent	**Supplier Diversity Officer or Equivalent**
Name: Paul Francisco	Name: Brian Downer
Title: Senior Vice President & Chief Diversity Officer	Title: Senior Vice President & Chief Procurement Officer
E-mail Address: pfrancisco@statestreet.com	E-mail Address: bjdowner@statestreet.com
Phone Number (###-###-####): (617) 664-6966	Phone Number (###-###-####): (617) 662-7209

Diversity and Inclusion Website: http://www.statestreet.com/values/inclusion-diversity.html

Brief description of the institution covered by this assessment (e.g., governance structure, workforce size, total assets, geographic location, and community characteristics):

State Street Corporation (NYSE: STT) is the world's leading provider of financial services to institutional investors including investment servicing, investment management and investment research and trading. With $33.1 trillion in assets under custody and administration and $2.8 trillion* in assets under management as of December 31, 2017, State Street operates globally in more than 100 geographic markets and employs 36,643 worldwide.

DIVERSITY SELF-ASSESSMENT TEMPLATE
PART I. Assessment of the Institution's Diversity Policies and Practices

1. Institution's Commitment to Diversity and Inclusion

Informs how an institution promotes diversity and inclusion in both employment and contracting, and how it fosters a corporate culture that embraces diversity and inclusion.

[In a manner reflective of the individual institution's size and other characteristics,]

STANDARDS	YES	NO	PROGRAM SUCCESSES AND / OR CHALLENGES
1.1. The institution includes diversity and inclusion considerations in both employment and contracting as an important part of its strategic plan for recruiting, hiring, retention, and promotion.	☒	☐	To support our diversity and inclusion goals, we have a strategy to educate employees, shift behavior, and embed these elements throughout the company. In 2018, we have renewed our commitment to increase the diversity of our workforce and the inclusiveness of our culture through a series of goals and efforts related to diversity and inclusion.
1.2. The institution has a diversity and inclusion policy that is approved and supported by senior leadership, including senior management and the Board of Directors.	☒	☐	Senior leadership reviews and approves the overall diversity strategy for the organization; all policies are designed by Global Human Resources in support of the overall strategy. State Street current has a Global Equal Opportunity Policy and a Diversity Policy.
1.3. The institution provides regular progress reports to the Board and senior management.	☒	☐	Diversity and inclusion progress is reported on a semi-annual basis and is designed to provide the Board of Directors and senior management an update on the progress against diversity goals, along with written commentary including areas of opportunity to consider.
1.4. The institution regularly conducts training and provides educational opportunities on equal employment opportunity and on diversity and inclusion.	☒	☐	We offer our employees global access to on-line learning programs that focus on workplace diversity; in addition to etiquette training for hiring veterans and people with disabilities, and affirmative action program training.
1.5. The institution has a senior level official, preferably with knowledge of and experience in diversity and inclusion policies and practices, who oversees and directs the institution's diversity and inclusion efforts.	☒	☐	Paul Francisco, Senior Vice President is State Street's Chief Diversity Officer, responsible for providing strategic oversight of our global diversity, equity, and inclusion strategies.
1.6. The institution takes proactive steps to promote a diverse pool of candidates, including women and minorities, in its hiring, recruiting, retention, and promotion, as well as in its selection of board members, senior management, and other senior leadership positions.	☒	☐	State Street has adopted a Diverse Candidate Slate policy. We believe requiring a diverse slate of candidates during the hiring process for senior level positions will lead to more diverse hiring decisions, support our diversity and inclusion strategy and have a positive impact overall. For an applicant pool of 5, at least two 2 diverse candidates must be interviewed in order to be considered a diverse slate.

DIVERSITY SELF-ASSESSMENT TEMPLATE

PART I. Assessment of the Institution's Diversity Policies and Practices—Continued

2. Workforce Profile and Employment Practices

Promotes the fair inclusion of minorities and women in their workforce by publicizing employment opportunities, creating relationships with minority and women professional organizations and educational institutions.

[In a manner reflective of the individual institution's size and other characteristics.]

STANDARDS	YES	NO	PROGRAM SUCCESSES AND / OR CHALLENGES
2.1. The institution implements policies and practices related to workforce diversity and inclusion in a manner that complies with all applicable laws.	☒	☐	We have Equal Opportunity and Diversity Policies; and as a federal contractor we also maintain an Affirmative Action Policy and Program.
2.2. The institution ensures equal employment opportunities for all employees and applicants for employment and does not engage in unlawful employment discrimination based on gender, race, or ethnicity.	☒	☐	State Street has Equal Opportunity and Diversity Policies (as referenced above) in additional to Non-Discrimination, Sexual Harassment, Anti-Bulling & Harassment, American's with Disabilities Policies and a Human Rights Statement.
2.3. The institution has policies and practices that create diverse applicant pools for both internal and external opportunities that may include: a. Outreach to minority and women organizations;	☒	☐	Currently State Street utilities external diversity job boards and relationships with minority and women professional organizations. We have internal employee resources groups that provide mentoring and career development to encourage internal mobility.
b. Outreach to educational institutions serving significant minority and women student populations and;	☒	☐	Bunker Hill Community College Career Services, UMass Boston's Office of Career Services , Boston College Career Center and Northeastern University Office of Career Services
c. Participation in conferences, workshops, and other events to attract minorities and women and to inform them of employment and promotion opportunities.	☒	☐	Event participation & sponsorship with The Partnership, Ascend, NAAAP, NABA, ALPFA, Catalyst, Diversity Best Practices, Out Leadership, Work Without Limits, the Conferences for Women (MA, CA, TX and PA),
2.4. The institution utilizes both quantitative and qualitative measurements to assess its workforce diversity and inclusion efforts. These efforts may be reflected, for example, in applicant tracking, hiring, promotions, separations (voluntary and involuntary), career development, and retention across all levels and occupations of the institution, including the executive and managerial ranks.	☒	☐	Our Executive Insights report, produced semi-annual, tracks our workforce diversity against established diversity and inclusion goals -- reviewing hiring, promotions and retention trends and business observations. D&I efforts are measured quantitatively via our employee survey; 80% of our employees either agreed or strongly agreed with the statement, "My company encourages and promotes diversity of backgrounds, talents, and perspective."
2.5. The institution holds management at all levels accountable for diversity and inclusion efforts, for example, by ensuring that such efforts align with business strategies and individual performance plans.	☒	☐	Diversity goals are established at the enterprise level every 3 years and then cascaded to business level; business leaders are held accountable for progress and status is included in individual scorecards and performance plans.

DIVERSITY SELF-ASSESSMENT TEMPLATE

PART I. Assessment of the Institution's Diversity Policies and Practices—Continued

3. Procurement and Business Practices–Supplier Diversity

Understands the competitive advantage of having a broad selection of available suppliers to choose from with respect to factors such as price, quality, attention to detail, and future relationship building.

[In a manner reflective of the individual institution's size and other characteristics.]

STANDARDS	YES	NO	PROGRAM SUCCESSES AND / OR CHALLENGES
3.1. The institution has a supplier diversity policy that provides for a fair opportunity for minority-owned and women-owned businesses to compete for procurement of business goods and services. This includes contracts of all types, including contracts for the issuance or guarantee of any debt, equity, or security, the sale of assets, the management of the institution's assets, and the development of the institution's equity investments.	☐	☒	We do not have a supplier diversity policy at this time, although we have a defined program in the early stages of development.
3.2. The institution has methods to evaluate its supplier diversity, which may include metrics and analytics related to: a. Annual procurement spending;	☒	☐	We have methods to measure the diversity of annual procurement spending.
b. Percentage of contract dollars awarded to minority-owned and women-owned businesses by race, ethnicity, and gender and;	☒	☐	We can provide spend by percentage of North American spend or of global spend.
c. Percentage of contracts with minority-owned and women-owned business subcontractors.	☐	☒	We do not track diversity by contract at this time.
3.3. The institution has practices to promote a diverse supplier pool, which may include: a. Outreach to minority-owned and women-owned contractors and representative organizations;	☐	☒	At this time, we do not reach out to diverse suppliers to promote a diverse supplier pool, but again, our program is in the early stages of development.
b. Participation in conferences, workshops, and other events to attract minority-owned and women-owned firms and inform them of contracting opportunities and;	☒	☐	We belong to and participate in the National Minority Supplier Diversity Council and attend events for the Greater New England Minority Supplier Diversity Council.
c. An ongoing process to publicize its procurement opportunities.	☐	☒	We do not have a process to publicize procurement opportunities at this time.

DIVERSITY SELF-ASSESSMENT TEMPLATE
PART I. Assessment of the Institution's Diversity Policies and Practices—Continued

4. Practice to Promote Transparency of Organizational Diversity and Inclusion

Transparency and publicity are important aspects of assessing diversity policies and practices. Greater awareness and transparency give the public information to assess those policies and practices.

[In a manner reflective of the individual institution's size and other characteristics, the institution is transparent with respect to its diversity and inclusion activities by making information available to the public annually through its website or other appropriate communication methods.]

STANDARDS	YES	NO	PROGRAM SUCCESSES AND / OR CHALLENGES
4.1. The institution publicizes its diversity and inclusion strategic plan.	☒	☐	See link below to our newly stated inclusion and diversity goals: www.statestreet.com/values/inclusion-diversity/diversity-goals.html
4.2. The institution publicizes its policy on its commitment to diversity and inclusion.	☒	☐	See links to our CEO's public commitments to diversity: http://www.statestreet.com/values/inclusion-diversity.html http://www.statestreet.com/values/inclusion-diversity/diversity-mission.html
4.3. The institution is transparent about its progress toward achieving diversity and inclusion in its workforce and procurement activities, which may include the institution's current workforce and supplier demographic profiles.	☒	☐	See link below to our newly stated inclusion and diversity goals, including our progress: www.statestreet.com/values/inclusion-diversity/diversity-goals.html
4.4. The institution publicizes its opportunities to promote diversity, which may include: a. Current employment and procurement opportunities;	☒	☐	See link below to our external career site: http://www.statestreet.com/about/careers.html
b. Forecasts of potential employment and procurement opportunities and;	☐	☒	n/a
c. The availability and use of mentorship and developmental programs for employees and contractors.	☒	☐	See link below to our programs available: http://www.statestreet.com/about/careers/global-inclusion.html

DIVERSITY SELF-ASSESSMENT TEMPLATE

PART I. Assessment of the Institution's Diversity Policies and Practices—Continued

5. Institution's Self-Assessment

Institutions that have successful diversity policies and practices allocate time and resources to monitoring and evaluating performance under their diversity policies and practices on an ongoing basis. Institutions are encouraged to disclose their diversity policies and practices, as well as information related to their assessments, to the Federal Reserve Board and the public.

[In a manner reflective of the individual institution's size and other characteristics.]

STANDARDS	YES	NO	PROGRAM SUCCESSES AND / OR CHALLENGES
5.1. The institution conducts an assessment of its diversity policies and practices annually.	☒	☐	Policies are available on our internal site and most are reviewed on an annual basis.
5.2. The institution monitors and evaluates its performance under its diversity policies and practices on an ongoing basis.	☒	☐	Diversity Goal progress is monitored on a semi-annual basis.
5.3. The institution publishes information pertaining to its assessment of its diversity policies and practices.	☒	☐	As stated above, our goals for the next three years and progress is posted on our external site: www.statestreet.com/values/inclusion-diversity/diversity-goals.html

DIVERSITY SELF-ASSESSMENT TEMPLATE
PART II. Diversity Data

Workforce Profile and Employment Practices

	Total Number	Women	Minorities
Institution's total workforce and percentages of women and minorities:	16,696	42 %	28 %
Number of Executive/Senior Level Officials and Managers job category as shown in its most recent EEO-1 Report:	381	103	49
Percentage of Executive/Senior Level Officials and Managers job category as shown in its most recent EEO-1 Report:		27 %	13 %
Total number on Board of Directors:	10	3	1
Total percentage on the Board of Directors:		30 %	10 %

Procurement–Supplier Diversity

	Total-Spending	Women-Owned Spending	Minority-Owned Spending
Most recent total amount of annual spending compared with the total spending with all vendors and suppliers:	$ 2,549,576,280	$ 54,886,758	$ 25,348,997
Total Percentage compared to all vendors and suppliers:		2 %	1 %

DIVERSITY SELF-ASSESSMENT TEMPLATE
PART III. Other Information or Comments

OMB No. 7100-0368
Page 8 of 8

Provide any other information or comments regarding the self-assessment of its diversity and inclusion policies and practices.

Fearless Girl - changing corporate board rooms. See: https://www.ssga.com/global/en/about-us/who-we-are/fearless-girl.html
CEO Action for Diversity & Inclusion: Signatory to CEO-driven business commitment to advance diversity and inclusion in the workplace. See https://www.ceoaction.com/
The Compact: Became one of the first companies publicly to commit to pay equity by launching and pledging full support for the Boston Women's Workforce Council's 100% Talent Compact. See https://www.bostonwomensworkforcecouncil.com/
Boston Workforce Investment Network (Boston WINs): multi-year, $20 million philanthropic initiative that helps prepare Boston youth for the workforce. www.statestreet.com/values/BostonWINs.html

DETAILED STANDARDS

Institution's Committment to Diversity and Inclusion
The leadership of an institution with successful diversity policies and practices demonstrates its commitment to diversity and inclusion. Leadership comes from the governing body, such as a board of directors, as well as senior officials and those managing the institution on a day-to-day basis. These Standards inform how an institution promotes diversity and inclusion in both employment and contracting and how it fosters a corporate culture that embraces diversity and inclusion.

Workforce Profile and Employment Practices
Many institutions promote the fair inclusion of minorities and women in their workforce by publicizing employment opportunities, creating relationships with minority and women professional organizations and educational institutions, creating a culture that values the contribution of all employees, and encouraging a focus on these objectives when evaluating the performance of managers. Institutions with successful diversity and inclusion programs also regularly evaluate their programs and identify areas to be improved.

Procurement and Business Practices – Supplier Diversity
Companies increasingly understand the competitive advantage of having a broad selection of available suppliers to choose from with respect to factors such as price, quality, attention to detail, and future relationship building. A number of institutions have achieved success at expanding available business options by increasing outreach to minority-owned and women-owned businesses. As in the employment context, institutions often use metrics to identify the baseline of how much they spend procuring and contracting for goods and services, how much they spend with minority-owned and women-owned businesses, and the availability of relevant minority-owned and women-owned businesses, as well as changes over time. Similarly, institutions may use outreach to inform minority-owned and women-owned businesses (and affinity groups representing these constituencies) of these opportunities and of the procurement process. In addition, institutions' prime contractors often use subcontractors to fulfill the obligations of various contracts. The use of minority-owned and women-owned businesses as subcontractors provides valuable opportunities for both the minority-owned and women-owned businesses and the prime contractor. Institutions may encourage the use of minority-owned and women-owned subcontractors by incorporating this objective in their business contracts.

Practice to Promote Transparency of Institution's Diversity and Inclusion
Transparency and publicity are important aspects of assessing diversity policies and practices. Greater awareness and transparency give the public information to assess those policies and practices. Institutions publicize information about their diversity and inclusion efforts through normal business methods, which include displaying information on their websites, in their promotional materials, and in their annual reports to shareholders, if applicable. By making public an institution's commitment to diversity and inclusion, its plans for achieving diversity and inclusion, and the metrics it uses to measure success in both workplace and supplier diversity, an institution informs a broad constituency of investors, employees, potential employees, suppliers, customers, and the general community about its efforts. The publication of this information can make new markets accessible for minorities and women and illustrate the progress made toward an important business goal.

Entities' Self-Assessment
Institutions that have successful diversity policies and practices allocate time and resources to monitoring and evaluating performance under their diversity policies and practices on an ongoing basis. Institutions are encouraged to disclose their diversity policies and practices, as well as information related to their assessments, to the Federal Reserve Board and the public.

Download and save the file to your computer prior to clicking the submit button.

Submit

State Street's Inclusion & Diversity Team Organization

Names and Titles

Leadership Team

Paul Francisco, SVP & Chief Diversity Officer (Boston)

Richard Curtis, VP, Workforce Development; Disability Programs; Boston WINS (Boston)

Brenda Andrade, VP, Global Inclusion & Diversity NA Lead; Work/Life and Flex Work Programs (Boston)

Valerie Bennett, VP, Affirmative Action & Compliance NA (Boston)

Jess McNicholas, MD, Head of Global Inclusion & Diversity and Corporate Citizenship EMEA (London)

Natalie Wu, VP, Head of Global Inclusion & Diversity and Corporate Citizenship APAC (Hong Kong)

APAC Team

Sowmya KB, Officer, GI&D and Corporate Citizenship APAC; India's I&D Strategy (Hyderabad)

EMEA Team

Andrea Dermody, VP, Global Inclusion & Diversity Lead EMEA, Regional I&D Strategy, EMEA DLC & ERGs Support (Dublin)

Shane Doyle, AVP, Global Inclusion & Diversity and Corporate Citizenship, (Kilkenny)

Sharon Auger, AVP, Global Inclusion & Diversity and Corporate Citizenship (London)

Dariusz Krupa, Sr. Associate, Global Inclusion & Diversity and Corporate Citizenship (Poland)

NA Team

Tamie Phan, AVP, GI&D Regional Programs' Manager; ERGs Framework; GI Events & Sponsorships (Boston)

Maria Del Vecchio, AVP, Work/Life Programs NA; Flex Work & ERGs Support (Boston)

Karen Faison, AVP, I&D Surveys , Benchmarking & Reporting; ERGs Support; GI Projects (Boston)

Rob Surratt, AVP, PIC & Year Up Programming, Disability Initiatives (Boston)

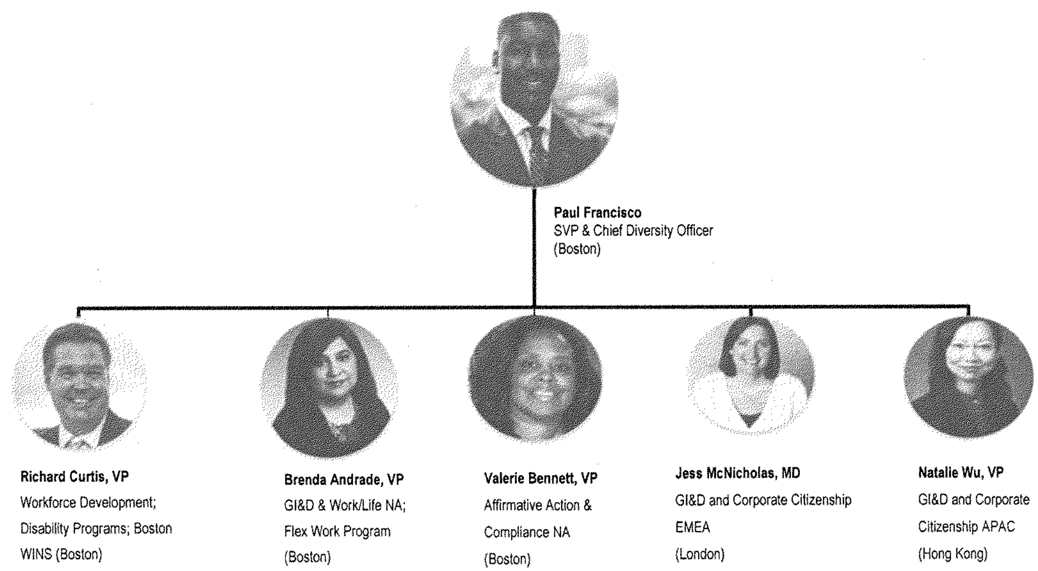
Dawn Dubose, AVP, Year Up Program; ERGs Support & Employee Engagement (Boston)

STATE STREET.

Information Classification: Limited Access

State Street's Inclusion & Diversity Team

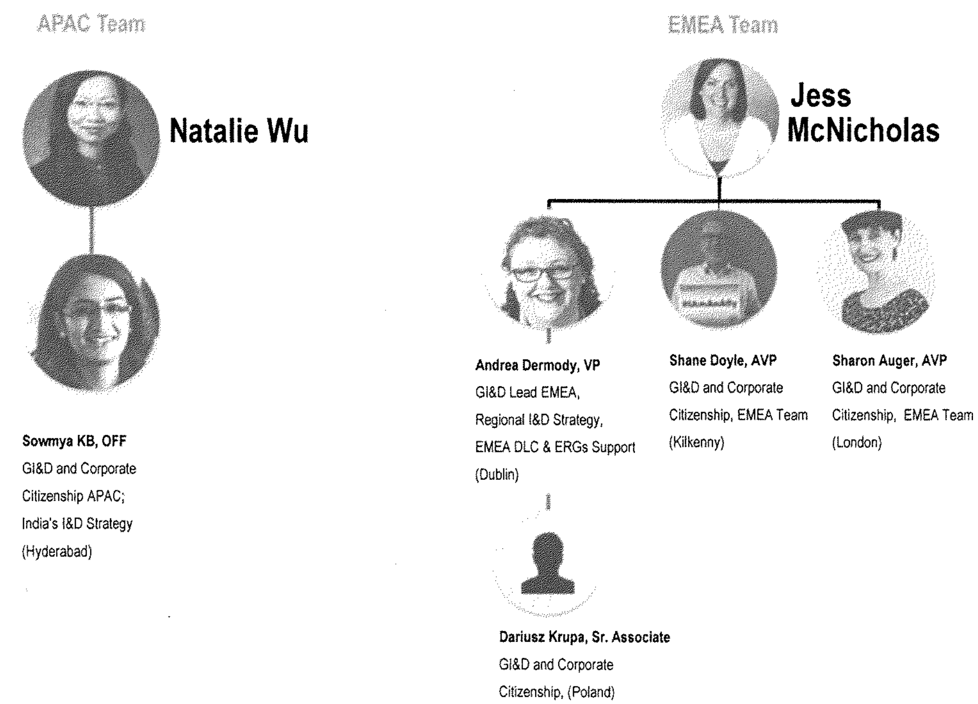
Reporting Structure



STATE STREET.

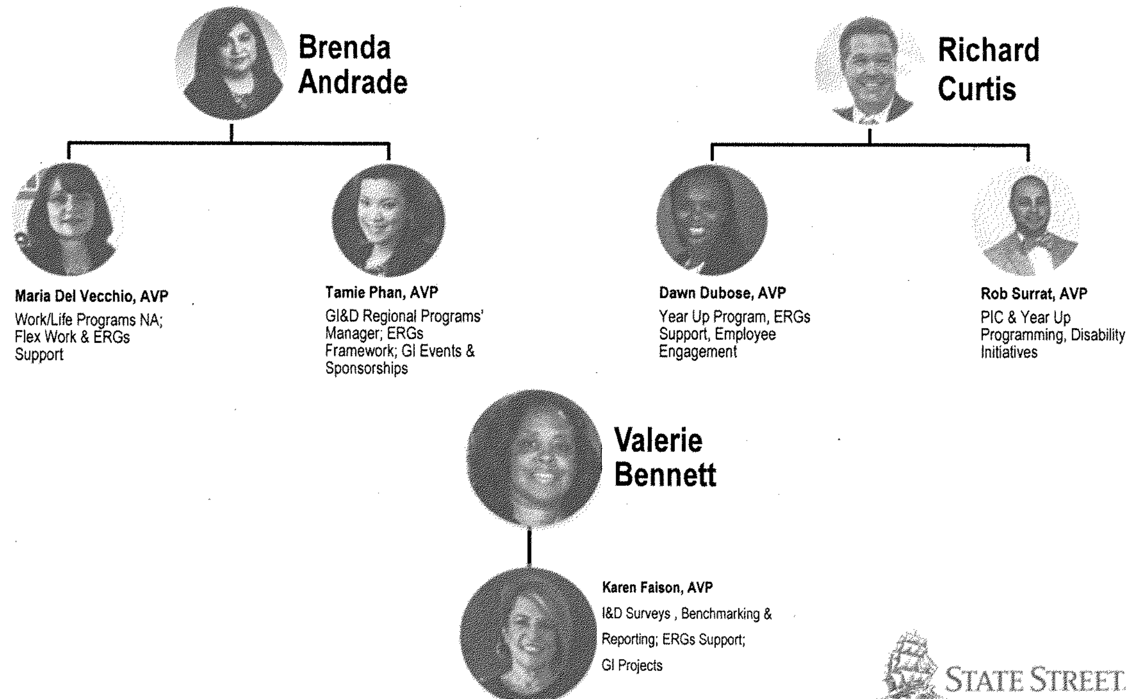
State Street's Inclusion & Diversity Team

EMEA & APAC Regions



State Street's Inclusion & Diversity Team

North America Region



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2018 Diversity Recruitment & Outreach Activities

2018 MEDIA OUTREACH

- Initiated partnership agreements with the following media sources with the objective of attracting diverse talent
  - Glassdoor.com
  - eQuest diversity advertising bundle (contract renewal) Boards include:
    - States Compliance
    - Hire A Hero
    - JOFDAV
    - RecruitAbility
      - US Diversity: African American, American Indian, Asian American, Persons with Disabilities, Gay/Lesbian, Hispanic American, Senior Citizen, Veteran, and Women communities
  - LinkedIn
  - Indeed.com

SPONSORSHIPS, EVENTS & CAREER FAIRS

- ALPFA:
  - ALPFA Student Summit, February 24 at Bunker Hill CC, Boston
  - Women of ALPFA Summit - Most Powerful Latina Summit, April 24, New York, NY
  - ALPFA National Convention, the largest gathering of Latino professionals and students from across the United States to learn, network, mentor and develop as leaders. State Street presented a workshop titled "How to Fast Track your Career & Professional Branding: It's Not Who You Know, It's Who Knows You" and hosted a Women of ALPFA panel discussion "Fostering a Generation of Fearless Leaders: Why Gender Equality is Critical for the Success of Corporate America,"as well as a Networking Session. August 6, Las Vegas, NV
- Color Magazine - sponsor of conferences: Women of Color on June 14, the Chief Diversity Officer on July 26 and Men of Color on November 6
- El Mundo Boston Latino Career Expo, career fair and networking event welcomes a diverse group of attendees. State Street hosted a career expo booth, March 30, Boston, MA
- NABA National Convention, 2,000 members and more than 70 corporate partners attended. NABA's convention is a career expo with opportunities for leadership development, skills building/enhancement, relationship development, career building and recognition of commitment to diversity & inclusion. June 6, New Orleans, LA
- Conferences for Women – lead sponsor of Massachusetts Conference for Women on December 6 in Boston; sponsor of California Conference for Women on February 21 and sponsor of Pennsylvania Conference for Women on October 12.
- AUC Career Fair – held in October, includes students of Morehouse, Spellman and Clark Atlanta. In addition, work directly with Morehouse recruiting summer interns and hosted an on campus resume review workshop in conjunction with NABA.

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GLOBAL INCLUSION & DIVERSITY ACTIVITIES AND RESOURCES

- **Corporate Partnerships**

  Global
  - Catalyst: Best practices, resources and innovative solutions for women's advancement.
  - Out Leadership: The first truly global LGBT+ business organization, focusing on the LGBT+ business case and engaging global business leaders in the conversation about LGBT+ inclusion. Provide research, advocacy, professional development, summits, and more.

  North America
  - Ascend: Largest non-profit Pan-Asian organization for business professionals in North America. They offer robust professional development and career enhancement programs designed to cultivate Pan-Asian talent.
  - ALPFA: Association of Latino Professionals for America – provide memberships to select number of STT employees through Global Inclusion & the LAPG.
  - BC Center for Working Families: Collaboration community connecting partner organizations with worlds of academic research and workplace practice.
  - Boston Women's Workforce Council: As a key initiative of the Boston Women's Workforce Council, Boston Women's Compact is committed to closing the wage gap in conjunction with the Mayor of Boston.
  - CEB's Diversity & Inclusion Leadership Council: Best practices, resources, and innovative solutions for diversity and inclusion professionals at large corporations.
  - CFA Institute: Seek to develop and diversify talent in tandem with elevating each respective brand by fostering an ethical culture, education, industry engagement and thought leadership.
  - The Clayman Institute for Gender Research: Based out of Stanford University, seek to implement change that promotes gender equality, offers best practices, gender research, and networks of scholars & advocates.
  - Diversity Best Practices: Best practices, resources and innovative solutions for diversity strategies.
  - NAAAP: NAAAP Boston is the local chapter of National Association of Asian American Professionals (NAAAP), a nonprofit organization that is dedicated to cultivate, support and promote Asian American leaders through professional development programs, community services engagements, and diverse industry connections.
  - The Partnership, Inc.: Professional development program for racially diverse professionals.

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- **Local Partnerships**

  Minority Professional Organizations Affiliation
  - National Association of Black Accountants
  - National Black MBA Association
  - Urban League of Eastern Massachusetts

  Women Conference Sponsorships & Events
  - Massachusetts Conference for Women-Presenting Sponsors
  - Women of ALPFA Summit- Lead Sponsors
  - Color Magazine Women of Color symposium

  LGBT Professional Organizations & Events
  - Out and Equal Work Place Summit
  - Out Leadership Summit
  - Fenway Health Women's Event
  - Fenway Men's Health Event
  - GLAAD Spirit of Justice Gala

  High School & College Diversity Professional Development Organizations
  - The Bottom Line
  - UAspire
  - College Advising Corps
  - The Toigo Foundation- MBA Catapult Session & Spring Career Event
  - The Posse Foundation
  - Latino Leadership Institute at Harvard Kennedy School of Government
  - Junior Achievement
  - Private Industry Council (PIC)
  - Year Up

  Community Event Sponsorship
  - Milagros Para Niños Hispanic Heritage Month Gala- Silver Sponsors
  - Dimock Community Health Center Steppin' Out Gala
  - Human Rights Campaign Gala
  - ELC Gala

- **Employee Resource Groups**

  State Street is committed to championing issues important to professional women and employees of color. State Street sponsors 23 employee resource groups with over 100 global chapters globally that provides opportunities for networking, career advancement, and professional development. All employee resource groups have a governance structure, which includes a steering committee, as well as executive sponsorship at the SVP, Executive Vice President or Management Committee level. Listed below is a selection of established resource groups:
  - Asian Professional Alliance
  - Black Professional's Group
  - Disability Awareness Alliance
  - Indian Employee Network
  - Latin American Professional's Group
  - Professional Women's Network
  - Veterans Network
  - Working Parents Group

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SUPPLIER DIVERSITY

Regional/National Memberships
- DisabilityIN (Disability-Owned Businesses Enterprises (DOBE)
- Financial Services Roundtable for Supplier Diversity (FSRSD)
- National Gay & Lesbian Chamber of Commerce (NGLCC)
- Women's Business Enterprise National Council (WBENC)

Local Memberships
- Greater Boston Chamber of Commerce (GBCC)- Pacesetters Program
- Black Economic Council of Massachusetts (BECMA)
- Center For Women & Enterprise (CWE)
- Greater New England MSDC (GNEMSDC)
- Small Business Administration (SBA)
- Massachusetts LGBT Chamber of Commerce (MLGC)

ADDITIONAL NOTABLE ACTIVITIES

State Street is also a leader in promoting diversity in the broader world. The following highlight State Street's efforts in this area:

- CEO Action for Diversity and Inclusion™- State Street's CEO Jay Hooley joined more than 150 fellow CEOs from top companies and business organizations in signing the *CEO Action for Diversity & Inclusion*™, the largest CEO-driven business commitment to advance diversity and inclusion in the workplace. The *CEO Action for Diversity & Inclusion*™ is led by a steering committee of CEOs and leaders representing more than 50 industries and millions of employees globally. Each signatory has committed to taking steps to increase diversity and foster inclusion within their organizations and the larger business community. https://www.ceoaction.com/

- The Compact: In 2013, State Street became one of the first companies publicly to commit to pay equity by launching and pledging full support for the Boston Women's Workforce Council's 100% Talent Compact (the "Compact"). State Street also encouraged other members of the business community to sign on to the Compact, under which employers participate in a wage data collection and analysis process intended to foster more accurate understanding of the wage gap in Boston as a whole, and to develop methods to address it. In addition to participating in that unique data analysis process, the first of its kind in the United States, State Street and other participating employers also commit to review practices they have implemented internally, and to improve upon those practices through discussions of successes and challenges.

- Boston WINs: In 2015, State Street launched a $20 million venture philanthropy initiative, Boston Workforce Investment Network ("Boston WINs"). Boston WINs is led by the State Street Foundation in partnership with five high-performing partners. — The Boston Private Industry Council ("PIC"), Bottom Line, College Advising Corps ("CAC"), uAspire, and Year Up, as well as the Boston Public Schools. The mission of the partnership is to advance job readiness and create meaningful career paths for Boston youth and to cultivate a pipeline of diverse candidates for employment at State Street and other firms.

- Conferences for Women: For a number of years, State Street has been a sponsor of the Conference of Women in California, Pennsylvania and Massachusetts–a suite of premier networking and educational events and experiences designed to help women connect, collaborate, and grow personally and professionally. These conferences feature nationally recognized speakers, presenters and panelists, who are leaders in various industries. They share their experiences and expertise on everything from leading change to managing money to finding work / life balance.

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- Charitable Giving: The State Street Foundation ("the Foundation") allocates grants to support education and workforce development programs and initiatives that encourage economic self-sufficiency and demonstrate measurable social impact in the communities where we operate. In 2016, State Street gave $19.6M in philanthropic contributions and matched another $4.3M of employee contributions. The Foundation's Matching Gift Program encourages and supports employees who give their time and money to education and workforce development programs and other charitable organizations.

- SHE – State Street's Gender Diversity ETF: Introduced in 2016, Ticker Symbol, *SHE* – invests in companies with higher levels of Gender Diversity in Senior Leadership and offers core US Large Cap exposure. *SHE* seeks to track the performance of the SSGA Gender Diversity Index, comprising US large capitalization companies with the highest levels within their sectors of

CORPORATE RECOGNITION

- 2019 DiversityInc Noteworthy List: State Street Corporation has earned a spot on the 2019 DiversityInc Noteworthy

- 2019 Corporate Equality Index: Earned a perfect score of 100 percent on the Human Rights Campaign's 2019 Corporate Equality Index (CEI), a national benchmarking survey and report on corporate policies and practices related to LGBT workplace equality. This is the fourth year in a row that the company has received a perfect score on the CEI.

- Nation's Top 25 Employee Resource Groups and Diversity Councils List: State Street's Professional Women's Network (PWN) – MA Chapter has been recognized for the third consecutive year as one of the "Top 25" ERGs in US by the Association of ERGs and Councils.

- 2018 Working Mother 100 Best Company: 2018 Working Mother 100 Best Companies List for our commitment to forward-thinking workplace programs in the areas of advancement of women, flexibility, childcare and paid parental leave.

- Corporate Responsibility Magazine's Top 100 Corporate Citizens. State Street was recognized as one of Corporate Responsibility Magazine's 2018 100 Best Corporate Citizens List, which recognizes the standout environmental, social and governance (ESG) performance of public companies across the United States.

- 2019 Bloomberg Financial Services Gender-Equality Index (BFGEI): One of 230 companies recognized in the 2019 BFGEI.

- 2020 Women on Boards – Winning "W" Company

See Link for more details: http://www.statestreet.com/values/inclusion-diversity/partnerships-recognition.html

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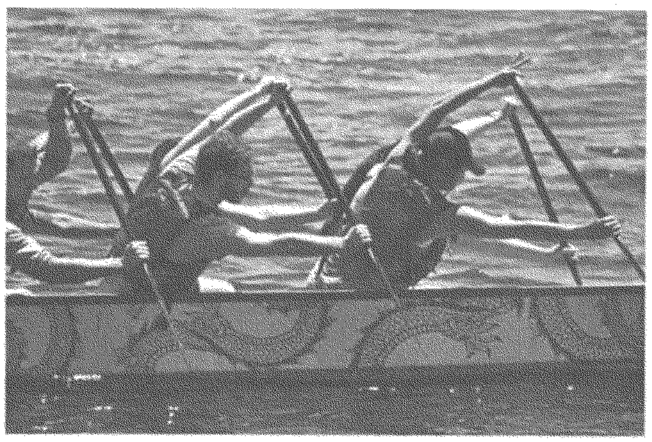
2018 Diversity Recruitment & Outreach Activities

SAMPLE EVENTS & NEWSLETTERS

Asian Professionals Alliance Events:

39th Boston Dragon Boat Festival
When: June 10th, 2018 | 7:00 – 5:00PM
Where: Charles River (along Memorial Drive)
Click here for more information

Save the date and come cheer for teams Golden Dragon, Golden Sun, and Fearless Women!!!



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Asian Professionals Alliance

Upcoming Events

Global Inclusion & Diversity Updates:

Engagement Opportunity w/ Community Partner | Corporate Citizenship

You're invited to register for **Skills for Cities Boston** on **Tuesday, September 25th.**

Skills for Cities Boston is first-of-its-kind skills-based city-wide day of service, envisioned by Common Impact, SVP Boston and Impact 2030! Several companies who see the value in leveraging employees' talents and skills have joined together to support local nonprofits. This is an opportunity for you, as an **employee**, to *apply your specific skills to support impactful nonprofits*, collaborate with like-minded professionals, and meet new people!

Common Impact, SVP Boston, Impact 2030 are collaborating with local nonprofits to develop several projects that require a variety of skills. Interested in joining? Join our State Street project on CyberGrants and Register here, you'll be contacted if your background matches any of the available projects and provide further information. Space is limited, so be sure to sign up today!

Event Details:
- Date: September 25, 2018
- Time: The event kicks off at noon, and registration opens at 11am.
- Location: Federal Reserve Bank of Boston, 600 Atlantic Ave, Boston, MA 02210
- Format: The event will kick off with a panel of local skills-based volunteer leaders, followed by a consulting workshop designed to solve Boston's most critical community challenges and conclude with an evening reception.

Questions? Reach out to Season Eckardt or Valerie DiCristoforo at Common Impact, or Whitney Kimmel, State Street Corporate Citizenship.

Volunteering Opportunities:
To sign up please search for the Project Name on the new Cybergrants portal.

Greater Boston Walk to End Alzheimer's
Hosted by: Alzheimer's Disease and Related Disorders Association Inc
When: September 23rd, 2018 | 7:30 – 12:00PM
Where: DCR North Point Park, Cambridge

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*** there are 2 projects, one for walking and one for volunteering

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Professional Development Opportunities:

ASCEND Executive Insight Series (EIS)
Hosted by: Ascend
When: September 17th – 18th, 2018 | 9:00 – 5:00PM
Where: Wellington Management Company
RSVP: Register here
Cost: Professionals - $1000
For group discounts contact Kunal Anand at kanand@wellington.com or BJae at bartholomew.jae@gmail.com

AccelerASIAN Leadership Development Conference
Hosted by: NAAAP
When: September 29th, 2018 | 8:30 – 5:30PM
Where: 200 Clarendon St 23rd Floor Boston, MA 02116
RSVP: State Street has 8 complimentary tickets, raffle details will be sent out in a separate email
See here for more details.

External Partner Events:

WIN (Women in NAAAP) Volunteer Meeting
Hosted by: NAAAP
When: September 12th, 2018 | 6:30 – 7:30PM
Where: CIC Boston, Homer Room, 50 Milk Street 18th floor, Boston MA 02109
RSVP: Register here

Networking Mixer: LeaderSIP
Hosted by: NAAAP
When: September 13th, 2018 | 7:00 – 9:00PM
Where: LimeRed Teahouse 1092 Commonwealth Avenue, Boston, MA 02215
RSVP: Purchase tickets here | $5 members, $10 non-members

Toastmasters
Hosted by: NAAAP
When: September 13th and 20th, 2018 | 6:30 – 8:30PM
Where: CIC, 50 Milk St, 16th Floor, Edison Room, Boston, MA 02109
RSVP: Open to the public

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Black Professionals Group (BPG)

Empowering Our Future Leaders

Lunch & Learn Event with the Big Sister Association of Greater Boston

The Black Professionals Group is hosting a Lunch and Learn session with the Big Sister Association of Greater Boston on Monday, June 4th from 12:00 PM to 1:00 PM at the John Adams Building. We will hear from the organization's own Kristina Desir and a State Street employee that is currently a Big Sister with the program. We will learn about the association, volunteer opportunities, and the importance of being a role model to young girls. Here are the event details:

Name: BPG – Big Sister Association of Greater Boston Presentation

Date: Monday, June 4th, 2018

Location: The event will be hosted in JAB and broadcasted via WebEx

Time: 12:00PM – 1:00PM

Please sign up here to learn more about the Big Sister Association of Greater Boston and volunteer opportunities that they have available!

Please be aware there are two sign ups – one for JAB and one for the WebEx.

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2018 Taste of NATIONS
Cultural Networking Event

APA BPG IAPA IAPN IEN LAPG

Mark your calendars for the 8th Annual Taste of Nations – Cultural Networking Event

Thursday, July 12th at the JAB2 Cafeteria from 5:30PM - 8:30PM

Look out for more details in upcoming communications!

Click Here to Sign up

*Only confirmed registrants can attend this event. They will need to bring a print out of their ticket and the State Street ID to the event to gain entry

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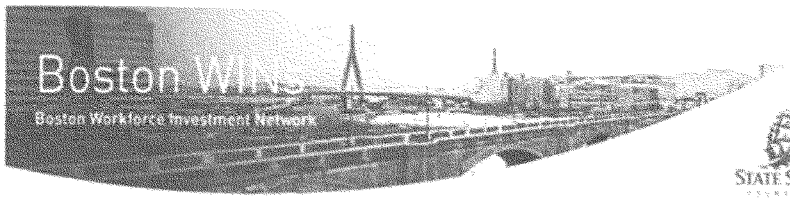

Greetings Boston WINs Employee Resource Group,

We'd like to forward an exciting networking opportunity to our members hosted by the Black Professional Group (BPG).

Black History Month - Growing and Developing Together

Tuesday, February 12th 2019

5:30 pm to 8:00 pm

SFC7, Global Room A

(Refreshments will be provided)

The Black Professionals Group (BPG) is hosting "Growing and Developing Together" on the evening of February 12, 2019. This session will feature several rounds led by coaches (State Street leadership colleagues) that will share their success stories and what actions they have taken to advance in their careers. Coaches will lead discussions within each group touching upon a variety of topics that will enable us to grow, develop and genuinely learn more about each other. We will share background and career path stories on navigating the diversity and inclusion conversation at State Street, strengths and opportunities for improvement, and have participants ask questions and share stories as well. The coaches will rotate to various tables so that participants have an opportunity to speak with multiple coaches throughout the evening. This is a networking and professional development event that you won't want to miss! Please register here.

Please follow our community on Collaborate to stay up to date on upcoming activities!

If you have any questions, please email BostonWINsERG@statestreet.com. We hope to see you there.

Boston WINs ERG

Information Classification: Limited Access

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Latin American Professionals Group (LAPG)

AUGUST 2018 EDITION

Follow Community

Inside this issue:

ALPFA Convention — Recap

The LAPG would like to give a huge thank you to our members who attended the ALPFA Convention this year in Las, Vegas, NV. Thank you to the Diversity and Inclusion team, especially Paul Francisco, Natalie Sanchez and Karen Faison and respective managers for promoting diversity and allowing the opportunity for our employees to build authentic relationships to last a lifetime. Below are some photos taken throughout the convention.

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Hispanic Heritage Month (HHM) Celebration:

Please join the STATE STREET LAPG as we host our annual HHM celebration. This year's theme is "Hispanics: One Endless Voice to Enhance our Traditions". We will recognize the importance of continually using our voice and platform to spread cultural awareness of our heritage. This year's keynote speaker is, José Massó, Host and Producer of WBUR's Con Salsa!

Date: Wednesday, September 12, 2018
Time: 5:30 p.m. to 8:30 p.m.
Location: SFC - 1 Lincoln St. Boston, MA Harborview 36th Floor

Fantastic Latin Music will be played
Drinks and Appetizers will be served!

Click Here to RSVP and Join Us for this Special Evening

HHM Lunchtime Panel Discussion:

We have an exciting group of panelist who have demonstrated great leadership at State Street. Hear them as they discuss this year's panel titled *"Thriving in the workplace: Using your traditions and values to succeed."*

Moderator: Paul Francisco, Chief Diversity Officer

Panel: Cesar Estrada, Carlos Monfiglio, Jessyca Feliciano and Hector Lopez Camacho

Date: Wednesday, September 26, 2018
Time: 11:30 am - 1:00 pm
Location: CCB2 - Mustang Room (1 Iron St)

Hot Lunch will be served!

Click Here to RSVP and Join Us

Information Classification: Limited Access

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MONTHLY MEMBER EMPLOYEE SPOTLIGHT

Name: Wilson Ordonez

Country of Origin (Heritage): Ecuador

Hobbies/Interest: Kendo, Fishing, Hiking, Live Music and Foreign Affairs

Fun Fact: I was a Junior Figure Skating Champion for Ecuador at the age of 15.

Words you live by: Intellectual

One of the most important decisions I made was to study abroad. This decision guided me to start my international career at the age of 16. Away from home, I had the opportunity to live with a Japanese family in Oregon and this double exchange shaped the way I saw the world. I attended an American school during the day, but I lived in a house of Japanese traditions at night. How cool is that!

Fascinated by culture and the knowledge I was gaining, I was hungry for more. During my time as a grad student, I took the opportunity to learn more about economics from emerging markets. I took a new journey to explore one of the largest emerging economies in the world: Brazil!

It has been 7 years since I launched my career and I gained experience working in international setting across international organizations and financial enterprises with international teams in the United States, Japan, and Latin America. My work has primarily focused on tapping into the unlimited potential of emerging markets. Up to this day, my professional objective has always been to connect the very best of developed and emerging markets by creating partnerships and delivering solutions to the emerging world.

"Intellectual curiosity makes the difference"

What are the professional skills that you excel at?

WO: Teamwork, Multilingual, Global Dexterity, Business Modeling, Curiosity and Positive attitude

What makes your current job exciting? Challenging?

WO: Assisting in the development of the expansion strategy for Latin America has been challenging as well as rewarding experience for me. Exploring new horizon for business expansion has been a professional objective of mine.

If you could change something about your career path in the past, what would it be?

WO: I'm very pleased with the path my career has taken to date. I've made a series of conscious decisions that have led me to where I am today. However, if there was any aspect of my career path that I would like to have been different then it would probably be to have embarked on my MBA right after I finished my undergraduate degree. With the years life has continued to get more complicated and time gets more difficult to find.

What do you like most about working at State Street?

WO: The People! Sector Solutions allowed me to work with very smart professionals and exposed me to senior management.

What advice would you offer new employees?

WO: Be extra curious, ask a lot of questions, and most importantly find a mentor that will guide you in your professional development.

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Thank you everyone who joined us at this year's summer mixer. It was a pleasure having our members enjoy a nice evening alongside their colleagues.

Additionally, this year in order to commemorate the beginning of the World Cup, the LAPG hosted a **World Cup Jersey Day** for all employees to help raise awareness for **Milagros para Niños**. Thank you all who participated by wearing your favorite team's soccer jersey to the office.

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Professional
Women's Network

Committee Spotlight: External Engagement

External partnership is something that has become an integral part of the PWN. It provides us with an opportunity not only to further our mission and purpose within the community but also helps raise broad awareness of State Street and the PWN's unique and critical role creates advancement opportunities for women.

Ann Moynihan and Katherine Lucas are co-chairing this committee and are excited about some of the partnerships and events occurring for the remainder of 2018. Many of you are already familiar with Girl Scout Development Day which occurred earlier in the year, but be on the lookout for participation opportunities in other similar partnerships such as the Massachusetts Conference for Women, uAspire, a partnership with schools and community organizations to provide advice and advocacy to overcome financial barriers to education, and opportunities to attend external conferences.

If you're interested in learning more or getting involved let Ann or Katherine know!

STRONG WOMEN
STRONG GIRLS

We want to thank you. Because in addition to everything you do, you helped pave the way forward for young girls in Boston.

Thanks to your contributions over the past five months, Strong Women Strong Girls (SWSG) exceeded their $100,000 Matching Gift goal set by Robert Kraft and the Kraft Foundation! SWSG is a local nonprofit focused on empowering girls to imagine a broader future through a curriculum grounded on female role models. Robert Kraft personally acknowledged the impact of their programs and committed to matching up to $100,000 of funds raised up until April 2018.

That's when many of you kicked it into gear and banded together by hosting events at Athleta, raising awareness and funds through your business unit's charity jean's day, volunteering your time and attending various fundraising events. **Your contributions totaled $6,000!** This is a true testament to the power of our network when we collectively support one another. We can't thank you enough.

For more information on the organization visit their website here: http://swsg.org/boston/. Contact Rebecca Moniri to learn more about ways you can get involved.

Member Spotlight

If you haven't done so already, please check out our **blog post** about Kellie Yankauskas' experience in the LDP program thus far! **Don't forget that the application deadline for the LDP Program is this Wednesday, May 30th!**

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Women's Leadership Showcase at Stanford

PWN was honored to present at Stanford's Clayman Institute for Gender Research 'Small Wins' Showcase on May 24th. Stanford chose to acknowledge Corporate Program member initiatives and projects that have delivered tangible, positive results in increasing diversity and inclusion. Both Mentoring Circles and Enterprise Consulting were highlighted. Please see below links for more information on the Center for the Advancement of Women's Leadership and the Clayman Institute for Gender Research.

Reference Links:

www.gender.stanford.edu

www.womensleadership.stanford.edu

Listen Blog

Check out the newest "listen." blog in honor of Mother's Day. Follow **this link** to read about how **working moms are the new normal**, and to hear about PWN Member, Lyndsey Wickles' perspective on what it is like to balance a full time job with being a Mom to two young children.

Upcoming Events

Interview Workshop

PWN Talent Committee

Interviews are a key part of the hiring process and can be very stressful as a candidate! The purpose of the event to help participants understand key areas of focus from various stakeholders in the interview process, as well as what actions can help them stand out in the interview process.

Attending this event will allow you an opportunity to meet with SMEs representing the Talent Acquisition, Hiring Manager and Candidate perspectives. Attendees will be given an opportunity to ask the SME questions, practice answering interview questions and receive feedback. For questions, contact Amy Lessner and Kristin Gordon. Sign up here!

Event Info

When: Monday, June 18th, 1:00 – 2:30 PM

Where: SFC7 Global Room A / B

Please sign up here!

Timeout to #PoWeriN: Being #BOLD Featuring Maria O'Toole

Membership & Engagement Committee

Our next #PoWeriN will be a fireside chat featuring Maria O'Toole (formerly Luce), Managing Director of Institutional Investor Services. Maria is nominated as our first being #BOLD speaker due to her ability to balance a successful career with her busy personal life. Maria serves as a strong role model because she embodies strong leadership and impactful engagement. Maria has navigated different roles throughout the bank and has significant experience bringing in new business as well as overseeing several large strategic clients across multiple business segments and driving business strategy. She is an active PWN member, involved in the United Way Leadership Council and is a member of our Corporate Responsibility Working Group. Join us as we hear about Maria's personal story and her advice for finding success at State Street.

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Event Info
When: Thursday, June 14th, 10:30 – 11:30 AM
Where: Crown Colony 3S Squantum Room

There will be time for questions and answers as well as an opportunity to network with your colleagues before and after the event! Space is limited to 25 members and spots are first come first serve, sign up **HERE**!

Consulting Initiative

Thank Yous & Results
As the PWN Enterprise Committee gears up to recruit a new cohort of consultants for its Summer 2018 Enterprise Consulting Initiatives, we would like to take a moment to thank the consultants who made last summer's initiatives such a success. We are grateful for their time, effort, and dedication!
Our consultants made impact across the organization in the most recent round of initiatives including: **GHR Technology Rollout, SSGA Impactful Sponsorship, Regulatory Strategy, GTS – Employee Tech Experience, Pharos/Project Verus Pricing Strategy, Latin American Industry Insights**
Upcoming Projects
Our committee will be featured with a Spotlight section in the next Quarterly PWN Newsletter, so stay tuned for more details on upcoming initiatives, past projects, and consultant testimonials!

Participate in TAP!

Are you looking for advice on your resume? Interested in brushing up on your interviewing skills? Signing up as a TAP participant is the perfect opportunity for you to reach your goals in a collaborative environment with PWN members. Sign up for a resume review or mock interview **here**.
Talent Advisory Program (TAP) TAP was designed to help our members take charge of their careers, strengthen their professional profiles, and prepare for internal mobility opportunities. Participants of TAP will benefit from resume reviews, interview coaching, toolkits, and expanded knowledge of State Street in order to build their networks and effectively demonstrate the incredible talents they possess.

Other Events/Engagements

Big Sister Association of Greater Boston Lunch & Learn Event
The Black Professionals Group (BPG) is hosting a Lunch and Learn session with the Big Sister Association of Greater Boston. We will hear from the organization's own Kristina Desir and a State Street employee that is currently a Big Sister with the program. We will learn about the association, volunteer opportunities, and the importance of being a role model to young girls.

Event Info
When: Monday, June 4th, 12 p.m. – 1 p.m.
Location: John Adam's Building (JAB) - Great Republic 2

Dragon Boat Race
The PWN helped to sponsor this year's race, and the 2018 race kickoff event held on May 8th at the MIT Pierce Boathouse. The new State Street branded Dragon Boat was blessed at the kickoff event! Visit the **team's collaborate website** for photos.
Race Info
When: Sunday, June 10th, 7 a.m. – 5 p.m.
Where: John Weeks Bridge (near Harvard Sq.)
FREE Admission

- Volunteer Opportunity: Help support the paddlers and the APA on June 9th (trail day) and June 10th (race day). Please email **Eleni Southworth** if you are interested in learning more. **Jonathan Lei** is the lead volunteer coordinator and is available for additional questions as well.

Please attend, and help support our State Street teams! Check out more race day information **here**!

STATE STREET

2018 Diversity Noteworthy Recognition & Activities

Awards & Recognition

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- Recognized by Working Mother's **100 Best Companies for women** in the workforce
- FTSE Russell has confirmed we have satisfied the requirements to become a constituent of the **FTSE4Good Index Series**
- Recognized by DEI as one of the **Best Places to Work for People with Disabilities**, scoring 100% on the Disability Equality Index
- Recognized by RobecoSAM for our **environmental, social & governance performance** in the Diversified Financial Services & Capital Markets category for the 4th year in a row
- Recognized by Barron's as one of the most sustainable US companies in their annual **"Top 100 Most Sustainable Companies"** list
- Recognized by The Times as a **Top 50 Employer for Women** for the 6th year in a row
- Received 100% on the **Human Rights Campaign's Corporate Equality Index** for the 4th year in a row
- Recognized as a **2020 Women on Boards Winning "W" Company**
- Established **a new set of diversity goals** for the year 2022, including more aggressive three and five year targets for gender (global) and employees of color (US)

Fearless Girl[1]

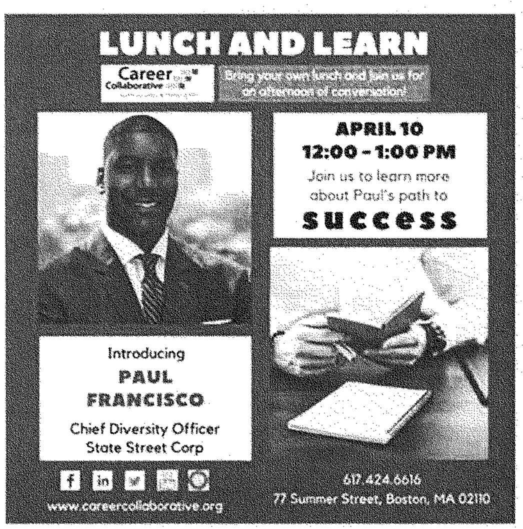
Highlights

- On the eve of International Women's Day in 2017, State Street Global Advisors installed Fearless Girl in the heart of New York's financial district, to raise awareness about the importance of gender diversity in corporate leadership
- Fearless Girl is a symbolic representation of our push to increase gender diversity on corporate boards of companies in which we invest. The latest impact figures for the Fearless Girl campaign demonstrate continued progress for our gender diversity asset stewardship programs indicated by companies adding female directors to their boards[2]
  - United States: 26 percent
  - Japan: 14 percent
  - Canada: 23 percent
  - Europe: 50 percent
- In December 2018, Fearless Girl moved to a new location in front of the New York Stock Exchange, where she will continue to promote the power of women in leadership

1 Sculpture by Kristen Visbal, commissioned by State Street Global Advisors
2 State Street press release dated, September 27, 2018

STATE STREET.

6 DIVERSITY JOURNAL



STATE STREET.

BLACK ENTERPRISE

March 21, 2018

Mr. Paul Francisco
Chief Diversity Officer and Head of Workforce Development Programs
State Street Corporation
One Lincoln Street
Boston, MA 02111

Dear Paul,

Congratulations! You have been selected for inclusion on the 2018 **BLACK ENTERPRISE** list of ***Top Executives in Corporate Diversity***, our exclusive roster of leading professionals who drive innovation, productivity, and profitability by ensuring across-the-board diversity that includes the workforce, leadership, corporate governance, and supply chain. This special report will appear in our March/April 2018 issue, highlighting the critical role played by you and your peers in bolstering the global competitiveness of corporate America. Your stellar accomplishments and powerful example will inspire legions of executives in their pursuit of professional excellence while seeking to use their positions to make a tangible difference.

We look forward to further celebrating your accomplishments in a special recognition ceremony that will take place later this fall. We will provide details on location and date under a separate cover.

Once again, congratulations on this well-deserved recognition.

Sincerely,

SVP/Chief Content Officer

BLACK ENTERPRISE

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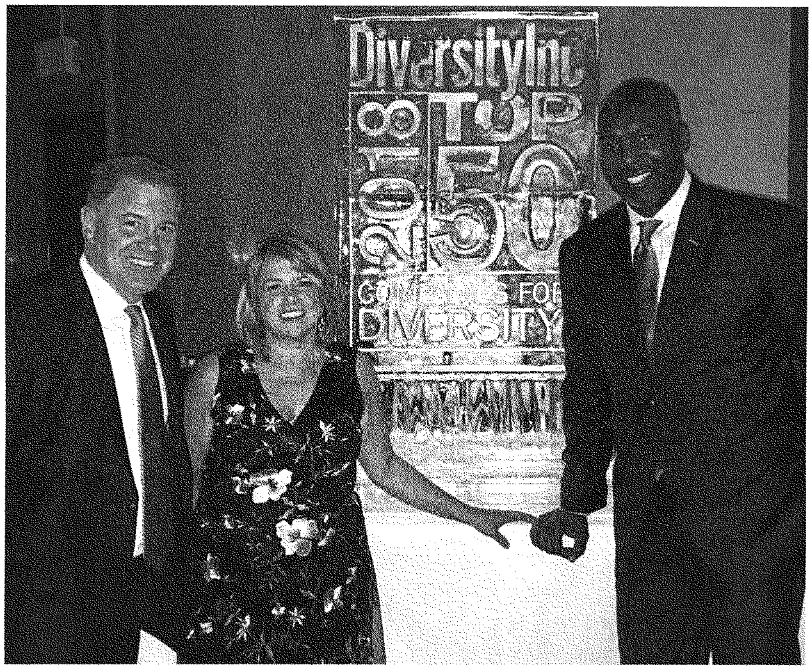

STATE STREET

NAAAP
Boston

2018 NAAAP Boston Future Leader Scholarship Awards

APA Steering committee members - Christine Cheung and ChiChi Gao attended on behalf of State Street APA a community scholarship luncheon hosted by NAAAP the past Saturday. According to ChiChi, it's a very meaningful program with very positive influence on the local community. During the luncheon, all scholarship award recipients, who have been selected from a very competitive pool of candidates through a rigorous screening process, gave a personal speak about their life and what the scholarship meant to them. You can check out fun photos from the event on our Facebook page here.

STATE STREET.

2018 Veteran Recruitment & Outreach Activities

VETERANS RESOURCES

- State Street Employee Resource Group - Veterans Network: The Veterans Network (VETNET) reflects a renewed focus on recruiting, retaining, and developing veterans, recognizing their unique value proposition to State Street, and honoring their sacrifices and contributions, along with those of their families and friends. VETNET is sponsored by Global Inclusion & Diversity and membership remains open to veterans, veteran family members, and all friends/allies.
- Links to Veteran's Benefits provided on the ERG intranet site:

Veteran's Resources | Discussions | Calendar | Veteran's Benefit Links | 501(c)(3) Charities | Community Events Photo Library | Job Postings | Kansas City Chapter

Edit	URL	Notes
	Veterans Affairs Benefits Booklet (2014 Edition)	---> Educational and Training Benefits ---> Veterans Affairs Guaranteed Home Loans ---> Veterans Affairs Health Care Benefits ---> Transition Assistance
	Iraq and Afghanistan Veterans of America (IAVA)	IAVA is the first and largest nonprofit, nonpartisan organization for Iraq and Afghanistan veterans. IAVA provides resources to veterans including but not limited to: Networking Opportunities, Education Assistance, "Rucksack" (Rewards for Vets)
	Massachusetts Veterans Services	---> Resources for MA residents who served in the Armed Forces ---> Maximize your state benefits in addition to federally provided benefits from the Department of Veterans Affairs ***********You MAY qualify for multiple TAX-FREE BONUSES!*************
	MA Treasury Secretary Veterans Benefits Webpage	---> Look to see if you qualify for a state funded bonus or annuity ---> You may qualify for certain tax exemptions or motor vehicle benefits
	California Department of Veterans Affairs	--->Resources for CA residents who served in the Armed Forces --->Maximize your state benefits in addition to federally provided benefits from the Department of Veterans Affairs
	New York Department of Veterans Affairs	--->Resources for NY residents who served in the Armed Forces --->Maximize your state benefits in addition to federally provided benefits from the Department of Veterans Affairs
	Georgia Department of Veterans Services	--->Resources for Georgia residents who served in the Armed Forces --->Maximize your state benefits in addition to the federally provided benefits from the Department of Veterans Affairs
	Missouri Veterans Commission	--->Resources for Missouri residents who served in the Armed Forces --->Maximize your state benefits in addition to the federally provided benefits from the Department of Veterans Affairs
	USO Volunteer Page	--->Want to make a difference in the life of a servicemember? Whether it's helping out at a special event, cheering troops at homecoming, manning a front desk or providing a listening ear, our volunteers are the reason troops know they can count on the USO. The United Service Organizations is one of the most well established non profits aimed at improving the quality of life for our nation's military personnel.
	MA Vets Advisor	The Massachusetts Department of Veteran's Services has provided this powerful website to leverage all the resources our veterans have earned. ---If you have served...CHECK THIS WEBSITE OUT!!!---

SPONSORSHIPS, EVENTS & CAREER FAIRS

- FourBlock: Veteran Transition Program providing external coaching and recruiting opportunities, January 30 and February 26
- Kansas City Veterans Coalition: The Kansas City office is a member organization of the Kansas City Veterans Coalition, which strives to connect Kansas City veterans with Kansas City companies, attended spring meeting February 2
- CAV's Northeastern University: Student-Veterans Recruiting Event, February 23 and July 16
- Greater Boston Veterans Job Fair: Recruit Military: Military Career Fair / Booth, State Street attended this recruitment job fair to provide information about career opportunities to Veteran and Military jobseekers, April 16
- Hiring Our Heroes: A nationwide program of the U.S. Chamber of Commerce Foundation, to help veterans, transitioning service members, and military spouses find meaningful employment opportunities. May 1-2, Boston, MA

STATE STREET.

- Service Academy Career Conference SACC: Graduates of the U.S. Military Academy, the U.S. Naval Academy, the U.S. Air Force Academy, the U.S. Coast Guard Academy and the U.S. Merchant Marine Academy are all exclusively invited to this Washington, D.C. event. SACC allows candidates to interface with a large number of companies and universities. Companies and universities are encouraged to have in-depth conversations with the candidates to evaluate their skill sets. Semi-private "interview" tables are provided at each venue. May 9-10, 2018, Washington, DC.
- Massachusetts Fallen Heroes: Non-profit,gala, fundraiser held May 18
- Year-Up/National Introduction: Introduced the National Guard to Year-Up/State Street interns, June 6.
- Veteran Legal Services Organization Gala: external non-profit for veteran legal services held November 1
- Veterans Day Event: Veterans Day Gala hosted by State Street's MEFN employee resource group. November 14
- The Pointe: Boston local military network event, held monthly.

STATE STREET.

Bryan Dyer Honored by Department of Defense for Extraordinary Support of Employees who Serve in the Massachusetts National Guard and Reserve.

There are ways to say "thanks for your military service," and ways to say "thanks for your support." ESGR offers a Statement of Support program where employers can sign a pledge to support the military service of their employees.

The Patriot award was created by ESGR to publicly recognize individuals who provide outstanding patriotic support and cooperation to their employees, who like the citizen warriors before them, have answered their nation's call to serve. - Earl Bonett, ESGR Massachusetts Chair.

STATE STREET

VETERANS NETWORK

FYI on an upcoming event.

Our very own Yvonne Garcia will be a panelist.

EY Building a better working world

EY New England's Veterans Professional Network and Latino Professional Network invite you to:

A New Era of Mentorship

Panel discussion	This Executive panel discussion will focus on important topics in our workplace including **mentorship, integration and advancement**.
Moderator	**Jane Steinmetz** *EY Boston Office Managing Partner*
Panelists	**Paul Estrada** *Partner, EY SALT FSO* **Yvonne Garcia** *SVP, State Street*

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Event details

Date
Tuesday, November 20, 2018

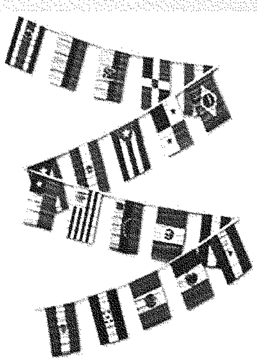
Time
6:00 p.m.–8:00 p.m.

Location
EY Boston Office
200 Clarendon Street
23rd Floor
Conference Center

Food and drinks will be provided

Click here to RSVP >

Add event to your calendar



Paul Estrada, Partner SALT FSO

Paul is a partner at EY and serves as the state and local tax regional leader in the West within EY's Financial Services Office (FSO) and is also the co-leader nationally of its Wealth & Asset Management practice. Paul also serves as the West leader for our Veterans Network and assists the Tax practice on several Veterans committees. Paul started his career at Goldman Sachs in New York after graduating from the University of Southern California (BS, MBT, JD). Prior to his career in financial services, Paul served for five years in the U.S. Army as a paratrooper in the 82nd Airborne Division and participated in several covert operations. In his personal time, Paul serves several non-profit organizations and has received multiple leadership awards including, most recently, the Leadership Excellence Award from the National Diversity Council.

Yvonne Garcia, SVP, State Street Corporation

Yvonne is the Senior Vice President of Investment Manager Services and Global Head of Client Solutions at State Street Corporation. Yvonne develops solutions for Fortune 100 companies in the financial sector by delivering superior service to clients and deploying cutting-edge technology and operational processes, and delivering complex consulting engagements for existing and potential State Street clients. Yvonne leads a high performing global team that provides end to end services to clients from deal structures that yield optimal solutions to conversions onto State Street industry leading platforms.

As an active leader, Yvonne served as the Chairwoman for the largest Latino Professional Organization in the country, ALPFA. As a result of her vision and leadership, Yvonne helped tripled ALPFA's membership, to a record high of 80,000 members. Yvonne currently serves as the Chair of the Hispanic Scholarship Fund for Boston. She is the co-founding Chair of Milagros para Niños, an initiative at Children's Hospital in Boston, which has raised more than $9m in funds for Hispanic children who can't afford medical care. In addition, Yvonne serves on the Board of Trustees for Tufts Medical Center in Massachusetts and is a Member of the Corporation for Partners Healthcare. Yvonne was a recipient of Boston Business Journal's 40-under-40 Award for 2008 and was selected as a Top 25 Women for Hispanic Business Magazine for 2009. Yvonne was also selected as the Top 5 Latina Executive in the Country by Latina Style Magazine for 2012. Yvonne was selected as Top 22 Most Influential Women in Massachusetts by the Boston Business Journal for 2015 and named one of the Top 12 Leaders in Finance in the country by Latino Leaders Magazine last year. Just this year, Yvonne was featured in Fortune Magazine as #33 of the Top 50 Most Powerful Latinas in the United States and in the Boston Business Journal as one of their Power 50 business leaders. In addition, Yvonne has run 8 marathons in the past 7 years, including this year for The Dimock Center.

Thank you for your service and thank you for your support.

Regards,
VETERANS NETWORK STEERING COMMITTEE

STATE STREET.

SAMPLE EMPLOYEE RESOURCE GROUP NEWLETTER:

VETERANS NETWORK

HI All,
Just wanted to share some freebies for those on Active Duty, their spouses, and Veterans.

Linkedin:
https://blog.linkedin.com/2018/june/11/welcoming-military-spouses-to-linkedins-military-and-veterans-program

VetForce:
https://www.salesforce.com/blog/2016/03/vetforce-innovative-veteran-training-program.html
https://veterans.force.com/NewVetForceHome

Also Happy Flag Day!

FYI on an upcoming events:

Subject: The Mission Continues Boston/Lowell: September Newsletter

Good morning TMC Platoon Members, Fellows, Partners, VSOs, and Champions-

We hope you all had a fun-filled Labor Day weekend, and are settling into the week as many head back to school. You might even be able to faintly smell the aroma of pumpkin spice wafting in the air. Fall is coming.

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Attached you will find our TMC Massachusetts newsletter for September. We have highlights of our Backpack Assembly event, our ongoing project to support the children and service platoon in Puerto Rico, and the event flyer for our upcoming 9/11 Remembrance Project on Saturday, Sept. 15th in Lowell. We would love to have you join us in service!

Have a great rest of your week!

Best,
Meagan

Subject: Volunteer Opportunity: New England Center and Homes for Veterans (NECHV)

We need 3 more volunteers for Sept 20th.

This volunteer event only requires 90 minutes of your time, but the impact is immediate. This is a great opportunity to serve those who have served for our country.

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2018 Disability Recruitment & Outreach Activities

DISABLITY RESOURCES:

- State Street Employee Resource Group-Disability Awareness Alliance (DAA). DAA's Mission Statement: The DAA supports State Street employees living and working with disabilities. We are committed to increasing awareness by engaging others through internal events and external community involvement.
- State Street's BeWell Caregiver Support Group: State Street Caregiver Support is a telephonic moderated support group for families, partners and other caregivers of special needs children and adults.

MEMBERSHIPS:

- US Business Leadership Network (USBLN) National Corporate Membership
- Work With Out Limits - New England Membership

RECOGNITIONS:

- Recognized by DEI as one of the **Best Places to Work for People with Disabilities**, scoring 100% on the

SPONSORSHIPS, EVENTS & CAREER FAIRS

- State Street and the Boston Institute for Careers and Networking (ICAN) Project: Kick-off event hosted at State Street on February 27 for 20 High School students with disabilities. Partnership with the Boston Public Schools, non-profit Organizations, and other employers focused on career readiness, awareness and post-secondary education for students with disabilities, parents, etc. Collaborative event to share career readiness and awareness to individuals with disabilities
- Disability Etiquette Training. Over 70 State Street TA recruiters/staff and Global Inclusion colleagues from around the United States and Canada, participated in a Disability Etiquette Training in Q1. The training was conducted by one of State Street's long time community partners, Work Without Limits. Work Without Limits facilitated a program giving all an overview on the importance of considering individuals with disabilities for State Street's open positions and the importance of influential ERGs supporting corporate disability initiatives. This interactive presentation was the first of the series highlighting individuals with disabilities in the workplace that the Global Inclusion team will be sponsoring for the TA staff and hiring managers. The focus on this underrepresented group relating to in employment coordinates with State Street's expansion of its inclusion strategy.
- GKCBLN Disability Inclusion Summit. Held on April 19 in Kansas City, the summit provided awareness to businesses to foster collaboration and new directions for disability inclusion in the workplace.
- BRG/ERG Disability Leadership Forum. In 2017, the Disability Awareness Alliance, led by then-chair Brandon McCormick, hosted the first quarterly BRG/ERG Disability Leadership Forum, bringing together disability business resource and employee resource groups from companies and universities in the Greater Boston Area. The subsequent forum was held at the PwC Seaport Boston office on March 28th. The purpose of these ongoing forums is to bring the leaders of these groups together to share best practices and to work together to create a more inclusive and collaborative community.
- Youth Employment Program (YEP) Pre-Employment, Partners for Youth with Disabilities (PYD) was excited to launch their Youth Employment Program (YEP) Pre-Employment program on November 11, 2017. Nine

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transition-age youth (16-22) referred by their Massachusetts Rehabilitation Counsellors were enrolled in the program and met as a group for seven Saturday sessions. The classes focused on soft skills development and job exploration tools. Two PYD interns began 8-week internships at State Street on February 5, 2018.

- GBEC Annual Meeting and Conference, a disability conference that provides training and education held April 24, 2018
- Amplify Conference, May 3, Boston
- MA Advocates for Children Conference, hosted by State Street, June 8, 2018, Boston, MA
- US Business Leadership Network USBLN Conference, annual conference that provides training and education to disabled individuals held July 9, 2018
- Work Without Limits Disability Career Fair, September 17, 2018
- Work Without Limits Conference, October 10, Boston, MA
- Perkins/MCB/CarrollCenter Career Fair for Individuals with Low Vision and Blindness, October 17, 2018
- Partners for Youth with Disabilities (PYD) Mentor Appreciation Night, November 2, 2018, recognized State Street for its continued support and awareness
- Harvard University Disability and Citizenship Global and Local Perspectives Conference external branding, community support and networking, November 9, 2018
- 8h Annual Disability Awareness Alliance (DAA) Cares Reception, November 29, 2018, Boston, MA

DAA EXTERNAL RESOURCES & PARTNERSHIPS:

- AccesSportAmerica: AccesSportAmerica, a national non-profit organization, inspires higher function and fitness for children and adults living with disabilities through high-challenge sports and training.
- Alzheimer's Association: The Alzheimer's Association is the leading, global voluntary health organization in Alzheimer's care and support, and the largest private, nonprofit funder of Alzheimer's research.
- The Boston Home: The Boston Home, based in Dorchester, Massachusetts, is a not-for-profit specialized care residence for 96 adults with advanced Multiple Sclerosis and other neurological diseases. Exceptional clinical care, compassion, and innovative programs have earned us the designation "Center for Excellence in Long-term Care" from the National Multiple Sclerosis Society. Established in 1881, The Boston Home touches the lives of thousands of people as we serve our residents, outpatients, and their families, and share our knowledge with healthcare professionals nationwide through The Boston Home Institute.
- Epilepsy Foundation New England: The Epilepsy Foundation Massachusetts, Rhode Island, New Hampshire and Maine leads the fight to stop seizures, find a cure and overcome challenges created by epilepsy.
- Easter Seals: Easter Seals' assistive technology program provides individuals with disabilities the resources to overcome barriers at home, in the workplace and at school.
- Fidelco Guide Dog Foundation: The Fidelco Guide Dog Foundation, Inc. is dedicated to promoting increased independence to men and women who are blind by providing them with the highest quality guide dogs.
- Joslin Diabetes Center and Joslin Clinic: Joslin Diabetes Center, a teaching and research affiliate of Harvard Medical School, is a one-of-a-kind institution on the front lines of the world epidemic of diabetes — leading

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the battle to conquer diabetes in all of its forms through cutting-edge research and innovative approaches to clinical care and education.

- Kim Mimnaugh Photography - Autism Portraits: Mothers and Sons: Kim Mimnaugh is an accomplished photographer with an MFA in Photography from Massachusetts College of Art. She has worked and taught at Salem State since 1991. Kim has produced many bodies of work, and while the content may be widely varied, her photographs all share an arresting intensity, which both startles and touches those who view them.
- The Learning Center for the Deaf (TLC): Provides education and support services for deaf and hard of hearing children from infancy through high school. Serves 1,000 patients annually in a full-service outpatient audiology clinic.
- Lifecare Website: LifeCare®, a privately held company based in Shelton, CT, is the leader in the Employee Productivity & Loyalty industry. LifeCare saves members time and money with quality matches to content, providers, products and services in parenting, senior care, legal and financial services, home services and wellness. LifeCare also operates LifeMart, one of the largest members-only online discount shopping websites, with discounts of up to 40% on more than 4 million products and services.
- National Alliance on Mental Illness (NAMI), Massachusetts Chapter: A vital state resource for individuals and families facing the challenges of mental illness, providing free mental health family-based education, family and peer support and grassroots advocacy.
- National Braille Press (NBP): The guiding purposes of National Braille Press are to promote the literacy of blind children through braille and to provide access to information that empowers blind people to actively engage in work, family, and community affairs.
- Osteogenesis Imperfecta OI Foundation: The OI Foundation provides medically verified information to families and healthcare professionals, funds new OI research and promotes public policy that supports people living with osteogenesis imperfecta.
- Partners for Youth with Disabilities (PYD): Empowers young people with disabilities to reach their full potential by providing high quality one-to-one and group mentoring programs.
- Triangle, Inc - People with Ability: Through support, challenge and opportunity, Triangle empowers people with disabilities and their families to enjoy rich, fulfilling lives. We are committed to helping the world recognize that we are all people with ability.

STATE STREET

SEPTEMBER , 2018 Q3 – 2018

QUICK LINKS

INTERNAL RESOURCES

DAA Collaborate Community

Global Inclusion and Diversity

EXTERNAL RESOURCES

AccesSportAmerica

American Foundation for Suicide Prevention (AFSP)

Alzheimer's Association

The Boston Home

Epilepsy Foundation NE

Easter Seals

Fidelco Guide Dog Foundation

Impact Boston

Joslin Diabetes Center and Joslin Clinic

The Learning Center for the Deaf

DISABILITY AWARENESS ALLIANCE

"Understanding Abilities. Raising Awareness. Driving Change."

OCTOBER IS NATIONAL DISABILITY EMPLOYMENT AWARENESS MONTH

Events for October listed below, stay tuned for even more!

State Street is recognizing NDEAM with the below events available to employees. Follow the DAA collaborate page for more details and updates (and raffles!) throughout the month.

BeWell Mental Health Webinar – October 10th 2018

Disability Etiquette Training Webinar - Hosted by Work Without Limits- October 16th 2018 (Date subject to change)

Suicide Prevention Training- Hosted by the American Foundation for Suicide Prevention (AFSP) – Expected week of October 22

Out of the Darkness Community Walks – Boston Area- Sponsored by BeWell and the DAA- October 27th 2018 (More details under Upcoming Community Events)

Information Classification: Limited Access

STATE STREET

[Lifecare Website]

[May Institute]

[National Alliance on Mental Illness – MA]

[National Braille Press]

[Osteogenesis Imperfecta Foundation]

[Partners for Youth with Disabilities]

[Triangle, Inc – People with Ability]

Contact the DAA

DAA Committee

WORKFORCE HIGHLIGHTS

The Greater Boston Walk to End Alzheimer's: On Sunday September 23, State Street had multiples teams walking to End Alzheimer's. This year State Street had over 100 walkers, virtual walkers, and volunteers who participated. Those that chose to fundraise, raised over $23,500 so far which has us ranked 4th overall. It was great to get together with old friends and to meet new colleagues.

Year Up Award: Brandon McCormick, DAA steering committee member and former chair, was awarded "Outstanding Manager" by Year Up at the graduation in September. The graduation consisted of 24 Year Up interns, completing their one year internship at State Street.

CAREGIVER HIGHLIGHTS

May Institute – May Institute is a national leader in the field of applied behavior analysis, serving individuals with autism spectrum disorder and other developmental disabilities, brain injury and neurobehavioral disorders, and other special needs. Family support and resources can be found through their National Autism Center at the May Institute and May Center for Evaluation and Treatment. To learn more about May Institute and its varied services for families, children and adults, click the underlined names for links.

UPCOMING COMMUNITY EVENTS

2018 Disability Summit (Massachusetts)– Friday October 5, 2018, 8 am to 12 pm located at Partner's Healthcare at Assembly Row 399 Revolution Drive,

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Somerville MA. The Massachusetts Office on Disability Annual Summit, topics covered include Healthcare, Employment, Addiction and State Services. The summit focuses on issues that impact the disability community bringing together leaders, advocates and people with disabilities. This is a free event for registered participants. Click here for more details and registration information.

Out of the Darkness Community Walks – Boston Area- On Saturday, October 27, 2018 at 9:00 AM located at the Boston City Hall Plaza – 1 City Hall Square Boston MA. Walk with the American Foundation for Suicide Prevention (AFSP) giving people the courage to open up about their own struggle or loss. For more information and to sign up for the State Street walk team click here.

A Million Laughs for Literacy- On Wednesday, November 7, 2018 at Fenway Park, The National Braille Press Gala "A Million Laughs for Literacy". Eat, drink and laugh at the gala helping to give blind and visually impaired children a promising start. Click here for more information.

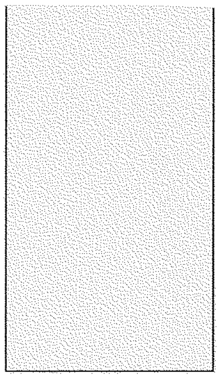
UPCOMING AWARENESS DATES

An awareness date is a national or international awareness date to commemorate medical research and raise understanding of key health issues around the world. Click here for a full list of awareness dates, including but not limited to:

National Disability Employment Awareness Month (NDEAM) October is National Disability Employment Awareness Month (NDEAM). The US Department of Labor's Office of Disability Employment Policy leads the Awareness Month. The Campaign for Disability Employment encourages all sizes and types of organizations to participate in NDEAM. Please click here, to learn more.

Down Syndrome Awareness Month. October is National Down Syndrome Awareness Month. A month dedicated to celebrating the abilities of those living with Down Syndrome. Down Syndrome is the most commonly occurring chromosomal condition, approximately 1 in 700 babies in the US are born with Down Syndrome. To learn more, please click here

National Alzheimer's Disease Awareness Month. November is National



Alzheimer's Disease Awareness Month, raising awareness for the 5.4 million America's living with the disease. Alzheimer's is a neurological disease that is the most common form of dementia. To learn more, click here

National Epilepsy Awareness Month – November is National Epilepsy Awareness Month (NEAM). Epilepsy is the 4th most common neurological disease in the US, affecting 1 in 26 people. NEAM is a chance to teach others about seizures which are often misunderstood. Click here to learn more.

Aligning Inclusion & Diversity to State Street 2022

Our Strategy

Our Vision is that by 2022 we will be the leading provider of asset intelligence to the owners and managers of the world's capital *by building an inclusive and diverse workplace that helps each of us to deliver to our colleagues and clients*

Our Values Trust is our Greatest Asset • Stronger Together • Always Finding Better Ways • Global Force, Local Citizens

How we will achieve our vision

We will drive inclusion and diversity at State Street to...

- Become our **clients essential partner**, by sharing our best practice and solidifying our reputation as a thought leader in inclusion & diversity
- Be **a high performing organization**, by leveraging inclusive behaviors to develop high performing teams where individuals can fulfill their potential
- Help colleagues to **scale the model** by understanding how we work better together when we leverage diversity to drive innovation, collaboration, risk excellence, ethical behavior and reputation

How We Will Compete and Win

We will shape our work around three key goals to compete and win...

1. Focus on Inclusion – build an inclusive culture to drive a high performing organization and high performing teams where each individual achieves their full potential

2. Drive Gender Balance – continue to drive greater gender balance across our businesses and locations leveraging men as champions to drive change

3. Broaden the Diversity Agenda – start and continue conversations and work around race, ethnicity, sexual orientation, veteran status and disability to drive a broader representation of diversity at all levels of leadership

The Core Pillars

We will align our work across the four I&D strategy pillars to be successful...

Communicating the business value of a diverse workforce and an inclusive culture

Building a diverse **talent pipeline** of individuals that contribute to our inclusive culture

Holding ourselves and each other **accountable** for creating diversity and behaving inclusively

Providing **learning & development** opportunities to promote inclusive behaviours

Board Composition Summary

Listed in the table below are the current members of State Street's Board of Directors

Director Nominee	Principal Occupation	Other Public Company Boards (#)	State Street Board Roles and Memberships
Kennett F. Burnes* *Director Since 2003*	Retired Chairman, President and Chief Executive Officer, Cabot Corporation	None	Lead Director Executive Committee
Patrick de Saint-Aignan* *Director Since 2009*	Retired Managing Director and Advisory Director, Morgan Stanley	None	Examining and Audit Committee Executive Committee Risk Committee (Chair)
Lynn A. Dugle* *Director Since 2015*	Retired Chief Executive Officer and Chairman, Engility Holdings, Inc.	None	Examining and Audit Committee Executive Committee Technology and Operations Committee (Chair)
Amelia C. Fawcett* *Director Since 2006*	Chairman, Kinnevik AB	1	Executive Compensation Committee Risk Committee Technology and Operations Committee
William C. Freda* *Director Since 2014*	Retired Senior Partner and Vice Chairman, Deloitte, LLP	None	Examining and Audit Committee (Chair) Executive Committee Risk Committee
Joseph L. Hooley *Director Since 2009*	Chairman of the Board, State Street Corporation	None	Chairman Executive Committee (Chair) Risk Committee
Sara Mathew* *Director Since 2018*	Retired Chairman and Chief Executive Officer, Dun & Bradstreet	2	Nominating and Corporate Governance Committee Risk Committee
William L. Meaney* *Director Since 2018*	President, Chief Executive Officer and Director, Iron Mountain	1	Nominating and Corporate Governance Committee Technology and Operations Committee
Ronald P. O'Hanley△ *Director Since 2019*	President and Chief Executive Officer, State Street Corporation	1	None
Sean O'Sullivan* *Director Since 2017*	Retired Group Managing Director and Group Chief Operating Officer, HSBC Holdings, plc	None	Risk Committee Technology and Operations Committee
Richard P. Sergel* *Director Since 1999*	Retired President and Chief Executive Officer, North American Electric Reliability Corporation	1	Examining and Audit Committee Executive Committee Executive Compensation Committee (Chair) Technology and Operations Committee
Gregory L. Summe* *Director Since 2001*	Managing Partner and Founder, Glen Capital Partners, LLC	1	Executive Committee Executive Compensation Committee Nominating and Corporate Governance Committee (Chair)

*=Independent △=First-Time Nominee

State Street Corporate Policy

STATE STREET

Sexual Harassment Policy - Global

Policy Owner: Global Human Resources
Last Updated: December 2017

Policy Effective Date

December 2015

Policy Statement

It is State Street's policy to promote a workplace that is free from sexual harassment. This means that State Street seeks to promote a workplace free of unwelcome comments or attentions of a sexual nature. In many jurisdictions, sexual harassment may also be unlawful. Because of the wide variation in local laws, State Street may maintain local policies and procedures to address specific country regulations. Please refer to those policies and procedures for more information.

Scope

This policy sets out State Street's policy and expectations for all employees and all contingent workers of State Street ("staff") and its business units globally, including branches and subsidiaries.

Policy Details

It is a violation of State Street policy for any member of staff, male or female, to sexually harass any other member of staff by creating an intimidating, humiliating, hostile or offensive working environment by unwelcome sexual conduct. Sexual harassment may also include any unwelcome sexual conduct directed toward a non-employee who does business with State Street, such as a vendor or contractor.

Anyone in violation of this policy may result in disciplinary action, up to and including termination of employment, and/or denial of access to State Street's property and systems.

Examples of Prohibited Conduct

Determinations of whether particular conduct is subject to disciplinary action under this policy are made by GHR and management on an individual basis, in light of all the circumstances. Examples of prohibited conduct include, but are not limited to:

- Sexual advances or propositions, requests or pressure for sexual favors
- Physical contact of a sexual nature
- Comments to, or about, any individual, or his or her appearance, that is sexually graphic, or would otherwise tend to be degrading
- Offensive flirtation, innuendo, lewd comments, jokes or other remarks with sexual content that are graphic or may otherwise be offensive to others
- Abusive or offensive gestures including leering and whistling
- Display of objects, posters or pictures of a sexual nature, including in private offices and on personal computer screens.
- Possession of, or accessing content of a sexual nature on State Street equipment, systems or the internet
- Transmitting messages or maintaining blogs or personal diaries containing content of a sexual nature
- Discussion of or questions about one's own sexual activity, or that of others
- A repetition of any language or conduct of a sexual nature after the person addressed has indicated that such language or conduct is unwelcome

Manager Responsiblities

Managers have a responsilbity to report information they receive about sexual harassment in the workplace to GHR, normally to the GHR Service Center.

Individual Responsiblities

Staff who believe they are experiencing sexual harassment should speak to their manager, or get in contact with the GHR Service Center.

Staff may also report complaints through "The Network", which is State Street's confidential reporting system within the Standard of Conduct.

Staff may contact the GHR Service Center via email GHRServiceCtr@StateStreet.com or telephone for further clarification. Contingent workers not employed by State Street should talk to their employer if they have questions or concerns about this policy.

Related Policies, Procedures and Guidance

Standard of Conduct

Anti-Bullying and Harassment Policy (Global)

Anti Bullying and Harassment Procedure Ireland

Anti Bullying and Harassment Procedure Channel Islands

Anti Bullying and Harassment Procedure UK

Anti-Sexual Harassment Policy (India)

Bullying and Harassment Policy – Luxembourg

California Harassment, Discrimination and Retaliation Prevention

Non-Discrimination Policy (Global)

Non Retaliation Policy (Global)

Personal Relationships in the Workplace (Global)

Politique de prévention du harcèlement sexuel et de la discrimination (Canada)

Sexual Harassment Policy – Australia

Sexual Harassment and Discrimination Prevention Policy (Canada)

Sexual Harassment and Discrimination Prevention Policy (Cayman Islands)

Sexual Harassment/Discrimination Policy (Hong Kong)

Sexual Harassment Policy (South Africa)

Sexual Harrassment (Singapore)

Sexual Harassment Policy (Taiwan)

Sexual Harassment Policy (US)

Policy Administration

GHR/CC First Line of Defense is responsible for interpretation and administration of this policy statement.

Review and Approvals

GHR/CC First Line of Defense is responsible for review, revision and approval of this policy statement. This policy statement is subject to review on a two year basis, or otherwise as needed.

Enforcement and Audit

Compliance with this policy statement, and any related policies and procedure, may be reviewed by State Street at any time. Failure to comply with this policy, as well as any associated procedures, may result in disciplinary action in accordance with the applicable Global Human Resources Disciplinary policy or procedure.

Last Reviewed: 12-21-2017	Last Reviewed by: GHR/CC First Line of Defense

End of document

State Street Corporate Policy

STATE STREET

Non Discrimination Policy – Global

Policy Owner: Global Human Resources
Last Updated: December 2017

Policy Effective Date

August 2006

Policy Statement

State Street strives to maintain a professional work environment, which requires the highest standard of personal conduct. In keeping with this standard, State Street is committed to providing a work environment that embraces diversity and is free from all forms of unlawful discrimination, harassment, bullying, or retaliation. We do not tolerate threatening language, the threat of physical violence, the act of physical violence, or the possession of weapons. State Street will not tolerate discrimination or harassment on the basis of an individual's race, color, religion, creed, national origin, ancestry, ethnicity, age, disability, genetic information, sex, sexual orientation, gender, gender identity, gender expression, citizenship, marital status, domestic partnership or civil union status, familial status, military and veteran status and other characteristics protected by applicable law. In addition, retaliation against anyone for reporting discrimination or harassment or for cooperating with an investigation of a report of discrimination or harassment is prohibited. Individuals shall read this policy in conjunction with the country-specific policies where applicable.

Scope

This policy sets out State Street's policy and expectations for all employees and all contingent workers of State Street and its business units globally, including branches and subsidiaries

Policy Details

Everyone has a responsibility to ensure that the workplace is free from unlawful harassment and discrimination. Discrimination occurs when an individual is adversely treated compared to others in similar circumstances, because of a particular attribute. Everyone has a role to play to foster a professional work environment.

Individual appropriate behavior:

- treat everyone with dignity, courtesy and respect
- offer support to those who experience unlawful discrimination, such as providing information about how to make a complaint

Please note: Policies and related procedures/guidance may be revised from time to time. Find the most up-to-date policies within the corporate policies page of the corporate intranet.

- respect the confidentiality of complaint resolution procedures

Manager appropriate behavior:

- model appropriate standards of behavior
- take steps to educate and make subordinates aware of their obligations under this policy and the local law
- intervene quickly and appropriately when they become aware of behavior that may amount to unlawful discrimination
- act fairly to resolve issues and enforce workplace behavioral standards, making sure relevant parties are heard
- refer formal complaints about breaches of this policy via established reporting process for appropriate complaint handling or investigation
- ensure staff who raise an issue or make a complaint are not subject to retaliation

Anyone in violation of this policy will be subject to disciplinary action, up to and including termination of employment, and/or denial of access to State Street's property and systems.

I. Reporting Instances of Discrimination

Early reporting and intervention have proven to be the most effective method of resolving actual or perceived incidents of discrimination. Therefore, while no fixed reporting period has been established, State Street strongly urges the prompt reporting of complaints or concerns so that rapid and constructive action can be taken.

State Street encourages everyone to report any instance of behavior that may be in violation of this policy. Any reports of this type will be treated seriously, investigated promptly and impartially.

State Street requires any supervisor who witnesses any behavior that may be in violation of this policy, irrespective of reporting relationship, to immediately report this conduct to the Global Human Resources Service Center.

Individuals may raise concerns by following local procedures found on the Corporate Policy Center or they may refer to "Reporting Violations and Concerns" in the Standard of Conduct. If an individual is in doubt about the best course of action in a particular situation, then the individual is encouraged to talk to managers or Global Human Resources.

Employees may contact the GHR Service Center via email GHRServiceCtr@StateStreet.com or telephone for further clarification. Contingent workers not employed by State Street should talk to their employer if they have questions or concerns about this policy.

II. Manager Responsibilities

Any manager who receives a complaint of discrimination or harassment from an individual or who otherwise knows or has reason to believe that an individual is or has been subjected to discrimination or harassment in violation of this policy is required to report the incident promptly to the GHR Service Center by telephone or by emailing GHRServiceCtr@StateStreet.com, so that the matter can be investigated and any necessary steps taken to remedy the situation.

III. Individual Responsibilities

Anyone who believes that he/she has witnessed or has been subject to discrimination or to harassment prohibited by this policy should report the incident promptly to the GHR Service Center by telephone or by emailing GHRServiceCtr@StateStreet.com. Individuals may also report through "The Network", which is State Street's confidential reporting system within the Standard of Conduct.

Related Policies, Procedures and Guidance

Review country specific procedures for instructions on how to report instances of discrimination.

Policy Administration

Global Human Resources is responsible for interpretation and administration of this policy. Any changes to, or exceptions from, this policy require prior approval of Global Human Resources.

Review and Approvals

GHR First Line of Defense is responsible for review, revision and approval of this Policy. This policy is subject to review every one year, or otherwise as needed.

Enforcement and Audit

Compliance with this policy, and any related procedure, may be reviewed by State Street at any time. Failure to comply with this policy, as well as any associated procedures, may result in disciplinary action in accordance with the applicable Global Human Resources Disciplinary policy or procedure, up to and including termination of employment.

Last Reviewed: 12-1-2017	Last Reviewed by: GHR & CC First Line of Defense

Information Classification: Company Internal

Please note: Policies and related procedures/guidance may be revised from time to time. Find the most up-to-date policies within the corporate policies page of the corporate intranet.

End of document

STATE STREET.

State Street Corporate Policy

Affirmative Action – United States

Policy Owner: Global Human Resources
Last Updated: July 2016

Policy Effective Date

December 2008

Policy Statement

In support of its global Equal Employment Opportunity Policy, and consistent with applicable federal laws and regulations, State Street maintains an Affirmative Action Program applicable to its US employees and locations.

Scope

This policy applies to all U.S. employees.

Policy Details

State Street's Affirmative Action Program is administered in support of State Street's commitment to equal employment opportunity in all aspects of the application process and employment relationship including, but not limited to hiring, promotion, transfer, demotion, termination, discipline, benefits and other terms and conditions of employment. Pursuant to applicable regulations, State Street's Affirmative Action Program includes women and minorities, individuals with disabilities, and protected veterans.

Global Human Resources administers State Street's Affirmative Action Program, and is responsible for the day to day implementation and monitoring of the program. Any employee who has any questions about State Street's Affirmative Action Program, or would like to complete and/or update a voluntary self-identification form to be considered under the program should utilize GHR Employee Self Service or contact the GHR Service Center.

*Employees can contact their local GHR Service Center by telephone (see Related Link on the right of this page for local phone numbers) or by emailing GHRServiceCtr@StateStreet.com

Enforcement and Audit

Compliance with this policy, and any related procedure, may be reviewed by State Street at any time. Failure to comply with this policy, as well as any associated procedures, may result in disciplinary action in accordance with the applicable Global Human Resources Disciplinary policy or procedure.

Policy Administration

Global Human Resources is responsible for interpretation and administration of this policy. Any changes to, or exceptions from, this policy require prior approval of Global Human Resources.

STATE STREET

State Street Corporate Policy
Policy Name: Affirmative Action
Policy Owner: Global Human Resources

Review and Approvals

Global Inclusion is responsible for review and revision of this Policy, subject to Global Human Resources approval. This policy is subject to review every two years, or otherwise as needed.

End of document

STATE STREET.

State Street Corporate Policy

Americans with Disabilities Act Accomodations – United States

Policy Owner: Global Human Resources
Last Updated: July 2016

Policy Effective Date

September 2003

Policy Statement

State Street, in compliance with the Americans with Disabilities Act, is committed to providing equal employment opportunity for qualified applicants and employees with disabilities. State Street does not discriminate on the basis of disability in any of our Human Resources practices, including terms, conditions, and privileges of employment.

Scope

This policy applies to all U.S. employees

Policy Details

Requests for Accommodation

State Street's policy is to reasonably accommodate qualified individuals with disabilities unless the accommodation would impose an undue hardship. Accommodations will be evaluated and, where applicable, implemented through an interactive process between State Street and the employee.

An employee may request a reasonable accommodation by contacting the GHR Service Center. GHR Employee Relations may request documentation regarding the employee's functional limitations to support the request, and will engage in an interactive process to determine whether and how the employee's suggested accommodation and/or alternative accommodation will be implemented, in coordination with management, Corporate IT, Realty and other resources. While an employee's preferred accommodation will be given consideration, State Street may choose among equally effective accommodations and may choose the accommodation that is less expensive or easier to provide.

Employees who would like to complete and/or update a voluntary self-identification form to be considered under State Street's Affirmative Action Program should utilize GHR Employee Self Service or contact the GHR Service Center.

*Employees can contact their local GHR Service Center by telephone (see Related Link on the right of this page for local phone numbers) or by emailing GHRServiceCtr@StateStreet.com

Enforcement and Audit

STATE STREET

State Street Corporate Policy
Policy Name: Americans with Disabilities
Policy Owner: Global Human Resources

Compliance with this policy, and any related procedure, may be reviewed by State Street at any time. Failure to comply with this policy, as well as any associated procedures, may result in disciplinary action in accordance with the applicable Global Human Resources Disciplinary policy or procedure

Review and Approvals

Global Inclusion is responsible for review and revision of this Policy, subject to Global Human Resources approval. This policy is subject to review on a bi-annual basis, or otherwise as needed

End of document

State Street Corporate Policy

STATE STREET

Pay Transparency Policy – United States

Policy Owner: Global Human Resources
Last Updated: November 2017

Policy Effective Date

January 2016

Policy Statement

State Street will not discharge or in any other manner discriminate against employees or applicants because they have inquired about, discussed, or disclosed their own pay or the pay of another employee or applicant. However, employees who have access to the compensation information of other employees or applicants as a part of their essential job functions cannot disclose the pay of other employees or applicants to individuals who do not otherwise have access to compensation information, unless the disclosure is (a) in response to a formal complaint or charge, (b) in furtherance of an investigation, proceeding, hearing, or action, including an investigation conducted by State Street, or (c) consistent with State Street's legal duty to furnish information. 41 CFR 60-1.35(c)

Scope

This policy applies to all U.S. employees of State Street

Employee Responsibilities

Any employee who believes that he/she has witnessed or has been subject to discrimination or to harassment prohibited by this policy should report the incident promptly to the GHR Service Center.

Related Policies, Procedures and Guidance

Related Policies
Non-Discrimination
Anti-Bullying and Harassment
Non-Retaliation
Equal Employment and Opportunity

Policy Administration

Global Human Resources is responsible for interpretation and administration of this policy. Any changes to, or exceptions from, this policy require prior approval of Global Human Resources.

Review and Approvals

Please note: Policies and related procedures/guidance may be revised from time to time. Find the most up-to-date policies in the Corporate Policy Center on Collaborate (corporate intranet).

Global Inclusion is responsible for review and revision of this Policy, subject to Global Human Resources approval. This policy is subject to review on an annual basis, or otherwise as needed

Enforcement and Audit

Compliance with this policy, and any related policies and procedures, may be reviewed by State Street at any time. Failure to comply with this policy, as well as any associated policies and procedures, may result in disciplinary action in accordance with the applicable Global Human Resources Disciplinary policy or procedure.

Last Reviewed: 11-15-2017	Last Reviewed by: Global Inclusion

End of document

Information Classification: Company Internal

State Street Corporate Policy

STATE STREET.

Equal Employment Opportunity – Global

Policy Owner: Global Human Resources
Last Updated: December 2017

Policy Effective Date

June 2008

Policy Statement

State Street provides equal employment opportunity to all employees and applicants for employment in accordance with all applicable Equal Employment Opportunity laws, directives and regulations of governing bodies.

Scope

This Policy applies to all employees (whether regular/ permanent) and all contingent workers, of State Street and its business units globally, including branches and subsidiaries.

Policy Details

In recognition of its responsibility to the community, its employees and clients, and in accordance with applicable law, State Street does not and will not engage in unlawful discrimination against employees and prospective employees, and will make all employment decisions in accordance with applicable laws prohibiting discrimination. It is State Street's policy to afford equal opportunity regardless of race, color, religion, creed, national origin, ancestry, ethnicity, age, disability, genetic information, sex, sexual orientation, gender, gender identity or expression, citizenship, marital status, domestic partnership or civil union status, familial status, military and veteran status and other characteristics protected by applicable law. This policy applies to all aspects of the application process and employment relationship including, but not limited to hiring, promotion, transfer, demotion, termination, discipline, benefits and other terms and conditions of employment. All State Street managers, supervisors, and employees are responsible to support State Street's commitment to equal employment opportunity.

State Street prohibits the harassment of any employee or job applicant on the basis of any protected characteristic. Any State Street employee or contingent worker who does not comply with State Street's Equal Employment Opportunity Policy or related policies and procedures will be subject to disciplinary action, up to and including termination of employment.

State Street will promptly and fully investigate all complaints of discrimination or harassment and take any steps necessary to remedy the situation. Any employee, contingent employee or applicant for employment who believes he/she has been discriminated against or harassed should report the incident promptly to his or her manager or the GHR Service Center by telephone or email GHRServiceCtr@StateStreet.com . Employees may also raise concerns via multiple resources identified in the "Speak Up" section within the Standard of Conduct.

Key Term Definitions and Acronyms

Contingent Worker	Any individual performing work for State Street who has been provided a State Street e-mail account who is not a State Street employee. This includes, but is not limited to, employees of contractors and sub-contractors, as well as individuals directly engaged as independent contractors by State Street.
Employee	An individual who is employed directly by State Street, on either a temporary, fixed term or permanent basis.

Related Policies

State Street Standard of Conduct - Global

Anti-Bullying and Harassment Policy - Global

Non-Discrimination Policy – Global

Sexual Harassment Policy - Global

Policy Administration

Global Human Resources is responsible for interpretation and administration of this policy. Any changes to, or exceptions from, this policy require prior approval of Global Human Resources.

Review and Approvals

Global Inclusion is responsible for review, revision and approval of this Policy. This policy is subject to review on a yearly basis, or otherwise as needed.

Enforcement and Audit

Compliance with this policy, and any related procedure, may be reviewed by State Street at any time. Failure to comply with this policy, as well as any associated procedures, may result in disciplinary action in accordance with the applicable Global Human Resources Disciplinary policy or procedure.

Information Classification: Company Internal

Last Reviewed: 12-28-2018	Last Reviewed by: Global Inclusion

End of document

Information Classification: Company Internal

Please note: Policies and related procedures/guidance may be revised from time to time. Find the most up-to-date policies within the Corporate Policy Center.

STATE STREET.

State Street Corporate Policy

Diversity Policy - Global

Policy Owner: Global Human Resources
Last Updated: November 2017

Policy Effective Date

November 2017

Policy Statement

At State Street, our employees are one of our most valuable assets. By developing, inspiring, and empowering our employees at every level of the organization, we cultivate a global force of leaders who reflect the diversity in the markets we serve. State Street is committed to developing, supporting and preserving a culture of diversity and inclusion. The collective sum of the individual differences, life experiences, knowledge, self-expression, unique capabilities and talents that our employees invest in their work represents a significant part of not only our culture, but our reputation and our company's achievements.

Scope

This policy sets out State Street's policy and expectations for all employees and all contingent workers of State Street and its business units globally, including branches and subsidiaries.

Policy Details

At State Street we embrace and encourage differences including; race, color, religion, creed, national origin, ancestry, ethnicity, age, disability, genetic information, sex, sexual orientation, gender, gender identity or expression, citizenship, marital status, domestic partnership or civil union status, familial status, military and veteran status, socio-economic status, culture, and other legally-protected characteristics that make our employees and others with whom we work unique.

State Street's diversity initiatives are created in support of our employment practices and policies which include; recruitment and selection, compensation and benefits, professional development and training, promotions, transfers, social and recreational programs, layoffs, terminations, and the ongoing development of a work environment that encourages and enforces:

- Respectful communication and cooperation between and among employees and contingent workers

Please note: Policies and related procedures/guidance may be revised from time to time. Find the most up-to-date policies in the Corporate Policy Center on Collaborate (corporate intranet).

- Inclusive teamwork and employee participation
- Work/life balance through flexible work arrangements
- Community outreach to promote a greater understanding and respect for diversity.

Employee Responsibilities

All employees of State Street have a responsibility to;

- Treat others with dignity and respect at all times.
- Exhibit inclusive behaviors during work, at work functions on or off the work site, and at all other company-sponsored events.

It is also recommended that employees complete diversity awareness training offered through iLearn to enhance their knowledge. We also encourage employees to join one and/or several of our employee resources groups. These groups sponsor many programs and activities that are open to all employees.

Any employee or contingent worker found exhibiting inappropriate conduct or behavior against others may be subject to disciplinary action, up to and including termination of employment or end of assignment..

Employees who believe they have been subjected to any kind of discrimination that conflicts with the company's Diversity Policy and initiatives should seek assistance from a supervisor or a GHR representative.

Related Policies, Procedures and Guidance

Non-Discrimination
Anti-Bullying and Harassment
Non-Retaliation
Equal Employment and Opportunity

Policy Administration

Global Human Resources is responsible for interpretation and administration of this policy. Any changes to, or exceptions from, this policy require prior approval of Global Human Resources.

Review and Approvals

Global Inclusion is responsible for review and revision of this Policy, subject to Global Human Resources approval. This policy is subject to review once every two years, or otherwise as needed

Information Classification: Limited Access

Please note: Policies and related procedures/guidance may be revised from time to time. Find the most up-to-date policies within the corporate policies page of the corporate intranet.

Enforcement and Audit

Compliance with this policy, and any related policies and procedures, may be reviewed by State Street at any time. Failure to comply with this policy, as well as any associated policies and procedures, may result in disciplinary action in accordance with the applicable Global Human Resources Disciplinary policy or procedure.

Last Reviewed: 11-21-2017	Last Reviewed by: Global Inclusion

End of document

STATE STREET.

State Street Corporate Policy

Anti Bullying and Harassment Policy – Global

Policy Owner: Global Human Resources
Last Updated: December 2017

Policy Statement

State Street strives to create a high performance culture where people are valued, included, heard, and treat each other with respect and dignity. The purpose of this policy is to communicate to all individuals, including supervisors, managers and executives, that State Street will not in any instance tolerate bullying or harassment. It is not intended to create enforceable contractual rights. Everyone shall read this policy in conjunction with the country-specific policies where applicable.

Scope

This policy sets out State Street's policy and expectations for all employees and all contingent workers of State Street and its business units globally, including branches and subsidiaries.

Policy Details

State Street is committed to providing a work environment that is free from all forms of bullying or harassment. State Street will not tolerate bullying or harassment in the workplace or at work-related events outside of general working hours.

Forms of bullying can be verbal, written, physical, or cyber. Such behaviors may also be unlawful, depending on the jurisdiction and the severity of the conduct.

State Street will not tolerate any type of bullying or harassing behavior, or activities including but not limited to the use of threatening or insulting language, the threat of physical violence, the act of physical violence or the possession of weapons in any work-related situation.

State Street takes its responsibilities to its people very seriously and does not condone any behavior that constitutes bullying or harassment. Anyone in violation of this policy will be subject to disciplinary action, up to and including termination of employment, and/or denial of access to State Street's property and systems.

I. Examples of Bullying

State Street considers the following types of behavior to constitute bullying. Please note that this list is not meant to be exhaustive, and is only offered by way of example:

- Personal attacks (angry outbursts, excessive profanity, name-calling, or repeated spreading of malicious rumors);
- Insults, offensive language, comments, conduct, or behavior whether or not they relate to an individual's race, color, religion, creed, national origin, ancestry, ethnicity, age, disability, genetic information, sex, sexual orientation, gender, gender identity, gender expression, citizenship,

marital status, domestic partnership or civil union status, familial status, military and veteran status and other characteristics protected by applicable law (including racist or sexist name-calling);

- Repeated infliction of verbal and/or written abuse, such as the use of derogatory remarks, insults and epithets;
- Other conduct that a reasonable person would find hostile, humiliating, and offensive, and that is unrelated to State Street's legitimate business interests

II. Examples of Conduct that is not considered to be Bullying

- A negative performance review that is conducted in a professional manner pursuant to State Street guidelines;
- Constructive coaching or training provided in a professional manner;
- Required participation in a performance improvement plan or disciplinary process

III. Reporting Instances of Bullying and Harassment

Early reporting and intervention have proven to be the most effective method of resolving actual or perceived incidents of bullying and harassment. Therefore, while no fixed reporting period has been established, State Street strongly urges the prompt reporting of complaints or concerns so that rapid and constructive action can be taken. It is encouraged that individuals should raise any formal allegation, in writing, where possible within 6 months of an alleged incident having taken place. State Street will make every effort to stop alleged workplace bullying before it becomes severe or pervasive, but can only do so with cooperation from everyone.

State Street encourages everyone to report any instance of bullying behavior. Any reports of this type will be treated seriously, and investigated promptly and impartially. State Street requires any supervisor who witnesses any bullying, irrespective of reporting relationship, to immediately report this conduct to the Global Human Resources Service Center.

Retaliation against an individual who makes a good-faith report of a potential violation and/or cooperates with an investigation of a potential violation of this policy will not be tolerated. Individuals may raise concerns by following local procedures found on the Corporate Policy Center or they may refer to "Reporting Violations and Concerns" in the Standard of Conduct. If an individual is in doubt about the best course of action in a particular situation, then the individual is encouraged to talk to their manager, or Global Human Resources.

Employees may contact the GHR Service Center via email GHRServiceCtr@StateStreet.com or telephone for further clarification. Contingent workers not employed by State Street should talk to their employer if they have questions or concerns about this policy.

IV. Manager Responsibilities

- Ensure that everyone is aware of the anti-bullying policy and procedures;
- Ensure that any incident of bullying is reported and dealt with regardless of whether a complaint of bullying has been received;
- Provide leadership and role-modeling in appropriate professional behavior;
- Respond promptly, sensitively and confidentially to all situations where bullying behavior is observed or alleged to have occurred;
- Report any instance of bullying or harassment that is witnessed to the GHR Service Center by telephone, or by emailing GHRServiceCtr@StateStreet.com, so that the matter can be investigated, and any necessary steps can be taken to remedy the situation.

V. Individual Responsibilities

- Any person who believes that he/she has witnessed, or has been subject to bullying or harassment prohibited by this policy, should report the incident promptly to the GHR Service Center by telephone or by emailing GHRServiceCtr@StateStreet.com.
- Individuals may also report through "The Network", which is State Street's confidential reporting system within the Standard of Conduct.

Key Term Definitions and Acronyms

Bullying	In the context of this policy, means offensive, intimidating, malicious or insulting behavior, that constitutes an abuse or misuse of power through means intended to undermine, humiliate, denigrate or injure the recipient. Whatever form it takes it is unwarranted, is not justified by any business purpose and is unwelcome to the individual.
Harassment	In the context of this policy, means repeated and deliberate, inappropriate behavior, direct or indirect, of a physical, verbal or non-verbal nature which is unwanted, would be offensive to a reasonable person and which interferes with the recipient's ability to work by causing the recipient to feel threatened, humiliated, intimidated, patronized, denigrated, bullied, distressed or harassed.
Cyber Bullying	Cyberbullying is bullying that takes place using electronic technology. Electronic technology includes devices and equipment such as cell phones, computers, and tablets as well as communication tools

including social media sites, text messages, chat, and websites.

Related Policies, Procedures and Guidance

Review country specific procedures for instructions on how to report instances of bullying and/ or harassment.

Policy Administration

Global Human Resources is responsible for interpretation and administration of this policy. Any changes to, or exceptions from, this policy require prior approval of Global Human Resources.

Review and Approvals

GHR/CC First Line of Defense is responsible for review, revision and approval of this policy. This policy is subject to review every two years, or otherwise as needed.

Enforcement and Audit

Compliance with this policy, and any related procedure, may be reviewed by State Street at any time. Failure to comply with this policy, as well as any associated procedures, may result in disciplinary action up to and including termination of employment in accordance with the applicable Global Human Resources Disciplinary policy or procedure.

Last Reviewed: 12-1-2017	Last Reviewed by: GHR/CC First Line of Defense

End of document

Information Classification: Company Internal

Please note: Policies and related procedures/guidance may be revised from time to time. Find the most up-to-date policies within the corporate policies page of the corporate intranet.

State Street Corporation - Questions for the Record from Congressman Barr

Committee on Financial Services Hearing - April 10, 2019

What is one regulation, either implemented or proposed, that your institution is subject to, that you believe could potentially exacerbate an economic downturn or may impede recovery from a downturn?

As a custody bank, State Street acts as a "safe haven" for cash deposits from institutional investor clients in times of crisis. For liquidity and credit risk reasons, such cash deposited with custody banks is typically placed by the custody bank on deposit with the Federal Reserve and other central banks. Capital rules for large banks adopted post-crisis, particularly the Supplemental Leverage Ratio (SLR), however, have eliminated custody banks' ability to accept such deposits in times of crisis, exposing our financial system to greater risk. Congress passed legislation in 2018 to address this issue (Section 402 of S. 2155, based on H.R. 2121), and the U.S. banking regulators have issued a proposal to implement the changes, but a final rule has not yet been issued. The U.S. banking regulators should act expeditiously to finalize rules implementing Section 402 of S. 2155, and restore the ability of custody banks to accept cash deposits from institutional investors in times of financial stress.

State Street Corporation - Questions for the Record from Congressman Cleaver

Committee on Financial Services Hearing - April 10, 2019

The Kansas City Fed produced a report on low- and moderate-income individuals' economic conditions within their district. The report read that "more survey contacts still reported worsening conditions than improving conditions, and those who reported no change were in some sense comparing current conditions with a low base." This is to say that conditions for some of low-income people have been negative for so long it is like looking up from a hole that hasn't gotten any deeper but is still far underground.

Nationally, less than 75 percent of those younger than 65 with incomes less than $25,000 have health insurance coverage, compared with about 95 percent of those with incomes greater than $50,000.

Since 2008, more than 2.5 million new jobs were created in the most prosperous ZIP codes, while the least prosperous areas lost nearly 1.5 million jobs, according to research from the Economic Innovation Group.

People are struggling all over this country and when they hear about a tax reform bill that resulted in record stock buybacks and bonuses to senior executives—they are understandably upset.

What are your firms doing to create long-term, sustainable changes to help these struggling communities?

- **Specially, what measurable long-term commitments have your firms made to uplift struggling communities and where are you in achieving measurable benchmarks?**
- **If no such process exist would you be willing to develop such commitments?**

State Street, as well as our charitable arm, State Street Foundation, has been working to make meaningful change in our communities for over four decades. Our social investment strategy is guided by the belief that the best way to improve the overall well-being of our communities is to help economically-disadvantaged individuals earn and make a living. As such, our community investments are focused on education and workforce development programs that help members of disadvantaged communities achieve sustainable employment.

Our impact framework (available here) outlines our investment focus in more detail, and lays out the metrics we collect that help measure the achievement of the outcomes we seek. We specifically dedicate our resources to low-income populations in communities where we do business, following our corporate footprint to create sustainable change in the places where our employees live and work. Our consistently high Community Reinvestment Act review rating for our community development performance (eight consecutive Outstanding ratings dating back to 2003) demonstrate that this strategy has been externally validated. According to the most recent review from October 2017, "Based on its use of community development investment, including grants and donations, and community development services, the bank exhibits excellent responsiveness to the community economic development needs of the area." *(see attached 2017 CRA Performance Evaluation)*

Our banner program, Boston Workforce Investment Network (Boston WINs), is in the fourth year of a six-year, US$26 million commitment to five high-performing nonprofit organizations that are dedicated to expanding nonprofit college and career readiness services to high school students within Boston Public Schools (BPS). We launched Boston WINs to help address the challenge that Boston youth face in graduating from high school and from post-secondary programs. At the end of the third year, the five organizations had collectively served 63% more youth since launch, exceeding the target of 60% for all four years. According to the 2017 CRA report, "this complex model was considered both innovative and responsive."

Finally, our efforts towards achieving sustainable change are demonstrated by our support of affordable housing. In 2018, this amounted to an investment of US$248.7 million, comprised of US$98.5 million in low-income tax credits and affordable housing investments, as well as US$150.29 million in CRA-rated mortgage-backed securities.

Are your firms planning to deploy recourses in the core of communities who need them through the opportunity zones program?

- **If yes, please articulate exactly how your firm plans to do that?**
- **If not, why not?**

As a wholesale bank without a retail or consumer business, we are not currently participating in the opportunity zone program; we focus on supporting low-income populations living in the communities where we operate as opposed to specific geographies. This investment strategy follows our corporate footprint, and requires that supported programs are focused on low-income beneficiaries. As noted previously, we leverage our community investment strategy to create social mobility primarily by supporting education and workforce development programs.

How will you ensure your firms resources will deployed in communities that need them and not diverted to those that do not? What metrics and tools are you using to ensure your resources and investments will be deployed in the most needed areas?

State Street Foundation employs a robust due diligence process of the organizations in which it invests. Non-profit organizations that fall into our funding focus of Education and Workforce Development are able to apply for grant funding from the Foundation. The validation process entails an upfront assessment of an organization before it becomes a grantee, including the review of legal status, verification that it is a non-profit in good standing, verification that it and its officers do not appear on sanctions listings, documentation reviews, and may also involve site visits.

The formal application for funding includes the submission of documentation, financial records and qualitative descriptions of the organization and its programs. We require the organization to indicate which performance metrics, as defined in our Impact Framework, it will collect and provide to us once the program funding has been expended. Also, we ask that the applicant set targets for those metrics. Once the organization becomes a grantee, we require at least annual reporting on key outcomes.

With respect to grants made under our Leadership grants program that allow senior executives to recommend grant funding to organizations on which they serve as board members, and our matching gift program, available to all employees, the recipient organizations go through a similar level of due diligence, but the Impact Framework and annual impact metrics reporting is not required.

In 2018, more than 95 percent of grant dollars distributed in the United States went to organizations serving low-income populations.

Adopted in 2003, the Rooney Rule is a National Football League policy that requires teams to interview ethnic minority candidates for head coating jobs. Since then, the Rooney Rule has been expanded to include general manager jobs. A similar rule requires that a woman be interviewed for every business front-office position that opens in the league.

In all witnesses' testimonies diversity was noted as an important principal.

Would you all be willing to commit to abiding by a Rooney Rule when interviewing for every open executive level position in your firm?

Yes, State Street already has this type of policy in place which requires that a minimum number of diverse candidates are interviewed for job openings posted within the US. This policy applies to Managing Director and above positions. This policy was established in 2017 and in some of our businesses the requirement has been filtered down to apply to the AVP and above level.

Has your firm identified disparities in the promotion/retention rates of diverse employees? If so, what steps has your company taken to evaluate and address such disparities?

State Street has not identified any systemic pattern of disparities in the promotion or retention rates of diverse employees.

What steps does you firm take to ensure equal pay for equal work for women and minorities?

Over the last few years, State Street has taken an aggressive stance on pay equity. Here are just some of the ways we are addressing the issue:

- The Compact: In 2013, State Street became one of the first companies to publicly commit to pay equity by launching and pledging full support for the Boston Women's Workforce Council's 100% Talent Compact (the "Compact"). State Street also encouraged other members of the business community to sign on to the Compact, under which employers participate in a wage data collection and analysis process intended to foster more accurate understanding of the wage gap in Boston as a whole, and to develop methods to address it.

  In addition to participating in that unique data analysis process, the first of its kind in the United States, State Street and other participating employers also commit to review practices they have implemented internally, and to improve upon those practices through discussions of successes and challenges.

- Redesign of the Internal Job Structure: In 2017, State Street redesigned its job architecture. In doing so, logical grouping of jobs were put together to create job families. This not only helped bring all like jobs together to form a career progression, it also linked each job to a specific salary and total compensation range. This gives the managers structure and guidance to make well informed pay decisions

- Eliminating the Salary History Question: Since 2017, State Street has prohibited pay history inquiries nation-wide. In January of 2019, State Street made this a global policy. This is another way to ensure consistent salaries by job level.

- Hiring and Compensation Training: Our managers undergo annual training on compensation decision making, using tools that enable consistent, performance-based pay decisions. Additionally, we provided unconscious bias training for all managers globally, and have made a variety of training modules available to all employees concerning the topic of unconscious bias.

- Diversity Goals: One of the primary drivers of the pay gap in most organizations arises from uneven distribution across different pay levels. State Street has set goals to increase the representation of women and minorities at all levels, including the more highly-paid levels, in the organization. These goals are reviewed annually and measured every three years.

- Diverse Slate Requirement: One of the tools State Street uses to advance these diversity goals is to require that managers consider a diverse slate of candidates for any role posted internally or externally at the MD level or above. This is aimed at increasing the diversity of individuals at the highest levels within the company.

- Interview Panel Strategy: In 2017, the State Street Global Advisors (SSGA) business unit implemented an Interview Panel Strategy, as part of its efforts to build a more diverse senior-level workforce. Under this approach, once a required diverse slate of qualified applicants for a position have been identified, SSGA uses panel-format interviews in which all interviewers meet with a candidate at the same time with a consistent list of interview questions. The panel of interviewers chosen is also diverse. This format ensures a consistent interview process, helps mitigate the risk of unconscious bias, and fosters more consistent discussion and conversation regarding the candidate among interview team members. The Interview Panel Strategy is also used for SSGA's Summer Intern Undergraduate and Global Graduate Rotational Programs, which are designed to attract recent undergraduate and MBA graduates into the world of institutional asset management. State Street is currently evaluating implementing the Interview Panel Strategy in all businesses across the company, globally.

Do your companies currently set targets and/or goals for supplier diversity (including outside legal services)?

In 2018, State Street's total spend with diverse suppliers increased in overall amounts and percentages due to our improved focus on diversity. In 2018, our Global Procurement Services team began a new formal staffing strategy to support our Supplier Diversity Program which led to a significant improvement in supplier diversity in 2018.

Additional details on our supplier diversity program are included in our 2018 Corporate Responsibility Report which can be found here:
http://www.statestreet.com/content/dam/statestreet/documents/values/2018_STT_CR_Report.pdf

There was a report released by Berkley University entitled "Consumer-Discrimination in the Era of Fintech[1]."

The report highlights that, "the mode of lending discrimination has shifted from human bias to algorithmic bias."

"Even if the people writing the algorithms intend to create a fair system, their programming is having a disparate impact on minority borrowers—in other words, discriminating under the law."

All of your firms were included in this report.

I understand from our exchange during the hearing that you may not be aware of the report. I would request that you all committee to reviewing the report and its findings.

What steps are you prepared to take to address its findings?

How does your firm ensure compliance with fair lending laws while deploying algorithms? What steps do your firms take to monitor and evaluate the impact of automated decision making on racial subgroups? What forms of self-testing do you utilize in this area?

If your firm utilizes "alternative data" for evaluating credit worthiness and terms of contract, what data has your firm has definitively determined should not be used either because it is explicitly discriminatory or may serve as a proxy for discrimination?

State Street was not referenced in this report; as a custody bank we do not participate in these types of consumer-lending activities.

[1] https://faculty.haas.berkeley.edu/morse/research/papers/discrim.pdf

STATE STREET.

2018 Diversity Recruitment & Outreach Activities

2018 MEDIA OUTREACH

- Initiated partnership agreements with the following media sources with the objective of attracting diverse talent
  - Glassdoor.com
  - eQuest diversity advertising bundle (contract renewal) Boards include:
    - States Compliance
    - Hire A Hero
    - JOFDAV
    - RecruitAbility
      - US Diversity: African American, American Indian, Asian American, Persons with Disabilities, Gay/Lesbian, Hispanic American, Senior Citizen, Veteran, and Women communities
  - LinkedIn
  - Indeed.com

SPONSORSHIPS, EVENTS & CAREER FAIRS

- ALPFA:
  - ALPFA Student Summit, February 24 at Bunker Hill CC, Boston
  - Women of ALPFA Summit - Most Powerful Latina Summit, April 24, New York, NY
  - ALPFA National Convention, the largest gathering of Latino professionals and students from across the United States to learn, network, mentor and develop as leaders. State Street presented a workshop titled "How to Fast Track your Career & Professional Branding: It's Not Who You Know, It's Who Knows You" and hosted a Women of ALPFA panel discussion "Fostering a Generation of Fearless Leaders: Why Gender Equality is Critical for the Success of Corporate America,"as well as a Networking Session. August 6, Las Vegas, NV
- Color Magazine - sponsor of conferences: Women of Color on June 14, the Chief Diversity Officer on July 26 and Men of Color on November 6
- El Mundo Boston Latino Career Expo, career fair and networking event welcomes a diverse group of attendees. State Street hosted a career expo booth, March 30, Boston, MA
- NABA National Convention, 2,000 members and more than 70 corporate partners attended. NABA's convention is a career expo with opportunities for leadership development, skills building/enhancement, relationship development, career building and recognition of commitment to diversity & inclusion. June 6, New Orleans, LA
- Conferences for Women – lead sponsor of Massachusetts Conference for Women on December 6 in Boston; sponsor of California Conference for Women on February 21 and sponsor of Pennsylvania Conference for Women on October 12.

STATE STREET.

GLOBAL INCLUSION & DIVERSITY ACTIVITIES AND RESOURCES

State Street's has a goal to enhance our ability to attract and recruit diverse and inclusive talent, as result we seek to work with and support many organizations committed to diversity and inclusion including but not limited to:

- **Corporate Partnerships**

  Global
  - Catalyst: Best practices, resources and innovative solutions for women's advancement.
  - Out Leadership: The first truly global LGBT+ business organization, focusing on the LGBT+ business case and engaging global business leaders in the conversation about LGBT+ inclusion. Provide research, advocacy, professional development, summits, and more.

  North America
  - Ascend: Largest non-profit Pan-Asian organization for business professionals in North America. They offer robust professional development and career enhancement programs designed to cultivate Pan-Asian talent.
  - ALPFA: Association of Latino Professionals for America – provide memberships to select number of STT employees through Global Inclusion & the LAPG.
  - BC Center for Working Families: Collaboration community connecting partner organizations with worlds of academic research and workplace practice.
  - Boston Women's Workforce Council: As a key initiative of the Boston Women's Workforce Council, Boston Women's Compact is committed to closing the wage gap in conjunction with the Mayor of Boston.
  - CEB's Diversity & Inclusion Leadership Council: Best practices, resources, and innovative solutions for diversity and inclusion professionals at large corporations.
  - CFA Institute: Seek to develop and diversify talent in tandem with elevating each respective brand by fostering an ethical culture, education, industry engagement and thought leadership.
  - The Clayman Institute for Gender Research: Based out of Stanford University, seek to implement change that promotes gender equality, offers best practices, gender research, and networks of scholars & advocates.
  - Diversity Best Practices: Best practices, resources and innovative solutions for diversity strategies.
  - NAAAP: NAAAP Boston is the local chapter of National Association of Asian American Professionals (NAAAP), a nonprofit organization that is dedicated to cultivate, support and promote Asian American leaders through professional development programs, community services engagements, and diverse industry connections.
  - The Partnership, Inc.: Professional development program for racially diverse professionals.

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- **Local Partnerships**

  Minority Professional Organizations Affiliation
  - National Association of Black Accountants
  - National Black MBA Association
  - Urban League of Eastern Massachusetts

  Women Conference Sponsorships & Events
  - Massachusetts Conference for Women-Presenting Sponsors
  - Women of ALPFA Summit- Lead Sponsors
  - Color Magazine Women of Color symposium

  LGBT Professional Organizations & Events
  - Out and Equal Work Place Summit
  - Out Leadership Summit
  - Fenway Health Women's Event
  - Fenway Men's Health Event
  - GLAAD Spirit of Justice Gala

  High School & College Diversity Professional Development Organizations
  - The Bottom Line
  - UAspire
  - College Advising Corps
  - The Toigo Foundation- MBA Catapult Session & Spring Career Event
  - The Posse Foundation
  - Latino Leadership Institute at Harvard Kennedy School of Government
  - Junior Achievement
  - Private Industry Council (PIC)
  - Year Up

  Community Event Sponsorship
  - Milagros Para Niños Hispanic Heritage Month Gala- Silver Sponsors
  - Dimock Community Health Center Steppin' Out Gala
  - Human Rights Campaign Gala
  - ELC Gala

- **Employee Resource Groups**

  State Street is committed to championing issues important to professional women and employees of color. State Street sponsors 23 employee resource groups with over 100 global chapters globally that provides opportunities for networking, career advancement, and professional development. All employee resource groups have a governance structure, which includes a steering committee, as well as executive sponsorship at the SVP, Executive Vice President or Management Committee level. Listed below is a selection of established resource groups:
  - Asian Professional Alliance
  - Black Professional's Group
  - Disability Awareness Alliance
  - Indian Employee Network
  - Latin American Professional's Group
  - Professional Women's Network
  - Veterans Network
  - Working Parents Group

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SUPPLIER DIVERSITY

Regional/National Memberships

- DisabilityIN (Disability-Owned Businesses Enterprises (DOBE)
- Financial Services Roundtable for Supplier Diversity (FSRSD)
- National Gay & Lesbian Chamber of Commerce (NGLCC)
- Women's Business Enterprise National Council (WBENC)

Local Memberships

- Greater Boston Chamber of Commerce (GBCC)- Pacesetters Program
- Black Economic Council of Massachusetts (BECMA)
- Center For Women & Enterprise (CWE)
- Greater New England MSDC (GNEMSDC)
- Small Business Administration (SBA)
- Massachusetts LGBT Chamber of Commerce (MLGC)

ADDITIONAL NOTABLE ACTIVITIES

State Street is also a leader in promoting diversity in the broader world. The following highlight State Street's efforts in this area:

- CEO Action for Diversity and Inclusion™- State Street's CEO Jay Hooley joined more than 150 fellow CEOs from top companies and business organizations in signing the *CEO Action for Diversity & Inclusion™*, the largest CEO-driven business commitment to advance diversity and inclusion in the workplace. The *CEO Action for Diversity & Inclusion™* is led by a steering committee of CEOs and leaders representing more than 50 industries and millions of employees globally. Each signatory has committed to taking steps to increase diversity and foster inclusion within their organizations and the larger business community. https://www.ceoaction.com/

- The Compact: In 2013, State Street became one of the first companies publicly to commit to pay equity by launching and pledging full support for the Boston Women's Workforce Council's 100% Talent Compact (the "Compact"). State Street also encouraged other members of the business community to sign on to the Compact, under which employers participate in a wage data collection and analysis process intended to foster more accurate understanding of the wage gap in Boston as a whole, and to develop methods to address it. In addition to participating in that unique data analysis process, the first of its kind in the United States, State Street and other participating employers also commit to review practices they have implemented internally, and to improve upon those practices through discussions of successes and challenges.

- Boston WINs: In 2015, State Street launched a $20 million venture philanthropy initiative, Boston Workforce Investment Network ("Boston WINs"). Boston WINs is led by the State Street Foundation in partnership with five high-performing partners. — The Boston Private Industry Council ("PIC"), Bottom Line, College Advising Corps ("CAC"), uAspire, and Year Up, as well as the Boston Public Schools. The mission of the partnership is to advance job readiness and create meaningful career paths for Boston youth and to cultivate a pipeline of diverse candidates for employment at State Street and other firms.

- Conferences for Women: For a number of years, State Street has been a sponsor of the Conference of Women in California, Pennsylvania and Massachusetts–a suite of premier networking and educational events and experiences designed to help women connect, collaborate, and grow personally and professionally. These conferences feature nationally recognized speakers, presenters and panelists, who are leaders in various industries. They share their experiences and expertise on everything from leading change to managing money to finding work / life balance.

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- Charitable Giving: The State Street Foundation ("the Foundation") allocates grants to support education and workforce development programs and initiatives that encourage economic self-sufficiency and demonstrate measurable social impact in the communities where we operate. In 2016, State Street gave $19.6M in philanthropic contributions and matched another $4.3M of employee contributions. The Foundation's Matching Gift Program encourages and supports employees who give their time and money to education and workforce development programs and other charitable organizations.

- SHE – State Street's Gender Diversity ETF: Introduced in 2016, Ticker Symbol, *SHE* – invests in companies with higher levels of Gender Diversity in Senior Leadership and offers core US Large Cap exposure. *SHE* seeks to track the performance of the SSGA Gender Diversity Index, comprising US large capitalization companies with the highest levels within their sectors of

CORPORATE RECOGNITION

- 2019 DiversityInc Noteworthy List: State Street Corporation has earned a spot on the 2019 DiversityInc Noteworthy

- 2019 Corporate Equality Index: Earned a perfect score of 100 percent on the Human Rights Campaign's 2019 Corporate Equality Index (CEI), a national benchmarking survey and report on corporate policies and practices related to LGBT workplace equality. This is the fourth year in a row that the company has received a perfect score on the CEI.

- Nation's Top 25 Employee Resource Groups and Diversity Councils List: State Street's Professional Women's Network (PWN) – MA Chapter has been recognized for the third consecutive year as one of the "Top 25" ERGs in US by the Association of ERGs and Councils.

- 2018 Working Mother 100 Best Company: 2018 Working Mother 100 Best Companies List for our commitment to forward-thinking workplace programs in the areas of advancement of women, flexibility, childcare and paid parental leave.

- Corporate Responsibility Magazine's Top 100 Corporate Citizens. State Street was recognized as one of Corporate Responsibility Magazine's 2018 100 Best Corporate Citizens List, which recognizes the standout environmental, social and governance (ESG) performance of public companies across the United States.

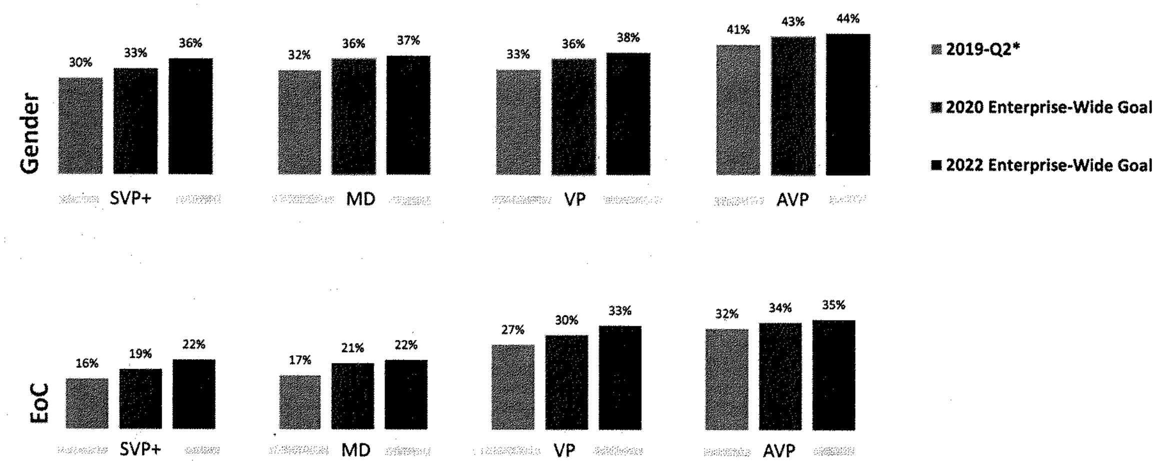
- 2019 Bloomberg Financial Services Gender-Equality Index (BFGEI): One of 230 companies recognized in the 2019 BFGEI.

- 2020 Women on Boards – Winning "W" Company

See Link for more details: http://www.statestreet.com/values/inclusion-diversity/partnerships-recognition.html

State Street's 3 & 5 Year Diversity Goals

Enterprise-Wide Global Goals



** As of April 30, 2019.*

Leadership Development

2019

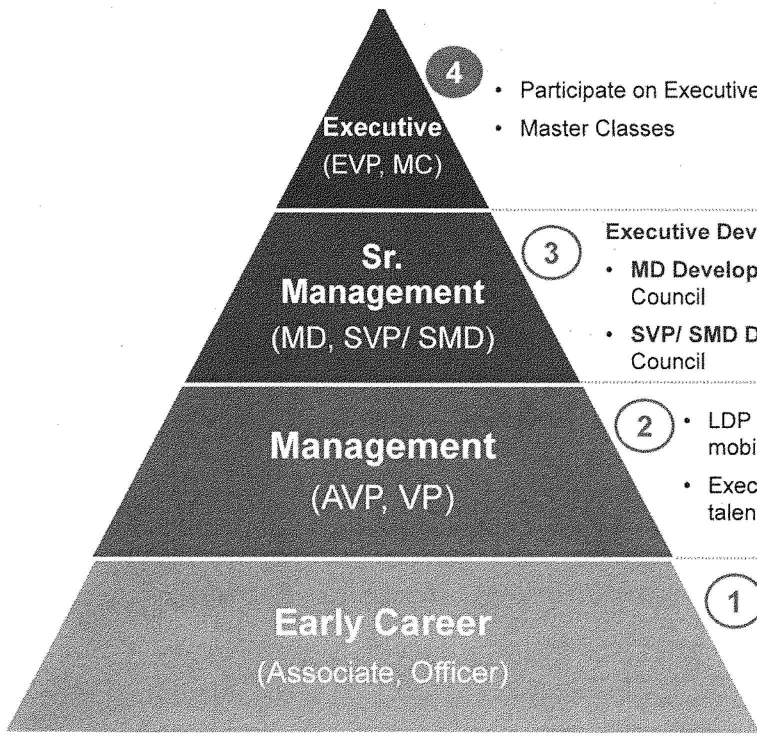
STATE STREET.

Summary

- Our leadership was in consensus that we needed to take a fresh look at our executive talent management processes
  - In **2019,** talent development is both a State Street goal and executive talent development is a GHR. This program helps to realize this promise to our employees
- A multiple year pipeline of talent is developed rather than just an individual slate once per year
  - State Street can develop talent over multiple years creating a steady stream of “ready nows”
- This program is built based on innovative best practice of high potential executive programs while remaining practical and State Street focused utilizing our new Leadership Priorities
  - Utilizes both external and internal resources to ensure exposure to the best leadership externally and internally
  - Raises the bar of performance for our new leaders and involves leaders across company to proliferate learning

Active Talent Management through Promotion Readiness

Develop and Maintain a Future Promotion Pipeline Through Sponsorship Programs



4
- Participate on Executive Talent Council
- Master Classes

3
Executive Development Program Est. 2018
- **MD Developing Cohort:** Management by SVP/ SMD Talent Council
- **SVP/ SMD Developing Cohort:** Management by EVP Talent Council

2
- LDP 2-year rotational program that includes internal mobility and culminates in promotion to VP
- Executive Sponsor Council developed to manage talent pool

Est. 2015

1
- PDP 2-year rotational program that includes internal mobility

Executive Development Program

- The executive development program is a two-year program. Year One focuses on honing leadership skills, Year Two focus applies those skills, regardless of promotion
- Each year, the Talent Council cross-calibrates the cohort and offers individual feedback on professional development and mentorship

YEAR 1			YEAR 2	
Understanding Yourself as a Leader	**Building Your Leadership Brand**	**Becoming an Enterprise Leader**	**Applying Your Leadership**	**Becoming a Leader to Leaders**
• Development Portfolio • Talent/ Career Profile • 360 Leadership Priority Assessment • Engagement Survey (EVP only) • Coaching • Journaling	• Executive Presence • Mindful Leadership • Mentoring	• Peer Cohort Leadership Priority Focus • Generates Insights & Results Series • Strategy Execution Workshop (optional) • Promotion Portfolio	• Action Learning Project on innovation, organizational design and architecting and leading change • Presentation to Talent Council on Action Learning Project Results • 360 Leadership Priority Assessment	• External Viewpoints • Mentorship Skills • Strategically Develop Talent • Emotional Intelligence • Influential Communication Skills • Team Dynamics • Radical Candor

State Street Leadership Priorities

Develop Talent

Attracts, values and utilizes talent to its fullest potential and proactively builds a sustainable and diverse pipeline to meet State Street's ongoing business needs

Enterprise Thinker and Change Agent

Leverages broad business expertise to drive results that will benefit the global enterprise. Champions and drives change strategically with global collaboration and proactive management focused on future strategy

Inspire Trust and Confidence

Articulates the future with a compelling vision utilizing transparency, open dialogue, enthusiasm and relevance with connection to the bigger picture

Courageous and Accountable

Champions and develops a culture that finds better ways and promotes continuous improvement and innovation. Understands consequences and risks while motivating others and takes accountability for actions

Encourage Professional Challenge

Fosters an environment of speaking up and effective listening that encourages contrary views, new ideas, innovation, and ownership. Encourages effective decision making, risk excellence and learning from past events

Generate Insights and Results

Demonstrates deep expertise to provide creative solutions for our clients. Strong awareness of external forces, client needs, market and regulatory intelligence to drive sustainable growth and product improvement

STATE STREET.

State Street Corporation - Questions for the Record from Congressman Green

Committee on Financial Services Hearing - April 10, 2019

1. **Has your firm ever had a woman or person of color in the position of Chair & CEO?**

Although State Street has never had a woman or person of color in the position of Chair & CEO, we have recently appointed our first woman Lead Independent Director, Amelia Fawcett, in May 2019.

2. **At the full Committee hearing on April 10, 2019, when asked about your likely successor, you each indicated that it is unlikely that a woman or person of color will replace you.**
   a. **Why do your likely successors exclude women and people of color?**

   While we do not currently have an identified successor who is a woman or person of color, we are actively focused on the attraction and development of diverse talent throughout our company including at the highest executive levels.

   b. **What are you doing to diversify the talent pipeline for very senior leadership roles at your bank?**

   We review our pipeline at multiple points during the year through our talent review and conduct an executive assessment. We have a two-year development program for our top most executives and review and promote gender and ethnic diversity in those cohorts.

3. **Often a CEO's responsibilities include leadership planning. Is this one of your exclusive or shared responsibilities as CEO? If yes:**
   a. **Do you believe your leadership planning sufficiently prioritizes the development of diverse candidates for the bank's most senior roles?**

   Our talent review of executives prioritizes and scrutinizes our pipeline at the executive levels. In addition, we have put many different programs in place around the organization (sponsorship programs, leading women programs) to continue to develop our diverse talent. Since 2017, our Chief Diversity Officer has taken part in our Talent Review process with our CEO and each of our Management Committee members. These conversations include succession planning and high potential talent discussions.

   b. **What changes in your bank's leadership development and planning would increase the likelihood that likely candidates to succeed you will include women, people of color, and LGBTQ people?**

We need to continue to assess and promote our diverse executives and ensure our talent at the middle of the organization continues to build their careers at State Street. Our yearly talent review cycle promotes these discussions. Our employee networks are vital to our ability to continue to provide career and professional development opportunities for their members, while also adding to our ability to create a more inclusive culture.

c. **Do you commit to making those changes to your bank's leadership development plan?**

We have, through our ongoing review and commitment to our Diversity and Inclusion three- and five- year goals. *See Attachment- "SST Diversity Goals as of 4.30.19*

4. **Produce documentation of your bank's leadership development plan.**

See Attachment- "Overview Leadership Development"

7. **It often takes years to recover from the damage and loss caused by a natural disaster. I know this because my district of Houston is unfortunately still struggling to recover since Hurricane Harvey devastated countless homes and communities. That is why I believe we need to push banks to provide real assistance after the foreclosure moratoria expire. People need more time to rebuild and a way to deal with the inevitable missed payments through a modification or other form of relief that isn't just resuming their regular payment or paying back a lump sum. What options do you offer disaster relief victims after the first year for long term solutions that help borrowers keep their homes?**

As a custody bank, State Street does not participate in these types of lending activities. State Street's business model focuses on providing investment servicing and investment management services to institutional investors; we do not have any consumer business lines.

8. **According to a recent study by Reveal from the Center for Investigative Reporting, fifty years after the Fair Housing Act banned discrimination in lending, African-Americans and Hispanic (or Latinx) Americans are still denied conventional mortgage loans at rates far higher than their white counterparts in 61 metro areas across the United States. Earlier this year, Citi entered into a settlement with the OCC for failing to give minority customers mortgage discounts that were available to many other borrowers. In 2017, JP Morgan Chase entered into a $53 million settlement for overcharging African-American and Hispanic borrowers higher rates and fees on mortgage loans.**

    a. **Do you agree that discrimination exists in mortgage lending?**

b. **What changes, if any, have you made to your systems and procedures to prevent this type of discrimination in the future?**

c. **What systems do you have in place to make sure your bank is not discriminating against borrowers of color?**

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STATE STREET.

2018 Diversity Recruitment & Outreach Activities

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STATE STREET.

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STATE STREET.

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  - ELC Gala

- **Employee Resource Groups**

  State Street is committed to championing issues important to professional women and employees of color. State Street sponsors 23 employee resource groups with over 100 global chapters globally that provides opportunities for networking, career advancement, and professional development. All employee resource groups have a governance structure, which includes a steering committee, as well as executive sponsorship at the SVP, Executive Vice President or Management Committee level. Listed below is a selection of established resource groups:
  - Asian Professional Alliance
  - Black Professional's Group
  - Disability Awareness Alliance
  - Indian Employee Network
  - Latin American Professional's Group
  - Professional Women's Network
  - Veterans Network
  - Working Parents Group

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SUPPLIER DIVERSITY

Regional/National Memberships

- DisabilityIN (Disability-Owned Businesses Enterprises (DOBE)
- Financial Services Roundtable for Supplier Diversity (FSRSD)
- National Gay & Lesbian Chamber of Commerce (NGLCC)
- Women's Business Enterprise National Council (WBENC)

Local Memberships

- Greater Boston Chamber of Commerce (GBCC)- Pacesetters Program
- Black Economic Council of Massachusetts (BECMA)
- Center For Women & Enterprise (CWE)
- Greater New England MSDC (GNEMSDC)
- Small Business Administration (SBA)
- Massachusetts LGBT Chamber of Commerce (MLGC)

ADDITIONAL NOTABLE ACTIVITIES

State Street is also a leader in promoting diversity in the broader world. The following highlight State Street's efforts in this area:

- CEO Action for Diversity and Inclusion™- State Street's CEO Jay Hooley joined more than 150 fellow CEOs from top companies and business organizations in signing the *CEO Action for Diversity & Inclusion™*, the largest CEO-driven business commitment to advance diversity and inclusion in the workplace. The *CEO Action for Diversity & Inclusion™* is led by a steering committee of CEOs and leaders representing more than 50 industries and millions of employees globally. Each signatory has committed to taking steps to increase diversity and foster inclusion within their organizations and the larger business community. https://www.ceoaction.com/

- The Compact: In 2013, State Street became one of the first companies publicly to commit to pay equity by launching and pledging full support for the Boston Women's Workforce Council's 100% Talent Compact (the "Compact"). State Street also encouraged other members of the business community to sign on to the Compact, under which employers participate in a wage data collection and analysis process intended to foster more accurate understanding of the wage gap in Boston as a whole, and to develop methods to address it. In addition to participating in that unique data analysis process, the first of its kind in the United States, State Street and other participating employers also commit to review practices they have implemented internally, and to improve upon those practices through discussions of successes and challenges.

- Boston WINs: In 2015, State Street launched a $20 million venture philanthropy initiative, Boston Workforce Investment Network ("Boston WINs"). Boston WINs is led by the State Street Foundation in partnership with five high-performing partners. — The Boston Private Industry Council ("PIC"), Bottom Line, College Advising Corps ("CAC"), uAspire, and Year Up, as well as the Boston Public Schools. The mission of the partnership is to advance job readiness and create meaningful career paths for Boston youth and to cultivate a pipeline of diverse candidates for employment at State Street and other firms.

- Conferences for Women: For a number of years, State Street has been a sponsor of the Conference of Women in California, Pennsylvania and Massachusetts–a suite of premier networking and educational events and experiences designed to help women connect, collaborate, and grow personally and professionally. These conferences feature nationally recognized speakers, presenters and panelists, who are leaders in various industries. They share their experiences and expertise on everything from leading change to managing money to finding work / life balance.

STATE STREET.

- Charitable Giving: The State Street Foundation ("the Foundation") allocates grants to support education and workforce development programs and initiatives that encourage economic self-sufficiency and demonstrate measurable social impact in the communities where we operate. In 2016, State Street gave $19.6M in philanthropic contributions and matched another $4.3M of employee contributions. The Foundation's Matching Gift Program encourages and supports employees who give their time and money to education and workforce development programs and other charitable organizations.

- SHE – State Street's Gender Diversity ETF: Introduced in 2016, Ticker Symbol, *SHE* – invests in companies with higher levels of Gender Diversity in Senior Leadership and offers core US Large Cap exposure. *SHE* seeks to track the performance of the SSGA Gender Diversity Index, comprising US large capitalization companies with the highest levels within their sectors of

CORPORATE RECOGNITION

- 2019 DiversityInc Noteworthy List: State Street Corporation has earned a spot on the 2019 DiversityInc Noteworthy

- 2019 Corporate Equality Index: Earned a perfect score of 100 percent on the Human Rights Campaign's 2019 Corporate Equality Index (CEI), a national benchmarking survey and report on corporate policies and practices related to LGBT workplace equality. This is the fourth year in a row that the company has received a perfect score on the CEI.

- Nation's Top 25 Employee Resource Groups and Diversity Councils List: State Street's Professional Women's Network (PWN) – MA Chapter has been recognized for the third consecutive year as one of the "Top 25" ERGs in US by the Association of ERGs and Councils.

- 2018 Working Mother 100 Best Company: 2018 Working Mother 100 Best Companies List for our commitment to forward-thinking workplace programs in the areas of advancement of women, flexibility, childcare and paid parental leave.

- Corporate Responsibility Magazine's Top 100 Corporate Citizens. State Street was recognized as one of Corporate Responsibility Magazine's 2018 100 Best Corporate Citizens List, which recognizes the standout environmental, social and governance (ESG) performance of public companies across the United States.

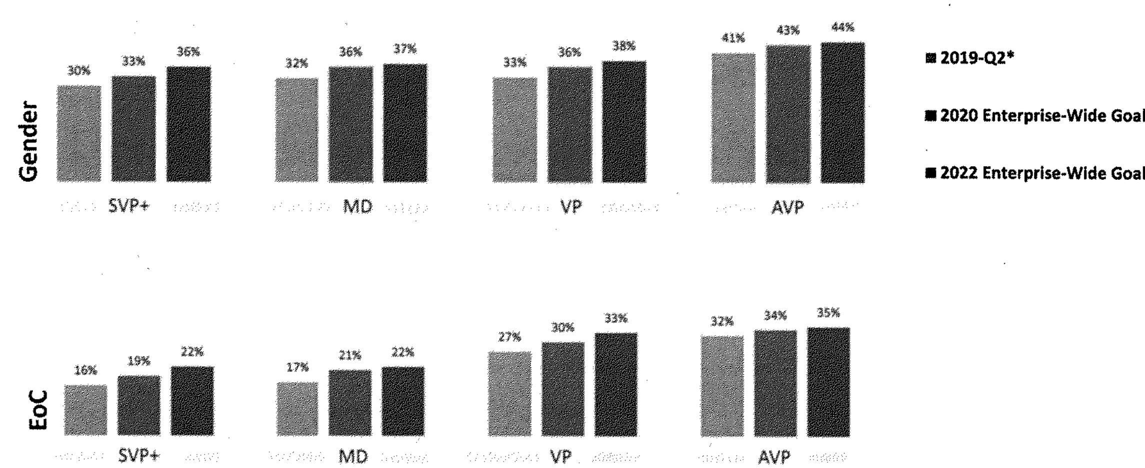
- 2019 Bloomberg Financial Services Gender-Equality Index (BFGEI): One of 230 companies recognized in the 2019 BFGEI.

- 2020 Women on Boards – Winning "W" Company

See Link for more details: http://www.statestreet.com/values/inclusion-diversity/partnerships-recognition.html

State Street's 3 & 5 Year Diversity Goals

Enterprise-Wide Global Goals



* *As of April 30, 2019.*

Leadership Development

2019

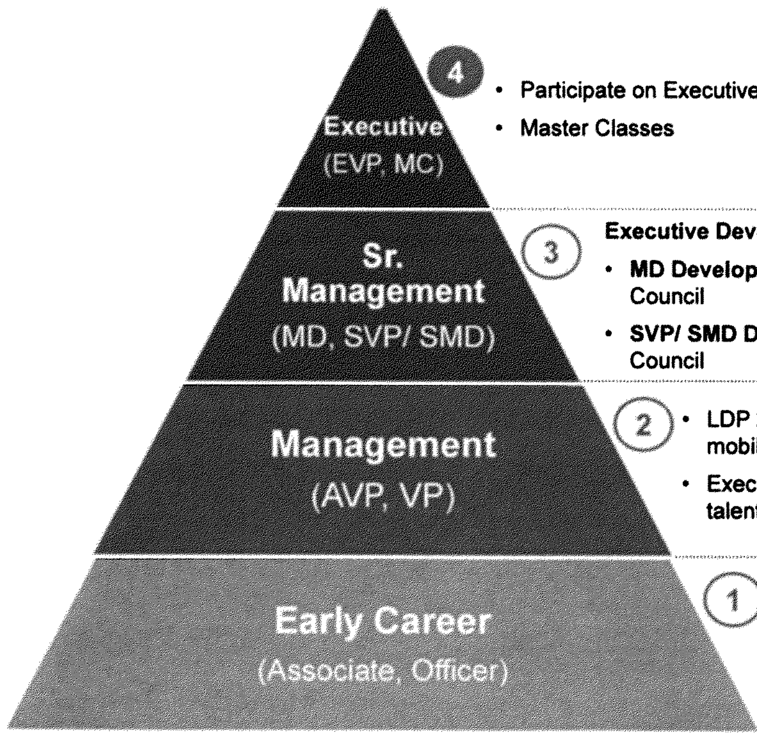
STATE STREET.

Summary

- Our leadership was in consensus that we needed to take a fresh look at our executive talent management processes
  - In **2019,** talent development is both a State Street goal and executive talent development is a GHR. This program helps to realize this promise to our employees
- A multiple year pipeline of talent is developed rather than just an individual slate once per year
  - State Street can develop talent over multiple years creating a steady stream of "ready nows"
- This program is built based on innovative best practice of high potential executive programs while remaining practical and State Street focused utilizing our new Leadership Priorities
  - Utilizes both external and internal resources to ensure exposure to the best leadership externally and internally
  - Raises the bar of performance for our new leaders and involves leaders across company to proliferate learning

Active Talent Management through Promotion Readiness

Develop and Maintain a Future Promotion Pipeline Through Sponsorship Programs



4
- Participate on Executive Talent Council
- Master Classes

3
Executive Development Program Est. 2018
- **MD Developing Cohort:** Management by SVP/ SMD Talent Council
- **SVP/ SMD Developing Cohort:** Management by EVP Talent Council

2
- LDP 2-year rotational program that includes internal mobility and culminates in promotion to VP
- Executive Sponsor Council developed to manage talent pool

Est. 2015

1
- PDP 2-year rotational program that includes internal mobility

Executive Development Program

- The executive development program is a two-year program. Year One focuses on honing leadership skills, Year Two focus applies those skills, regardless of promotion
- Each year, the Talent Council cross-calibrates the cohort and offers individual feedback on professional development and mentorship

YEAR 1			YEAR 2	
Understanding Yourself as a Leader	Building Your Leadership Brand	Becoming an Enterprise Leader	Applying Your Leadership	Becoming a Leader to Leaders
• Development Portfolio • Talent/ Career Profile • 360 Leadership Priority Assessment • Engagement Survey (EVP only) • Coaching • Journaling	• Executive Presence • Mindful Leadership • Mentoring	• Peer Cohort Leadership Priority Focus • Generates Insights & Results Series • Strategy Execution Workshop (optional) • Promotion Portfolio	• Action Learning Project on innovation, organizational design and architecting and leading change • Presentation to Talent Council on Action Learning Project Results • 360 Leadership Priority Assessment	• External Viewpoints • Mentorship Skills • Strategically Develop Talent • Emotional Intelligence • Influential Communication Skills • Team Dynamics • Radical Candor

State Street Leadership Priorities

Develop Talent

Attracts, values and utilizes talent to its fullest potential and proactively builds a sustainable and diverse pipeline to meet State Street's ongoing business needs

Enterprise Thinker and Change Agent

Leverages broad business expertise to drive results that will benefit the global enterprise. Champions and drives change strategically with global collaboration and proactive management focused on future strategy

Inspire Trust and Confidence

Articulates the future with a compelling vision utilizing transparency, open dialogue, enthusiasm and relevance with connection to the bigger picture

Courageous and Accountable

Champions and develops a culture that finds better ways and promotes continuous improvement and innovation. Understands consequences and risks while motivating others and takes accountability for actions

Encourage Professional Challenge

Fosters an environment of speaking up and effective listening that encourages contrary views, new ideas, innovation, and ownership. Encourages effective decision making, risk excellence and learning from past events

Generate Insights and Results

Demonstrates deep expertise to provide creative solutions for our clients. Strong awareness of external forces, client needs, market and regulatory intelligence to drive sustainable growth and product improvement

STATE STREET.

State Street Corporation - Questions for the Record from Congressman McAdams

Committee on Financial Services Hearing - April 10, 2019

1. **For all witnesses:**

a. **How do you survey and evaluate employee morale? And how do you incorporate that feedback into action plans to improve your companies?**

Our employee listening strategy, included as part of the work of State Street's Center of Excellence for Employee Engagement, consists of both a yearly company-wide census and periodic pulse checks throughout the year. These tools serve as a valuable mechanism for our employees to tell us how we are doing and what we can do to further enhance our standing as an employer of choice. This cadence of surveying allows us to observe trends in the organization over time. It also allows leaders to track the progression and impact of specific initiatives related to engagement in their business units. The survey process allows all employees to share feedback on a voluntary and anonymous basis, allowing us to focus our engagement activities on areas of opportunity and importance to our people.

As well as providing senior leaders with information related to their organizations, a critical element of our employee survey is manager-specific reporting. As part of our survey strategy, State Street managers also have access to an online tool that allows them, once a year, to analyze their own individual results and provides extensive online tools and suggestions on how to leverage the opportunities identified by the survey to enhance employee engagement – all while ensuring participant anonymity. Results for both managers and leaders include comparisons to prior year results and company averages overall.

Other opportunities for staff to share their views exist in the form of Town Halls which run throughout the company from the top of the organization to the business unit level. These forums provide an invaluable opportunity for senior managers to pulse check the organization between surveys and dig into specific issues and questions. In many of these forums, employees can either pre-submit questions or ask live questions during the sessions. The regularity of these Town Halls also allows us to review topics and question groups which trend over time. If employees wish to share feedback anonymously, State Street offers an anonymous Speak Up line, available online, via telephone or via mobile app to do so.

Our executives also regularly blog on our internal social networking site about issues related to our organization and our business strategy to which staff can add their feedback and comments. This social networking site also allows senior executives and strategic initiative leads to hold online discussions which they broadly advertise ahead of time and typically result in rich discussions. As CEO, I host a blog titled, Ask Ron, where any employee can ask a question directly and have the answer posted for the entire company to read.

b. What steps does your company take to ensure employees can report concerns or grievances up the chain of command and/or to an independent entity outside the direct chain of command? How do you ensure these employees can report any concerns without fear of reprisal?

State Street strongly encourages employees to report all concerns and grievances. State Street has established an anonymous hotline, referred to as the "Speak Up Line," for reporting concerns regarding known or suspected violations of laws or regulations, questionable business conduct matters pertaining to accounting practices, internal accounting controls, auditing as well as any other general concerns employees may have. Reports to the Speak Up Line can be made online, by phone, or regular mail.

The Speak Up Line is operated by an independent third party and is available 24 hours a day, 365 days a year. Except where prohibited by local law, reports can be made anonymously and are held in strictest confidence to the extent permitted by law. Reports are provided to the Lead Director of the Board, the Chief Legal Officer, and the General Auditor and may be forwarded to relevant personnel, such as senior business line compliance officers, Global Human Resources, the Ethics Office, or Global Security, for further action as appropriate.

The Lead Director may forward any reported concerns to the Examining and Audit Committee, or to another appropriate group or department, for appropriate review. The Lead Director periodically reports to the independent directors as a group regarding concerns received.

State Street's Standard of Conduct emphasizes State Street's speak up culture and its prohibition on retaliating against an employee who reports a potential violation in good faith.

State Street Corporation - Questions for the Record from Congresswoman Ocasio-Cortez

Committee on Financial Services Hearing - April 10, 2019

Mr. Dimon indicated that JP Morgan Chase will no longer be financing or working with private prisons and detention centers. Earlier this month, the Wells Fargo and US Bank also announced that their banks would no longer be financing or working with private prisons or detention centers. When do your banks plan to cease providing lending or other services to companies in the private prison and detention industry?

State Street's business model focuses on providing investment servicing and investment management services to institutional investors; we do not provide lending services to companies in the private prison and detention industry.

State Street Corporation - Questions for the Record from Congressman Rose

Committee on Financial Services Hearing - April 10, 2019

I am concerned with the recent trend of banks pulling financing from firearm industry participants. Responding to a question Chairman Mike Crapo asked in a Senate Banking Committee hearing in April 2018, Federal Reserve Vice Chairman of Supervision Randy Quarles responded: "I do not believe that lending to the NRA or to law-abiding gun firms in the gun industry raises security and soundness questions."

Can you outline how your bank ensures that any withholding of banking services for the firearm industry, or any lawful business activity, is based on legitimate concerns of federal and state law compliance or creditworthiness as opposed to activist groups' disfavor of a certain lawful business activity?

State Street's business model focuses on providing investment servicing and investment management services to institutional investors; we do not provide these types of banking services for the firearm industry.

State Street Corporation - Questions for the Record from Congressman Sherman

Committee on Financial Services Hearing - April 10, 2019

1. **The American with Disabilities Act is nearing its 30th Anniversary (July 26, 2020) and several subsequent pieces of legislation have worked to fulfill the promise of the ADA. The Workforce Innovation and Opportunity Act transformed our nation's workforce development system to become more accessible, the Section 503 regulations encouraged federal contractors to recruit qualified individuals with disabilities, the Achieve a Better Life Expectancy (ABLE) Act created tax-free savings account to help pay for disability needs and CRA applies to low income people with disabilities. Please explain what your Financial Institution is currently doing or planning to do to support low-income people with disabilities in these specific areas:**

   - **Employment/Vocational Training**
   - **Financial Literacy**
   - **Promotion of ABLE Accounts**
   - **Housing**
   - **Education**
   - **Socialization**
   - **Public Policy**

   State Street's outreach to low-income individuals with disabilities is done through program development and relationships. Many low-income individuals with disabilities are embedded into the career development programs. While employed, these individuals are supported by State Street and their external support provider. *See attached STT Corporate Policy on Americans with Disabilities Act Accommodations.*

   State Street continues to support and champion many disability programs which service a wide spectrum of the disability community. The services include outreach, recruitment, training and education, both internally and externally. We have established relationships with some of the major disability organizations within the communities we operate in. *Please see attachment "STT 2018 Disability Overview" for listing of organizations we partner with.*

2. **There are over 22 million working-age Americans and 70 percent of them are striving to work. However only one in three has a job. What is your financial institution's strategy for connecting with this pool of potential employees? How does your talent recruitment and employee education process meet the needs of job-seekers with disabilities? What processes are in place for when an employee with a disability requests a reasonable accommodation?**

   State Street's outreach is strong with various government and community partnerships. From State Street executives serving on non-for-profit Boards, employee volunteerism, and recruiting events, State Street is branded as an employer of choice in the disability community. Individuals with disabilities are imbedded into State Street's high school and college internships, with a strong conversion rate to full time employment. National Disability Etiquette training is also available through scheduled webinar and in person sessions.

State Street's outreach for accommodation begins at the application process. An e-mail address posted on State Street's recruiting portal allows applicants to request an accommodation anytime during the application/interview process. Existing employees requesting an accommodation are directed to the centralized function called the Global Human Resources Service Center which is accessible by phone or e-mail to all State Street employees, contractors and interns. Details of this process are available to employees in our "Americans with Disabilities" policy. A request for any accommodations is reviewed and acted on by either the Employee Relations team, Global Inclusion, or the manager of the individual requesting the accommodation. For external guests coming to State Street who need an accommodation, the event coordinators for various departments have a checklist in order to satisfy accommodation requests.

3. **As a federal contractor, your financial institution has an aspirational goal to have 7 percent of your employees, in all job categories, be qualified individuals with disabilities. What efforts have you made to work towards this goal? How has your organizational culture evolved to include employees with disabilities? What percentage of your employees have disabilities? What barriers have you experienced to success? What successes have you achieved?**

Since 2012, State Street has developed partnerships with disability focused organizations to assist with the education and employment of individuals with disabilities. Recruiters have been trained on how to be more intentional in recruiting individuals with disabilities, attending /sponsoring career fairs specifically targeting individuals with disabilities, and sponsoring focused talent pipeline programs for individuals with disabilities of all ages. State Street also has been extremely visible in board and advisory roles with disability agencies and nonprofits.

State Street has a robust internal employee resource group focused on supporting, hiring, and educating individuals with disabilities and their family members. Having this group sponsored by a senior manager (Executive Vice President Level) at State Street has given the work of this group exposure to the entire organization.

Approximately 1% of State Street's employees have self-identified as having a disability. We encourage employee to self-identify by soliciting information on an annual basis. We are currently working on a more robust marketing plan to help improve participation.

State Street has had many successes in increasing outreach to individuals with disabilities, focusing both on external and internal engagement through targeted programs developing young talent in the high schools through career. This includes creating internship programs and more manager awareness of talent, which is supported by recruiters and Global Inclusion. State Street was elected to participate in Disability: IN's Disability Equality Index in 2018 and 2019 where State Street scored 100% and was recognized as one of the best companies to work for Disability inclusion *(see attached 2019 letter)*. Barriers are being addressed with the role out of unconscious bias training, employee volunteer events for disability focused companies, and training to recruiters and hiring managers. *See attached STT Training Evaluation Summary.*

4. **Fully 26 percent of people with disabilities live in poverty and fully 18 percent of households headed by people with disabilities are unbanked. What efforts have your financial institutions made to support people with disabilities who want to seek our financial literacy, open a savings account or otherwise improve their financial status?**

As a custody bank, State Street does not provide these types of consumer financial products. State Street's business model focuses on providing investment servicing and investment management services to institutional investors; we do not have any consumer business.

5. **What are you doing to help people with disabilities start or grow their own companies or have access to credit for home ownership?**

As a custody bank, State Street does not provide these types of consumer financial products. State Street's business model focuses on providing investment servicing and investment management services to institutional investors; we do not have any consumer business.

State Street U.S. Headcount
2017-2018

Year-Month	United States of America	Headcount	Net Change YOY (YE '17 to YE '18)
2017-12	15,471	15,471	
2018-01	15,483	15,483	
2018-02	15,492	15,492	
2018-03	15,414	15,414	
2018-04	15,411	15,411	
2018-05	15,408	15,408	
2018-06	15,414	15,414	
2018-07	15,462	15,462	
2018-08	15,329	15,329	
2018-09	15,220	15,220	
2018-10	15,702	15,702	
2018-11	15,617	15,617	
2018-12	15,509	15,509	38

Chairwoman Maxine Waters
Questions for the Record
Full Committee Hearing: "Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 years after the Financial Crisis"
April 10, 2019

Consumer and Investor Harm (All Witnesses)

1. **In the Committee's hearing invitation letter, I asked each bank to include in your testimony, "...a detailed description of... enforcement actions, including any consent orders and settlements, against your bank *and the number of consumers or investors harmed by your bank's actions...*" (emphasis added). While your testimony provided some information related to enforcement actions, your testimony failed to provide the Committee with the number of consumers or investors harmed by your bank's actions in the context of any enforcement actions, consent orders and settlements, where consumer or investor harm was identified. Therefore, I ask again, please provide the Committee with a detailed description of enforcement actions, including any consent orders and settlements, against your bank, including the number of consumers or investors harmed by your bank's actions in the last 10 years.**

A: Since the financial crisis, we have been subject to ten public enforcement matters by our federal government regulators involving approximately $320 million in penalties and restitution, the largest of which involved foreign currency exchange rates. These matters include settlements with the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System, and with the Departments of Justice and Labor. In addition to federal actions, we have also entered into settlements with state regulators, including actions relating to the federal actions described here.

Below is additional information about each of the ten public enforcement matters by our federal government regulators that we identified in our written testimony. Because we are a custody bank our business model is very different from a traditional retail bank. Therefore, our settlements with our federal regulators generally did not specify the number of impacted consumers or investors because they are not retail-focused actions, however, we have included that information below where identified in the settlement documents.

- ***In the Matter of Lockwood Advisors, Inc., SEC, File No. 3-19090 (March 11, 2019).*** *As part of the SEC's Share Class Selection Disclosure Initiative, Lockwood self-reported that an affiliate earned approximately $45,000 in mutual fund fees on shares that Lockwood advised customers to purchase when there were share classes with lower fees available. Lockwood agreed to pay disgorgement and prejudgment interest to affected investors totaling $52,187.98.*

- ***In the Matter of The Bank of New York Mellon, SEC, File No. 3-18933 (Dec. 17, 2018).*** *BNY agreed to settle charges relating to the pre-release of American Depository Receipts (ADRs). The SEC concluded that BNY Mellon provided ADRs to brokers in pre-release transactions when neither the broker nor its customers had the foreign shares needed to support the new ADRs. BNY Mellon agreed to pay total penalties of $54.3 million. There were no allegations of customer or investor harm.*

- ***In the Matter of The Bank of New York Mellon, Federal Reserve, Docket No. 18-016-CMP-SM (Aug. 28, 2018).*** *The Federal Reserve assessed a penalty against BNY Mellon for* *violations of the National Flood Insurance Act. BNY Mellon agreed to pay a civil moneta penalty of $16,000. There were no allegations of customer or investor harm.*

- ***In the Matter of Lockwood Advisors, Inc., SEC, File No. 3-18638 (Aug. 14, 2018).*** *The SEC and Lockwood settled charges relating to Lockwood's disclosure of trading away fee charged by third-party portfolio managers. The SEC found that Lockwood failed to provi clients with information about trading away practices, which at times resulted in addition fees paid by certain clients. BNY Mellon agreed to pay a civil monetary penalty of $200,0*

- ***In the Matter of The Bank of New York Mellon, Federal Reserve, Docket No. 17-016-CMP-HC (June 26, 2017)*** *and* ***In the Matter of The Bank of New York Mellon, SEC, Fil No. 3-17768 (Jan. 12, 2017).*** *BNY Mellon settled charges with the SEC and the Federal Reserve relating to BNY Mellon's failure to include certain assets of variable interest entit in its calculation of risk-based capital ratios. BNY Mellon agreed to pay a $3 million civil monetary penalty to the Federal Reserve and a $6.6 million civil monetary penalty to the SEC. There were no allegations of customer or investor harm.*

- ***In the Matter of The Bank of New York Mellon, SEC, File No. 3-17286 (June 13, 2016)*** *and* ***U.S. v. The Bank of New York Mellon and David Nichols, 11 Civ. 06969 (March 19, 2015).*** *BNY and the plaintiffs entered into a Partial Settlement under which BNY Mellon agreed to modify certain foreign exchange business practices. Later, in 2015, DOJ, along with the SEC, the DOL, and the NY State Attorney General announced a joint settlement o complaint filed in October of 2011 related to BNY's FX activities. BNY Mellon settled charges relating to the rates it provided clients in connection with its foreign exchange product. The settlement involved a $167.5 million fine to the DOJ and a $14 million fine t the DOL for the benefit of customers that are plans covered by ERISA, in addition to state regulator fines and a private class action settlement. In 2016, BNY Mellon entered into a settlement with the SEC related to this conduct and agreed to pay a civil monetary penalty $30 million.*

- ***In the Matter of The Bank of New York Mellon Corporation, SEC, File No. 3-16762 (Au 18, 2015).*** *BNY agreed to settle charges that it violated the FCPA by providing valuable student internships to family members of foreign government officials affiliated with a Mid Eastern sovereign wealth fund. BNY Mellon agreed to pay total monetary penalties of $14 million. There were no allegations of customer or investor harm.*

- ***In the Matter of BNY Mellon Capital Markets, LLC, SEC, File No. 3-16610 (June 18, 2015).*** *BNY Mellon Capital Markets, LLC was one of 36 underwriters that settled with the SEC under the Municipalities Continuing Disclosure Cooperation Initiative, a self-reporti program intended to address violations of federal securities laws resulting from misrepresentations in municipal bond offering documents about prior compliance with continuing disclosure obligations. BNY Mellon agreed to pay a civil monetary penalty of $120,000.*

- ***In the Matter of The Bank of New York Mellon, Federal Reserve, Docket No. 12-018-CMP-SMB (April 13, 2012).*** *The Fed imposed a civil penalty against BNY for violating certain representations and warranties made in connection with BNY's participation in the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility. BNY Mellon agreed to pay a $6 million civil monetary penalty.*

- *In the Matter of BNY Mellon Securities LLC, SEC, File No. 3-14191 (January 14, 2011).* *The SEC reached a settlement with BNY Mellon Securities LLC, for failure to supervise certain trading activities conducted for customers with retirement plans at a BNY affiliate. These traders failed to meet their duty of best execution and enriched themselves in the process. In connection with this matter, BNY Mellon agreed to pay approximately $24 million, including approximately $23 million in disgorgement and prejudgment interest, which the SEC used to create a fund to distribute funds to harmed investors.*

isclosure of Diversity Data (All Witnesses)

2. Many of the banks have acknowledged the importance of data in identifying and addressing diversity gaps in your organizations. Despite this acknowledgment, Citigroup is the only bank represented on this panel who has made efforts to publicly disclose diversity statistics and openly report on its efforts to address gender pay equity. Citi's efforts are a step in the right direction but there is much more information that is needed so that regulators, through their Office of Minority and Women Inclusion (OMWI), and the public, via annual reports and proxy statements, can be aware of your diversity status.
- **Please explain why your bank has not done more to share your workforce and board diversity demographics with OMWIs and the public?**
- **What immediate plans do you have to share this information and be accountable to Congress and the American people about your commitment to diversity?**

A: *BNY Mellon shares our diversity and inclusion (D&I) commitment, strategy and efforts on our external website (www.bnymellon.com/diversity). We hold ourselves publicly accountable by reporting workforce and board diversity demographics and hiring statistics through our annual CSR Report and various shareholder communications. In accordance with U.S. regulations, BNY Mellon submits an annual EEO-1 Report disclosing data in compliance with EEO definitions and categorized by race/ethnicity, gender and job category.*

Since 2017, we have also voluntarily submitted an annual D&I Self-Assessment Report to the Federal Reserve Board of Governors, BNY Mellon's prudential regulator, and the OMWIs of other regulatory agencies, upon request. Our most recent report, submitted in March 2019, including the following diversity data:

- *% Women in Global Workforce*
- *% Women in U.S. Workforce*
- *% Women New Hires*
- *% Women Executive Leaders*
- *% Women Senior leaders*
- *% Women Mid-Level Leaders*
- *% Women on Board of Directors*
- *% U.S. Employees of Different Ethnic Backgrounds*
- *% U.S. New Hires of Different Ethnic Backgrounds*
- *% Board Members of Different Ethnic Backgrounds*

BNY Mellon shares additional gender-focused demographics through the Bloomberg Gender-Equality Index (GEI), which is intended to support investors with comprehensive investment-quality data on gender equality and which distinguishes companies committed to transparency in gender reporting and advancing women's equality. Bloomberg makes GEI data publicly available to users of Bloomberg Terminals.

We have seen how sharing information helps inform the D&I conversation in financial services and bring focus to driving progress. Building on our track record of publishing workforce demographics and sharing data with peers, partners and clients, we are evaluating opportunities to increase transparency going forward, including publishing workforce demographics on our public website and in our Annual Report, and sharing additional data points and breakouts.

Diversity Question for Panel (All Witnesses)

3. **Diversity is an issue that is very important to me, which is why I am very pleased that the Financial Services Committee created the Diversity and Inclusion Subcommittee, the very first of its kind in Congress, headed up by my colleague, Representative Joyce Beatty. When institutions embrace diversity, more voices and more ideas have a chance for action and businesses thrive.**
   - **Please describe the current diversity of the directors of your board and C-Suite executives.**
   - **Please explain what your bank is doing to increase diversity of the directors of your board and C-suite executives, the policies and practices implemented at your institution to promote diversity and inclusion among your workforce, and the policies to promote the use of diverse contractors, including diverse asset managers, brokers, and underwriters, by your institution.**

A: *We believe that our diversity strengthens our company and we aim to be a market leader for diversity and inclusion and we have made expanding the diversity of our senior leadership and Board a top priority. Currently, 25% of our Board of Directors are persons of color and 25% are women. At the Executive Committee level, 30% are persons of color and/or women.*

BNY Mellon's Executive Committee (EC) sets goals to improve workforce diversity, with particular emphasis on diversifying senior leadership ranks which can support a more diverse C-suite talent pipeline. EC members' incentive compensation is tied to performance against goals, including D&I goals. Executive ownership and accountability of D&I outcomes and increased D&I communications and discussions during leadership and team meetings and town halls are sustaining focus on improving gender equality globally and increasing ethnic representation in our U.S. workforce.

BNY Mellon's Workforce Strategy team tracks diversity throughout the talent lifecycle, identifying representation changes and providing analytical insights to improve workforce diversity and talent outcomes. D&I is embedded in a continuum of integrated people performance and development processes, with Human Resources working together with our businesses and corporate support areas and external partners to diversify external talent pipelines; build robust internal talent pipelines and succession benches; identify, develop and advance top performing diverse talent; and reinforce an inclusive culture and workplace.

In an effort to extend D&I responsibility and ownership to more leaders across the company and bring fresh perspectives, our D&I governance model includes a Global D&I Advisory Council to the CEO and D&I Councils in BNY Mellon's APAC, EMEA, LATAM and India regions. BNY Mellon's six Employee and Business Resource Groups (E/BRG) empower employee-led inclusion at every level of the organization. One in four employees is a member of an E/BRG.

BNY Mellon is one of only six Fortune 500 companies that includes LGBT+ perspectives in board diversity[1].

Our commitment to D&I extends to our suppliers. BNY Mellon's Supplier Diversity Program (SDP) promotes the use of companies owned, operated and managed by women, minorities, veterans and LGBT+ individuals and people with disabilities. The program supports diverse-owned companies and small businesses by helping them position themselves more competitively in our procurement process. We are active participants in a number of diverse supplier advocacy, education and development organizations, with which we collaborate to provide training, capacity-building tools, networking and expo events to introduce diverse-owned companies and small business to corporate buyers. SDP activities contribute toward BNY Mellon's total community services reported under the Community Reinvestment Act. Our Supply Chain Responsibility webpage provides information and resources, including our Supplier Code of Conduct that lays out expectations for suppliers and their social responsibility commitments, and access to our Supplier Registration Portal.

In 2018, BNY Mellon:

- *Spent \$318 million with diverse-owned and small business suppliers in the U.S., of which \$135 million went to small businesses, \$113 million went to women-owned businesses and \$70 million to other minority-, veteran- and LGBT+-owned companies*
- *Supported nine events in service of diverse vendor engagement, development and inclusion into our procurement process*

Our SDP partners include:

- *U.S. Small Business Administration*
- *Financial Services Roundtable on Supplier Diversity*
- *The National Minority Supplier Development Council and its regional Councils*
- *The New York City Department of Small Business Services*
- *National Gay & Lesbian Chamber of Commerce*
- *Women's Business Enterprise National Council (women-owned businesses in the U.S.)*
- *WeConnect (women-owned businesses outside of the U.S.)*

Defrauding Investors **(Bank of New York Mellon)**

4. **In 2015, Bank of New York Mellon paid \$714 million to state and federal regulators to settle claims that it had defrauded its customers.[2] As part of their business with clients, the bank would exchange money from one currency to another. The bank promised to exchange the money at the best exchange rate possible, but often used the worst, and profited from the difference. The U.S. Attorney for the Southern District of New York at the time explained, "The Bank of New York Mellon's custody clients, many of whom are public pension funds and non-profit organizations, trusted the Bank to be honest about the financial services it was providing and to deal with them fairly. BNYM and its executives, motivated by outsized profits and bonuses, breached this trust and repeatedly misled clients to believe that the pricing they were getting on foreign exchange was far better than it actually was."**

[1] As confirmed with Out Leadership QUORUM and published in its 2018 white paper, "Advancing LGBT+ diversity in corporate governance."

[2] https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-and-new-york-state-attorney-general-announce-714-million-proposed

- **When a Bank abuses that trust of its customers, essentially promising one thing and delivering another, the whole system becomes unreliable. What specific steps have you taken to improve the culture at your bank?**
- **Mr. Scharf, since this settlement, can you affirm that BNY Mellon is no longer defrauding its customers?**

A: The matter mentioned above pre-dates Mr. Scharf's tenure as CEO. However, there is no excuse for lax compliance with laws and regulations, and BNY Mellon responds swiftly and aggressively when it identifies conduct that does not meet the high standards expected of all our employees.

BNY Mellon is an accountable organization and made changes as a result of this settlement, including enhancing the level and transparency of information provided to all clients, the separation of certain employees involved in the conduct at issue and providing clients with enhanced functionality that allows them to compare foreign exchange product pricing.

BNY Mellon is committed to a culture of compliance, and believes it is operating in compliance with applicable laws and regulations. If we find an issue, we work to resolve it and to ensure that it does not happen again.

Minority Depository Institutions (All Witnesses)

5. **Since the Crisis the six largest banks have grown tremendously in both assets and deposits, however, the number of Minority Depository Institutions (MDIs) have seen a rapid decline. Could you briefly inform the Committee of how many business relationships your bank currently has with MDIs, if any, and describe the amount of investments you have made to or in partnership with MDIs?**

   A: BNY Mellon's business operations consist primarily in providing custody and asset servicing to institutional asset holders, including community banks. While we do not separately track the ownership of our community bank customers, BNY Mellon values MDIs as customers and business partners.

Corporate Social Responsibility (All Witnesses)

6. **Recently, in his annual letter to shareholders, Mr. Dimon noted, that, quote, "America should and can afford to provide a proper safety net to our elderly, our sick and our poor,"[3] as well as help generate more opportunities for more Americans. This comes on the heels of Mr. Dimon's noting that the Trump tax cuts added almost $4 billion to JP Morgan's profits.[4] This also comes at a time when income inequality is at an all-time high, limited affordable housing, and rising homelessness across the country.**
   - **Should G-SIBs do more to address these issues?**
   - **With the Trump tax cuts benefitting your bank's bottom line, what percentage of the tax benefits did your bank spend on affordable housing?**

   A: We believe that financial institutions must undertake their operations with all Americans in mind. Because of our business model, we do not have a significant consumer-lending

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[3] https://www.marketwatch.com/story/5-things-jpmorgan-ceo-jamie-dimon-just-told-investors-and-the-american-public-2019-04-04 and https://www.jpmorganchase.com/corporate/investor-relations/document/ceo-letter-to-shareholders-2018.pdf

[4] https://www.cnn.com/2019/04/04/business/jamie-dimon-letter-jpmorgan-chase/index.html

business. That said, BNY Mellon is a significant investor in, and supporter of, low- and moderate-income affordable housing projects.

BNY Mellon used the benefits from the tax legislation to invest in our businesses and in our employees. Specifically, we used the benefits to raise employee wages – including establishing a $15/hour minimum wage for all U.S. employees – and to enhance our IT infrastructure to ensure the safety and stability of our systems.

Climate Change (All Witnesses)

Recently, EPA scientists published a peer reviewed report entitled *Climate Damages and Adaptation Potential Across Diverse Sectors of the United States*. The report echoes and confirms the dire findings of the Fourth National Climate Assessment published in 2018 by the United States Global Change Research Program. This new study "....show[s] complex patterns of projected changes across the country, with damages in some sectors (for example, labor, extreme temperature mortality and coastal property) estimated to range in the hundreds of billions of US dollars annually [in each such sector] by the end of the century under high emissions. Inclusion of a large number of sectors shows that there are no regions that escape some mix of adverse impacts. Lower emissions, and adaptation in relevant sectors, would result in substantial economic benefits."[5]

7. **How should the extremely well-known and increasingly well-documented material risks associated with current and projected climate change impacts on the US economy be communicated by the management of publicly traded companies to their shareholders and to the average investor?**

8. **Specifically, how should the management of publicly traded companies discuss and disclose the risks to their shareholders value and a company's assets and operations of the legislative, regulatory, business and market impacts of current and projected trends in climate change, including those documented and forecast by the Fourth National Climate Assessment?**

9. **If you do not concur with the US government's findings or the overwhelming preponderance of scientific studies documenting the increasing risks to our economy and public health from increasing greenhouse gas concentrations in the atmosphere, please explain why.**

10. **If you do not believe that climate change impacts are a material risk that should be managed, discussed, and disclosed by leaders of public companies to protect shareholder value and corporate assets and operations, please explain why.**

A: We agree that climate change impacts are intensifying and that the negative impacts on societies and our natural resources are increasing. We believe that regulated financial institutions should support initiatives to combat climate change.

We disclose, in various forms, our internal practices with respect to climate change, including our investments in green energy tax programs and our own corporate practices.

We believe it is important to lead by example. To that end, we have maintained zero net carbon emissions since 2015 and provided more than $1.7 billion in financing for wind projects since

[5] https://www.nature.com/articles/s41558-019-0444-6.epdf

2014. We are proud that, for the sixth consecutive year, BNY Mellon has been awarded a position on the Climate A List by CDP, the non-profit global environmental disclosure program.

Given our unique custody business model, we do not have significant corporate lending businesses or meaningful exposures to the energy sector. However, we continue to collaborate with our clients on renewable energy funds, green bond issuance and other sustainable finance vehicles.

Questions for the Record
Financial Services Committee
"Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 years after the Financial Crisis."
Representative Barr

What is one regulation, either implemented or proposed, that your institution is subject to, that you believe could potentially exacerbate an economic downturn or may impede recovery from a downturn?

A: Post-crisis regulations increased capital and liquidity levels. These regulations include the liquidity coverage ratio, the enhanced liquidity standards under Regulation YY, the enhanced supplementary leverage ratio, the countercyclical capital buffer, the capital conservation buffer, the GSIB surcharge, and stress testing.

In theory, banks should use these increased capital and liquidity resources to weather a stress event. They would use these resources to lend and support the broader economy.

It is unclear whether this would happen in practice, however. Banks may be reluctant to use their resources, and instead, continue to accumulate or maintain capital and liquidity to avoid supervisory criticism or investor backlash.

Regulators could address this uncertainty in several ways. One is by explicitly clarifying in regulation that resources are intended to be used. This is particularly important for the LCR. The second is by fostering a more collaborative and transparent relationship by examiners toward supervised banks.

Questions for the Record
Financial Services Committee
"Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 years after the Financial Crisis."
Representative Joyce Beatty
Chair, Subcommittee on Diversity and Inclusion

The 2008 financial crisis, in particular, revealed the depth of the problems in the financial services industry, including a lack of diversity in the industry's workforce and business activities. In response to this concern, Section 342 of the Dodd Frank Wall Street Reform and Consumer Protection Act created 20 Offices of Minority and Women Inclusion (OMWI) in the nation's most powerful financial regulatory agencies, to be responsible for all matters relating to diversity in regulated agencies' management, employment, and business activities.[1] Section 342(b)(2)(C) of the Dodd-Frank Act also required the OMWI Director of each agency to develop standards for assessing the diversity policies and practices of entities regulated by the agency. The Final Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity and Policies and Practices of Entities Regulated (Joint Standards) was adopted in June 2015 by the lead prudential banking and consumer finance regulatory agencies to implement this requirement.[2] Unfortunately, a complete picture of diversity and inclusion in the financial services industry cannot be obtained until the financial services industry shares their diversity data and policies with the OMWIs, Congress, and the public. Under the Joint Standards, regulated entities were encouraged, but not required, to share diversity data and policies with the OMWI offices. Without access to this data, it is not fully possible to gauge whether regulated entities are meeting the spirit and intention of Section 342.

To best examine this concern about Bank of New York Mellon's implementation of diversity and inclusion initiatives, please provide the following about your institution's diversity and inclusion data and policies from 2015 through present, including:[3]

1. **Demographic totals on your employees, including:**
    a. **Total number of employees (full- and part-time)**
    b. **Career level of employees (executive and manager versus employees in other roles);**
    c. **Gender, race and ethnic identity of your employees, as otherwise known or provided voluntarily;**
    d. **Employee compensation by gender, race and ethnicity;**

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[1] Pub. L. No. 111-203 (2010).
[2] Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Bureau of Consumer Financial Protection and
Securities and Exchange Commission; Final Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Securities and Exchange Commission; OCC-2013-0014, OP-1465 and Release No. 34-75050 File No. S7-10-15 (June 2015).
[3] If your institution is a member of and participated in diversity surveys conducted by the Securities Industry and Financial Markets Association, you may have previously provided similar diversity statistics and information to that trade association. If so, that data may be provided as a response, in part, to this data request.

Total Employees as of May 31, 2019: 50,209

Career Grade Levels

Grade Level	***Number***	***Percent***
Senior Leaders[4]	*3,305*	*7%*
Mid-level Leaders[5]	*16,551*	*33%*
Staff[6]	*30,353*	*60%*

Gender Diversity

- *As of May 31, 2019, Women represent 41% of our total global workforce and 45% of our U.S. workforce, including:*
    - *18% of our executive leadership,*
    - *28% of our senior leadership (i.e., Director level and above) and*
    - *36% of our mid-level leadership (i.e., Vice President levels).*
- *We are committed to continuing to increase representation of women throughout the organization, with women accounting for 43% of all new hires as of May 31, 2019.*

Ethnic Diversity

- *As of May 31, 2019, our U.S. workforce is 35% ethnically diverse*
- *We are committed to improving ethnic representation, with ethnically diverse talent accounting for 47% of all new hires as of May 31, 2019.*

Demonstrating BNY Mellon's commitment to equal pay for equal work, a global analysis of our for certain factors, including geography, level and job to make the comparisons more relevant. A similar analysis comparing how U.S. minority and non-minority employees are paid found minority employees are paid on average more than 99% of what non-minority employees are paid when accounting for certain factors, including geography, level and job. We plan to continue our review of pay practices to further this goal and, if necessary, to make adjustments, as appropriate.

[4] "Senior Leaders" include BNY Mellon grades M and above, which encompass our Directors and Managing Directors.
[5] "Mid-level Leaders" include BNY Mellon grades J, K and L, which encompass our Vice Presidents.
[6] "Staff" includes BNY Mellon grades I and below.

2. **Number and dollar value invested with minority- and women-owned vendors and asset managers as compared to all vendor and asset manager investments, as applicable;**
    a. **Amount and percentage of company 401K plan and other pension plan assets invested with diverse-owned asset management firms and categorize each firm by gender and racial ownership type (i.e. women, African-American, Latino etc.)**
    b. **Amount and percentage of externally-managed wealth management platform assets invested with diverse-owned asset management firms and categorize each firm by gender and racial ownership type (i.e. women, African-American, Latino etc.)**
    c. **Amount and percentage of investments managed by diverse owned banks and underwriters and categorize each firm by gender and racial ownership type (i.e. women, African-American, Latino etc.)**

The assets with BNY Mellon's Investment Management business are either internally managed by our eight affiliated investment firms or by our Wealth Management business, that has assets managed internally and with external asset managers. Three of our affiliated investment firms and our Wealth Management businesses are led by women.

Of the 67 external asset managers used by our Wealth Management business, 13 (or 19%) are with diverse-owned asset management firms that are substantially owned (defined as 25% to 49% women or minority ownership) and majority owned (50% or higher women or minority ownership). This amounts to around 8% of all externally managed assets by dollar amount.

Of these diverse-owned asset management firms, 7 (or 10%) are majority owned (50% or higher women or minority ownership). This amounts to around 3% of all externally managed assets by dollar amount. This information is based on data that the external asset managers provide to eVestment. The following categories are used for minority and women-owned designation: disability-owned, African American-owned, Hispanic-owned, Asian-owned, female-owned, other minority-owned.

Our commitment to D&I extends to our suppliers. BNY Mellon's Supplier Diversity Program (SDP) promotes the use of companies owned, operated and managed by women, minorities, veterans and LGBT+ individuals and people with disabilities. The program supports diverse-owned companies and small businesses by helping them position themselves more competitively in our procurement process. We are active participants in a number of diverse supplier advocacy, education and development organizations, with which we collaborate to provide training, capacity-building tools, networking and expo events to introduce diverse-owned companies and small business to corporate buyers. SDP activities contribute toward BNY Mellon's total community services reported under the Community Reinvestment Act. Our Supply Chain

Responsibility webpage provides information and resources, including our Supplier Code of Conduct that lays out expectations for suppliers and their social responsibility commitments, and access to our Supplier Registration Portal.

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Our SDP partners include:

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- *The National Minority Supplier Development Council and its regional Councils*
- *The New York City Department of Small Business Services*
- *National Gay & Lesbian Chamber of Commerce*
- *Women's Business Enterprise National Council (women-owned businesses in the U.S.)*
- *WeConnect (women-owned businesses outside of the U.S.)*

3. **Title(s) and reporting structure for your institution's lead diversity officer(s);**
   a. **Number of staff and budget dedicated to diversity initiatives;**

Global Head of Diversity & Inclusion reports to the Chief Human Resources Officer
Global D&I staff: 8
Dedicated budget for D&I initiatives: $768k

4. **Description of performance measures and compensation tied to diversity initiatives;**
5. **Company-wide diversity policies and practices, including:**
   a. **Recruitment strategies;**
   b. **Outreach to diverse organizations, such as historically black colleges and universities and professional organizations;**
   c. **Gender pay equity data and efforts to close any identified gaps;**

BNY Mellon has set its sights on building the best global team – with different skills, disciplines, backgrounds and experiences to achieve better decisions, solutions and outcomes. Our recruitment strategies include requiring diverse candidate slates for all roles, at all levels; involving diverse interviewers; and partnering with external organizations to diversify external talent pipelines and improve diverse hiring as well as provide professional development opportunities in support of advancing and retaining our top diverse employees.

D&I goals in 2018 have greater specificity regarding workforce representation opportunities. Each Executive Committee leader sets diversity goals is accountable for improving the diversity of their teams, with emphasis on diversifying our senior leadership ranks. We pay incentives to our leaders based on performance against goals, including D&I goals.

Working with select organizations, such as diverse professional associations and nonprofits, help us better understand the evolving needs and expectations of diverse talent and connect with prospective diverse talent. We partner with organizations, such as:

- *AnitaB.org, Grace Hopper Conference*
- *Ascend*
- *Asia Society*
- *Association of Latino Professionals for American (ALPFA)*
- *Financial Women's Association (FWA)*
- *Hispanic IT Executive Council (HITEC)*
- *Information Technology Senior Management Forum (ITSMF)*
- *National Association of Black Accountants (NABA)*
- *The Alumni Society*
- *The Executive Leadership Council*
- *Out & Equal*
- *Women's Bond Club*
- *Women's Wall Street Alliance (BNY Mellon is a founding member)*

Expanding the definition of diversity to build more robust talent pipelines is a collective endeavor across our company, drawing on the passion and commitment of BNY Mellon's E/BRGs. For example, VETNET serves as a valuable resource to attract and support returning military members and their families during the transition to corporate and civilian life. HEART engages students and professionals with disabilities, advises on technologies to make collaboration and communication more accessible and supports continued education of employee wellbeing and the needs and value of people with disabilities in the workplace. PRISM members are active in OPEN Finance, a volunteer network of member firms committed to supporting LGBT+ talent and driving forward LGBT+ equality and diversity in the financial services sector.

We are piloting new approaches to reach more diverse talent pools and raise awareness of financial career paths among diverse professionals and students. Examples include:

- *Gender-neutral job descriptions – piloting the removal of gendered and other biased language saw increases in women applicants after revisions*
- *Non-traditional talent pools – expanding talent sourcing efforts to include those who have taken an extended leave of absence from the workforce requires a mindset shift to consider candidates' potential as well as past performance*
- *Next-generation talent – supporting Science, Technology, Engineering and Math (STEM) careers among diverse students through partnerships with diversity-*

focused university/college clubs and student associations and leveraging the networks and insights of BNY Mellon's E/BRGs to engage emerging diverse talent

BNY Mellon is committed to fair and equitable compensation practices. We regularly review our compensation programs to ensure employees receive equal pay for equal work, and have voluntarily published the results of our gender pay equity analysis. In the UK, pursuant to legislation introduced by the UK Government Equalities Office, BNY Mellon also published a gender pay gap report. Salary ranges are developed based on external market data and provided to managers to guide compensation decisions. Managers determine where individual compensation should be positioned within these ranges based on numerous factors, including performance and internal pay equity.

6. **Corporate board demographic data, including;**
    a. **Total number of board members;**
    b. **Gender, race and ethnic identity of board members, as otherwise known or provided voluntarily;**
    c. **Board position title, as well as any leadership and subcommittee assignments;**

Of the 12 members of BNY Mellon's Board of Directors:

- *3 (25%) are women: Linda Z. Cook, Jennifer B. Morgan, Elizabeth E. Robinson*
- *2 (17%) are Black/African American: Samuel C. Scott III, Alfred "Al" W. Zollar*
- *1 (8%) is Latinx: Joseph J. Echevarria*

Additional information, including director bios, board position titles, and leadership and subcommittee assignments, can be found on our Investor Relations webpage (https://www.bnymellon.com/us/en/investor-relations/index.jsp#governance).

7. **Your institution's diversity policies and practices; and**
8. **Any challenges your institution faces in implementing its diversity goals and initiatives.**

In addition to recruitment strategies, BNY Mellon's diversity policies and practices encompass developing and advancing top diverse employees. Promotion and retention of internal talent, in addition to hiring external talent, are critical paths to improving diverse workforce representation. Making progress along all three paths depends on conscious actions, objective decisions and inclusive leadership.

BNY Mellon's Workforce Strategy team tracks diversity throughout the talent lifecycle, identifying representation changes and providing analytical insights to improve workforce diversity and talent outcomes. D&I is embedded in a continuum of integrated people performance and development processes, with Human Resources working together with our businesses and corporate support areas and external partners to diversify external talent pipelines, build robust internal talent pipelines and succession benches; identify, develop and advance top performing diverse talent; and reinforce an inclusive culture and workplace.

To help our people understand and overcome bias, unconscious bias training is required of all new hires. A neuroscience-based unconscious bias pilot training will engage 500 senior managers in 2019, and a "train-the-trainer" model is planned to sustain behavior change and scale the impact to many more managers. Inclusion workshops, storytelling and workspaces designed to foster greater collaboration help support inclusion and drive culture change. E/BRG mentoring and reverse mentoring programs also support diverse workforce advancement and retention.

In addition to internal programs, we position top diverse talent at external development programs, leveraging the peer learning and coaching opportunities offered by partner organizations. A few examples include the 30% Club, U.S. Army War College, Women Unlimited and The Partnership. (Charlie Scharf is a member of the U.S. 30% Club.)

In an effort to extend D&I responsibility and ownership to more leaders across the company and bring fresh perspectives to the work, our D&I governance model includes a Global D&I Advisory Council to the CEO and D&I Councils in BNY Mellon's APAC, EMEA, LATAM and India regions. BNY Mellon's six Employee and Business Resource Groups (E/BRG) empower employee-led inclusion at every level of the organization. One in four employees is a member of an E/BRG.

To enhance Board diversity, in 2018 BNY Mellon expanded its Corporate Governance Guidelines(https://www.bnymellon.com/us/en/who-we-are/corporate-governance/corporate-governance-guidelines.jsp). Our Corporate Governance, Nominating and Social Responsibility Committee of the Board recognizes sexual orientation, among a variety of attributes and factors as contributing to the board's collective strength. BNY Mellon is one of only six Fortune 500 companies that includes LGBT+ perspectives in board diversity[7].

BNY Mellon shares our diversity and inclusion (D&I) commitment, strategy and efforts on our external website (www.bnymellon.com/diversity). We hold ourselves publicly accountable by reporting workforce and board diversity demographics and hiring statistics through our annual CSR Report and various shareholder communications. In accordance with U.S. regulations, BNY Mellon submits an annual EEO-1 Report disclosing data in compliance with EEO definitions and categorized by race/ethnicity, gender and job category. Since 2017, we have also voluntarily submitted an annual D&I Self-Assessment Report to the Federal Reserve Board of Governors, BNY Mellon's prudential regulator, and the OMWIs of other regulatory agencies, upon request.

[7] As confirmed with Out Leadership QUORUM and published in its 2018 white paper, "Advancing LGBT+ diversity in corporate governance."

Questions for the Record
Financial Services Committee
"Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 years after the Financial Crisis."
Representative Cleaver
[All witnesses]

Economic Conditions and Big Bank Responsibility
The Kansas City Fed produced a report on low- and moderate-income individuals' economic conditions within their district. The report read that "more survey contacts still reported worsening conditions than improving conditions, and those who reported no change were in some sense comparing current conditions with a low base." This is to say that conditions for some of low-income people have been negative for so long it is like looking up from a hole that hasn't gotten any deeper but is still far underground. Nationally, less than 75 percent of those younger than 65 with incomes less than $25,000 have health insurance coverage, compared with about 95 percent of those with incomes greater than $50,000. Since 2008, more than 2.5 million new jobs were created in the most prosperous ZIP codes, while the least prosperous areas lost nearly 1.5 million jobs, according to research from the Economic Innovation Group. People are struggling all over this country and when they hear about a tax reform bill that resulted in record stock buybacks and bonuses to senior executives—they are understandably upset.

What are your firms doing to create long-term, sustainable changes to help these struggling communities?

- **Specially, what measurable long-term commitments have your firms made to uplift struggling communities and where are you in achieving measurable benchmarks?**
- **If no such process exist would you be willing to develop such commitments?**

Are your firms planning to deploy recourses in the core of communities who need them through the opportunity zones program?

- **If yes, please articulate exactly how your firm plans to do that?**
- **If not, why not?**

How will you ensure your firms resources will deployed in communities that need them and not diverted to those that do not? What metrics and tools are you using to ensure your resources and investments will be deployed in the most needed areas?

Our business model is very different from a traditional retail bank, commercial bank, or investment bank. We do not operate typical retail banking branches in the United States. Unlike most banks, we do not focus on retail markets, nor do we provide financial products such as credit cards and auto loans. The majority of our business includes providing custody and other basic operational services to governments; pension, municipal, and mutual funds; endowments; unions; and other institutional customers. So we don't do the activities mentioned above. However, we were recently announced to be the sole provider of global fund administration services for SkyBridge Capital's Opportunity Zone Real Estate Investment Trust, a private, non-traded real estate investment trust with a mandate to invest in residential commercial and industrial real estate in US Treasury-designated Opportunity Zones in the United States.

Additionally, BNY Mellon is significant investor in, and supporter of, low- and moderate-income affordable housing projects. We understand the importance of serving our community, and we have made significant investments in New York City, including financing the construction and preservation of approximately 5,700 affordable housing units. These types of projects coordinate *funding sources from the private, public, and nonprofit sectors and leverage BNY Mellon's capabilities in navigating complex transactions.*

Diversity

Adopted in 2003, the Rooney Rule is an National Football League policy that requires teams to interview ethnic-minority candidates for head coaching jobs. Since then, the Rooney Rule has been expanded to include general manager jobs. A similar rule requires that a woman be interviewed for every business front-office position that opens in the league.

In all witnesses' testimonies diversity was noted as an important principal.

Would you all be willing to commit to abiding by a Rooney Rule when interviewing for every open executive level position in your firm?

At BNY Mellon, we endeavor to consider a diverse slate of candidates for executive level positions within the company and work to attract and retain a diverse talent pool, consistent with the goals of the National Football League's Rooney Rule.

We believe that our numbers reflect this commitment. Currently, 25% of our Board of Directors are persons of color and 25% are women. At the Executive Committee level, 30% are persons of color and/or women.

Has your firm identified disparities in the promotion/retention rates of diverse employees? If so, what steps has your company taken to evaluate and address such disparities?

We believe that the diversity of our employees is one of our greatest strengths. We therefore hold our Executive Committee accountable for achieving strengthened diversity and inclusion goals, with their incentive compensation tied to performance against these goals.

BNY Mellon's Executive Committee (EC) sets goals to improve workforce diversity, with particular emphasis on diversifying senior leadership ranks which can support a more diverse C-suite talent pipeline. EC members' incentive compensation is tied to performance against goals, including D&I goals. Executive ownership and accountability of D&I outcomes and increased D&I communications and discussions during leadership and team meetings and town halls are sustaining focus on gender equality globally and ethnic representation in our U.S. workforce.

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In an effort to extend D&I responsibility and ownership to more leaders across the company and bring fresh perspectives to the work, our D&I governance model includes a Global D&I Advisory Council to the CEO and D&I Councils in BNY Mellon's APAC, EMEA, LATAM and India regions. BNY Mellon's six Employee and Business Resource Groups (E/BRG) empower employee-led inclusion at every level of the organization. One in four employees is a member of an E/BRG.

BNY Mellon is one of only six Fortune 500 companies that includes LGBT+ perspectives in board diversity.

What steps does you firm take to ensure equal pay for equal work for women and minorities?

At BNY Mellon, we are committed to providing equal pay for equal work. We plan to continue our review of pay practices to further this goal and, if necessary, to make adjustments, as appropriate.

We conducted a global analysis, which found that, on average, women are paid 99 percent of what men are paid when accounting for certain factors, including geography, level and job to make the comparisons more relevant. Furthermore, we conducted a similar analysis comparing how U.S. minority and non-minority employees are paid at BNY Mellon, which found that minority employees are paid on average more than 99 percent of what non-minority employees are paid when accounting for certain factors, including geography, level and job.

BNY Mellon is committed to fair and equitable compensation practices. We regularly review our compensation programs to ensure employees receive equal pay for equal work, and have voluntarily published the results of our gender pay equity analysis. In the UK, pursuant to legislation introduced by the UK Government Equalities Office, BNY Mellon also published a gender pay gap report. Salary ranges are developed based on external market data and provided to managers to guide compensation decisions. Managers determine where individual compensation should be positioned within these ranges based on numerous factors, including performance and internal pay equity. Of note, BNY Mellon topped Arjuna Capital's 2018 Gender Pay Scorecard as one of only six companies awarded an "A-", the highest rating given.

We recognize that we have work to do, and we continue to make pay equity a priority.

Do your companies currently set targets and/or goals for supplier diversity (including outside legal services)?

BNY Mellon's Supply Chain Responsibility Program demonstrates our commitment to a diverse and inclusive workforce, which extends to our procurement process. We work closely with our diverse suppliers to expand their opportunities with the company and we collaborate with organizations focusing on economic development, growth, learning, and leadership to promote the full potential of individuals, their companies and the communities in which we live and work.

We are proud of our program, which focuses on increasing spend with diverse suppliers and expanding our network of diverse suppliers. Through this program, we have created a senior level Supplier Diversity Position and have worked with our business units to establish diversity goals.

Fintech

There was a report released by Berkley University entitled "Consumer-Discrimination in the Era of Fintech[1]."
The report highlights that, "the mode of lending discrimination has shifted from human bias to algorithmic bias."
"Even if the people writing the algorithms intend to create a fair system, their programming is having a disparate impact on minority borrowers—in other words, discriminating under the law."

[1] https://faculty.haas.berkeley.edu/morse/research/papers/discrim.pdf

All of your firms were included in this report.

I understand from our exchange during the hearing that you may not be aware of the report. I would request that you all committee to reviewing the report and its findings.

What steps are you prepared to take to address its findings?

How does your firm ensure compliance with fair lending laws while deploying algorithms? What steps do your firms take to monitor and evaluate the impact of automated decision making on racial subgroups? What forms of self-testing do you utilize in this area?

If your firm utilizes "alternative data" for evaluating credit worthiness and terms of contract, what data has your firm has definitively determined should not be used either because it is explicitly discriminatory or may serve as a proxy for discrimination?

BNY Mellon is primarily a custody bank and does not engage in general retail lending. We do not lend to consumers based on any algorithmic mechanisms.

Questions for the Record
Financial Services Committee
"Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 years after the Financial Crisis."
Representative Garcia

BNY Mellon

In this year's annual report, the Financial Stability Oversight Commission stated:
"Concentration risk has increased in the tri-party repo market, as just one institution became effectively responsible for all clearing of that important market segment. This increases the financial stability risks that would be associated with distress at that institution. Even a temporary service disruption, such as an operational failure, could impair the market"

1) **Is the one institution referred to in this paragraph BNY Mellon?**

2) **Would you agree with that assessment of the financial stability risks involved in the concentration of clearing and repo services for that market segment?**

3) **BNY Mellon has paid out over $3 billion to shareholders over the past year, which represents money that is not reinvested in your business.**

   What are you doing to invest the funds necessary to ensure that your responsibilities as the sole provider of systemically critical financial services are being fulfilled?

A: BNY Mellon is the primary servicer of the tri-party repurchase market. We provide agent services to participants in tri-party repurchase transactions, including holding securities and settling transactions.

We have reduced the risk in this line of our business. One of our major post-crisis risk reduction initiatives was to partner with the Federal Reserve to de-risk the tri-party funding market. We achieved the practical elimination of intraday credit (97%) and significantly increased financial stability, while still allowing our clients to access necessary funding services.

Over the last several years, we have initiated many projects to improve the resiliency of our technology and operations. Specifically, we made a large investment in a brand new US Government Clearance system – BDC – which was fully implemented for all our BDS clients in 2017. In addition more recently, we made investments to migrate off of older technology applications which support BDC and RepoEdge (RepoEdge being the US tri-party collateral management system). Finally, we are making large investments as part of the firm-wide resiliency plan to enhance our recovery capabilities within and between datacenters.

From an operational perspective, we continue to invest in a 3 site operating model with real time failover capabilities for our critical operational staff that supports the business.

In addition, all of our stock buybacks are approved by our regulator, the Federal Reserve, to ensure that we have sufficient capital to make this investment.

Questions for the Record
Financial Services Committee
"Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 years after the Financial Crisis."
Representative Green

1. **All: Has your firm ever had a woman or person of color in the position of Chair & CEO?**
   No. However, Karen Peetz was President of BNY Mellon from 2013-2016.

2. **All: At the full Committee hearing on April 10, 2019, when asked about your likely successor, you each indicated that it is unlikely that a woman or person of color will replace you.**
   a. **Why do your likely successors exclude women and people of color?**
   b. **What are you doing to diversify the talent pipeline for very senior leadership roles at your bank?**

   As part of any major leadership transition, BNY Mellon's Board of Directors will consider an array of candidates, including women and people of color.

   BNY Mellon's Executive Committee (EC) sets goals to improve workforce diversity, with particular emphasis on diversifying senior leadership ranks which can support a more diverse C-suite talent pipeline. EC members' incentive compensation is tied to performance against goals, including D&I goals. Executive ownership and accountability of D&I outcomes and increased D&I communications and discussions during leadership and team meetings and town halls are sustaining focus on gender equality globally and ethnic representation in our U.S. workforce.

   To enhance Board diversity, in 2018 BNY Mellon expanded its Corporate Governance Guidelines. Our Corporate Governance, Nominating and Social Responsibility Committee of the Board recognizes sexual orientation, among a variety of attributes and factors as contributing to the board's collective strength. BNY Mellon is one of only six Fortune 500 companies that includes LGBT+ perspectives in board diversity.

3. **All: Often a CEO's responsibilities include leadership planning. Is this one of your exclusive or shared responsibilities as CEO? If yes:**
   a. **Do you believe your leadership planning sufficiently prioritizes the development of diverse candidates for the bank's most senior roles?**
   b. **What changes in your bank's leadership development and planning would increase the likelihood that likely candidates to succeed you will include women, people of color, and LGBTQ people?**
   c. **Do you commit to making those changes to your bank's leadership development plan?**

   Expanding diversity of our senior leadership and Board of Directors is one of our priorities.

   Our Executive Committee sets goals to improve workforce diversity, with particular emphasis on diversifying our senior leadership ranks, and their compensation and incentives are tied to performance against these diversity and inclusion goals.

4. **All: Produce documentation of your bank's leadership development plan.**

5. **Mr. Corbat and Mr. Scharf: At the full Committee hearing on April 10, 2019, you indicated by your response that your bank benefitted from slavery. With respect to all benefits that your respective bank derived directly or indirectly from slavery, indicate the following:**
   a. **The nature, amount, time period, and details of such benefits as well as the parties to all transactions conferring such benefit.**
   b. **How the bank quantified the benefits received, including the source of the information relied upon, and all findings relating to such benefits.**
   c. **The steps taken by the bank in response to the findings regarding benefits from slavery.**

To clarify the record, Mr. Scharf did not intend to respond affirmatively to this question.

6. **All: It often takes years to recover from the damage and loss caused by a natural disaster. I know this because my district of Houston is unfortunately still struggling to recover since Hurricane Harvey devastated countless homes and communities. That is why I believe we need to push banks to provide real assistance after the foreclosure moratoria expire. People need more time to rebuild and a way to deal with the inevitable missed payments through a modification or other form of relief that isn't just resuming their regular payment or paying back a lump sum. What options do you offer disaster relief victims after the first year for long term solutions that help borrowers keep their homes?**

BNY Mellon is primarily a custody bank and, as such, is not an active participant in the general mortgage market.

7. **All: According to a recent study by Reveal from the Center for Investigative Reporting, fifty years after the Fair Housing Act banned discrimination in lending, African-Americans and Hispanic (or Latinx) Americans are still denied conventional mortgage loans at rates far higher than their white counterparts in 61 metro areas across the United States. Earlier this year, Citi entered into a settlement with the OCC for failing to give minority customers mortgage discounts that were available to many other borrowers. In 2017, JP Morgan Chase entered into a $53 million settlement for overcharging African-American and Hispanic borrowers higher rates and fees on mortgage loans.**
   a. **Do you agree that discrimination exists in mortgage lending?**
   b. **What changes, if any, have you made to your systems and procedures to prevent this type of discrimination in the future?**
   c. **What systems do you have in place to make sure your bank is not discriminating against borrowers of color?**

BNY Mellon is primarily a custody bank and, as such, is not an active participant in the general mortgage market.

Questions for the Record
Hearing: "Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 years after the Financial Crisis"
Date of Hearing: April 10, 2019
Member: Rep. Ben McAdams

1. **For all witnesses:**
   a. **How do you survey and evaluate employee morale? And how do you incorporate that feedback into action plans to improve your companies?**
   b. **What steps does your company take to ensure employees can report concerns or grievances up the chain of command and/or to an independent entity outside the direct chain of command? How do you ensure these employees can report any concerns without fear of reprisal?**

BNY Mellon does an annual employee survey. We believe that employee feedback is essential as we work to continuously improve the company. The results of the survey are generated in aggregate at the business/corporate staff and regional levels and are limited to groups with 10 or more respondents.

The Ethics Help Line is an internal, confidential and anonymous resource to ask questions or report issues concerning conduct that is, or appears to be inconsistent with our Code of Conduct. As an alternative, if employees are uncomfortable contacting the company directly to the Ethics Hot Line by contacting EthicsPoint, an independent hotline administrator. Regardless of the reporting channel, the company has a strict, zero tolerance policy for retaliation.

Engaged, healthy employees are critical to our ability to serve clients with excellence and achieve our goals. When employees are at their best, they improve productivity and contribute to a purposeful, inclusive culture.

We encourage employees to share ideas and feedback through our annual employee survey, internal social media site and listening culture. We gather employee feedback annually through an all-employee survey. In 2018, we changed our approach, moving away from traditional benchmarks to focus on a new set of expectations and cultural norms we want to instill across our company. These expectations include a commitment to excellence, accountability, being client-driven and efficient decision-making. Most of the survey questions were new and established a baseline from which to measure the results of our cultural transformation.

Seventy-one percent of our employees shared their feedback in 2018, and it was clear from the results and comments that our employees are passionate about delivering excellent work and energized to do their part to meet our current business challenges. We provided high-level results to senior managers and shared with management teams as appropriate. Our business leaders create action plans to address core findings from the survey as part of our regular business activity.

Questions for the Record
Financial Services Committee
"Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 years after the Financial Crisis."
Representative Alexandria Ocasio Cortez

Question for Michael Corbat, James Gorman, Brian Moynihan, Ronald O'Hanley, Charles Scharf, and David Solomon:
Mr. Dimon indicated that JP Morgan Chase will no longer be financing or working with private prisons and detention centers. Earlier this month, the Wells Fargo and US Bank also announced that their banks would no longer be financing or working with private prisons or detention centers. When do your banks plan to cease providing lending or other services to companies in the private prison and detention industry?

A: BNY Mellon is primarily a custody bank and, as such, is not an active participant in providing loans or ancillary financial services to corporations, including the entities mentioned in this question.

Questions for the Record
Financial Services Committee
"Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 years after the Financial Crisis."
Representative Rose

To each CEO:

I am concerned with the recent trend of banks pulling financing from firearm industry participants. Responding to a question Chairman Mike Crapo asked in a Senate Banking Committee hearing in April 2018, Federal Reserve Vice Chairman of Supervision Randy Quarles responded: "I do not believe that lending to the NRA or to law-abiding gun firms in the gun industry raises security and soundness questions."

Can you outline how your bank ensures that any withholding of banking services for the firearm industry, or any lawful business activity, is based on legitimate concerns of federal and state law compliance or creditworthiness as opposed to activist groups' disfavor of a certain lawful business activity?

If there are applicable laws, we will certainly follow them but we feel that we should not apply any additional rules or our own standards of morality to the activities of our customers.

Congressman Brad Sherman
Questions for the Record
House Committee on Financial Services Hearing: "Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 Years After the Financial Crisis"
April 10, 2019

Questions for Michael L. Corbat: Chief Executive Officer, Citigroup, James Dimon: Chairman and Chief Executive Officer, JP Morgan Chase and Co., James P. Gorman: Chairman and Chief Executive Officer, Morgan Stanley, Brian T. Moynihan: Chairman and Chief Executive Officer, Bank of America, Ronald P. O'Hanley: President and Chief Executive Officer, State Street Corporation, Charles W. Scharf: Chairman and Chief Executive Officer, Bank of New York Mellon, David M. Solomon: Chairman and Chief Executive Officer, Goldman Sachs:

1. **The American with Disabilities Act is nearing its 30th Anniversary (July 26, 2020) and several subsequent pieces of legislation have worked to fulfill the promise of the ADA. The Workforce Innovation and Opportunity Act transformed our nation's workforce development system to become more accessible, the Section 503 regulations encouraged federal contractors to recruit qualified individuals with disabilities, the Achieve a Better Life Expectancy (ABLE) Act created tax-free savings account to help pay for disability needs and CRA applies to low income people with disabilities. Please explain what your Financial Institution is currently doing or planning to do to support low-income people with disabilities in these specific areas:**
   - **Employment/Vocational Training**
   - **Financial Literacy**
   - **Promotion of ABLE Accounts**
   - **Housing**
   - **Education**
   - **Socialization**
   - **Public Policy**

   BNY Mellon is committed to supporting the public sector and the ABLE community. Our BNY Mellon team works with states to offer a powerful end-to-end plan management solution that simplifies the delivery of ABLE savings plans. We provide states with a single point of accountability for service delivery, service management, and customer support. In 2016 and 2017, we helped early adopter states Oregon and Maryland launch their ABLE plans with totaled approximately 1,500 accounts, as of February 2018. Additionally, we worked with the National Disability Institute in 2017 to raise awareness of ABLE programs, through the national #ABLEtoSave campaign. To further improve our outreach to the disabled community, BNY Mellon customer service representatives are trained to work with people with disabilities and accommodate their individual needs.

2. **There are over 22 million working-age Americans and 70 percent of them are striving to work. However only one in three has a job. What is your financial institution's strategy for connecting with this pool of potential employees? How does your talent recruitment and employee education process meet the needs of job-seekers with disabilities? What processes are in place for when an employee with a disability requests a reasonable accommodation?**
3. **As a federal contractor, your financial institution has an aspirational goal to have 7 percent of your employees, in all job categories, be qualified individuals with disabilities. What efforts have you made to work towards this goal? How has your**

organizational culture evolved to include employees with disabilities? What percentage of your employees have disabilities? What barriers have you experienced to success? What successes have you achieved?

There is more we must do to raise awareness of the value of people with disabilities in the workplace and to create career paths for people with disabilities. As of May 31, 2019, people with disabilities accounted for 4% of BNY Mellon U.S. employees, based on voluntary disclosure. New hires can self-disclose during the onboarding process and all employees can update their self-disclosures on an annual basis. Pursuant to Affirmative Action regulation, job applicants are also offered an opportunity to self-disclose disability status. Our Careers webpage enables people with disabilities to request accommodations during the interview process. System enhancements in 2019, with implementation of appropriate governance controls and processes, allow recruiters to view diversity disclosures voluntarily submitted by applicants to support development of diverse slates and improve diverse hiring outcomes.

BNY Mellon's HEART ERG helps us engage talent with disabilities. HEART members participate, alongside recruiters, in job fairs and refer talent with disabilities. Through our relationship with the Rochester Institute of Technology's National Technical Institute for the Deaf (NTID), we have sourced talent for full-time roles and our internship program. In 2019, efforts are expanding to engage Best Buddies[1] chapters at various colleges and universities to raise awareness of BNY Mellon career opportunities among students with cognitive and developmental disabilities. Educating hiring managers on success stories of including people with disabilities in financial services and on our teams and affinity for certain types of roles is critical to improving disability hiring.

Under the ADA, BNY Mellon U.S. employees with disabilities can request reasonable accommodations in the workplace. The process involves making a verbal or written request to one's manager. An online form is available to simplify and expedite these requests. Managers can consult HR Advisors, with further support available from an Affirmative Action specialist, as needed, to approve and submit the request. An accommodation that is highly effective may be widely adopted. For example, after a deaf employee requested a desktop videophone, the equipment became standard issue to all deaf employees. Deaf and hard of hearing employees can also obtain iPads with hearing accessibility applications and features.

In 2019, BNY Mellon participated for the first time in the Disability Equality Index (DEI) to quantify and benchmark our current state and to better understand our opportunities to improve disability inclusion over time. The DEI recognizes "Best Places to Work for Disability Inclusion" by including companies that have policies, processes and practices that support people with disabilities in the workplace. With an inaugural score of 90, BNY Mellon will be included in the 2019 DEI (embargoed until July 17, 2019.)

There are valuable lessons coming out of BNY Mellon in India that can help us evolve the organizational culture to be more inclusive of people with disabilities. In partnership with the India HEART chapter, HR in India delivers sensitization sessions for recruiters and hiring managers ahead of interviews with talent with disabilities. Experiential workshops help employees walk in the shoes of colleagues with disabilities by simulating workplace situations and conditions that may be experienced by people with motor, speech, hearing and visual impairment. To support engagement of employees who are deaf or hard of hearing, sign

[1] Best Buddies is an international organization dedicated to ending the social, physical and economic isolation of people with intellectual and development disabilities.

language interpreters join town halls. To support professional development for employees with disabilities, our India team is piloting a career mapping program that focuses on inclusion and growth.

4. **Fully 26 percent of people with disabilities live in poverty and fully 18 percent of households headed by people with disabilities are unbanked. What efforts have your financial institutions made to support people with disabilities who want to seek our financial literacy, open a savings account or overwise improve their financial status?**

   At BNY Mellon, we are a custody bank. Our business model is very different from a traditional retail bank, commercial bank, or investment bank. We do not operate typical retail banking branches in the United States. Unlike most banks, we do not focus on retail markets, nor do we provide financial products such as credit cards and auto loans.

   However, BNY Mellon works with ABLE plan sponsors to bring tax-advantaged savings accounts to individuals with disabilities. As discussed above, we offer a powerful end-to-end plan management solution that simplifies the delivery of ABLE savings plans.

5. **What are you doing to help people with disabilities start or grow their own companies or have access to credit for home ownership?**

   As mentioned in the previous question, as a custody bank, we do not operate as a retail bank.

Questions for the Record
Financial Services Committee
"Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 years after the Financial Crisis."
Representative Rashida Tlaib

Questions Directed To:

- Mr. Michael L. Corbat, Chief Executive Officer, Citigroup
- Mr. James Dimon, Chairman & Chief Executive Officer, JP Morgan Chase & Co.
- Mr. James P. Gorman, Chairman & Chief Executive Officer, Morgan Stanley
- Mr. Brian T. Moynihan, Chairman & Chief Executive Officer, Bank of America
- Mr. Ronald P. O'Hanley, President & Chief Executive Officer, State Street Corporation
- Mr. Charles W. Scharf, Chairman & Chief Executive Officer, Bank of New York Mellon
- Mr. David M. Solomon, Chairman & Chief Executive Officer, Goldman Sachs

A new report finds that each of your banks benefited significantly from the 2017 corporate tax cut and also that each of your banks bought back at least several billion dollars in stock last year. We were promised going into that tax cut that corporations would spend that money on raising wages and creating jobs. For each of you:

- **What was the net change in your bank's U.S. employment last year?**
U.S. employment decreased by less than 700 employees year-over-year, from 28,350 as of December 31, 2017 to 27,650 as of December 31, 2018.

- **Did median pay at your bank increase last year? If so, by how much?**
Median pay for active full-time employees rose 4% year-over-year, from $51,750 in 2017 to $54,051 in 2018.

- **In 2018, did your bank utilize the provision in the 2017 tax law that provides an exemption for a 10 percent return on your overseas tangible investments (such as facilities and equipment)? If so, how much did that exemption cut your bank's taxes?**
BNY Mellon used all of the benefits from the tax legislation to raise employee wages – including establishing a $15/hour minimum wage for U.S. employees – and update our IT infrastructure.

- **How much profit have you generated in your high-carbon energy portfolio?**
BNY Mellon is primarily a custody bank and, as such, is not a significant participant in corporate lending. However, we are a major investor in wind power. We have invested in wind energy for many years. In 2017, BNY Mellon committed approximately $440 million for the financing of four U.S. wind energy projects. The projects have a combined total installed capacity of 363 megawatts, representing approximately six percent of the wind capacity installed in the U.S. that year. Since 2014, BNY Mellon has provided more than $1.7 billion in financing for wind projects with a combined capacity of 3,512 megawatts capable of powering approximately one million average U.S. homes. We believe it is important to lead by example, maintaining zero net carbon emissions since 2015. Additionally, we continue to collaborate with our clients on renewable energy funds, green bond issuance and other sustainable finance vehicles.

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David M. Solomon
Chairman and Chief Executive Officer

Goldman Sachs

June 10, 2019

The Honorable Maxine Waters, Chairwoman
The Honorable Patrick McHenry, Ranking Member
Financial Services Committee
United States House of Representatives
Washington, D.C. 20515

Dear Chairwoman Waters and Ranking Member McHenry,

I hope you are well. Enclosed please find responses to Questions for the Record that I received from Chairwoman Waters and other Members of the Committee following my appearance before the Committee on April 10, 2019.

Best regards,

Questions for the Record
David M. Solomon, Chairman and CEO of Goldman Sachs

House Financial Services Committee, April 10, 2018 hearing, "Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 Years after the Financial Crisis"

QUESTION FROM CONGRESSMAN BARR

1. **What is one regulation, either implemented or proposed, that your institution is subject to, that you believe could potentially exacerbate an economic downturn or may impede recovery from a downturn?**

As a result of the Dodd Frank Act, revisions to the Basel capital and liquidity standards and other market reforms, today the U.S. financial system is substantially safer and more resilient against failure or disruptions in critical services. Financial institutions have significantly more capital and usable total loss-absorbing capacity (TLAC). The largest financial institutions are more resolvable under stressed conditions without threatening the financial system or needing any government capital support.

We believe that some reassessments and recalibrations of the post-crisis regulatory regime would be sensible now that we are 10 years since the crisis. The U.S. prudential agencies have not comprehensively assessed how their post-crisis regulations interact with one another, or what their aggregate impact is not just on the safety and soundness of individual institutions, but on the liquidity of capital markets, lending activity, and overall economic growth, all of which can affect the financial stability of the United States.

And at a time when the Federal Reserve has acknowledged that large bank capital levels are "about right" and that it might make sense to simplify the no less than 24 separate capital-related requirements to which large banks are subject, the capital framework will undergo yet more material changes in the next two years. The incorporation of the G-SIB surcharge into CCAR via the Stress Capital Buffer and the rewriting of all of the risk-weighting frameworks via the Fundamental Review of the Trading Book and the Basel 3 revisions stand to further increase capital requirements and complexity for banks.

It is important to consider banks' capital and liquidity requirements within the context of the other reforms that have improved the stability of the financial system, such as leverage requirements, margin and clearing rules, living will requirements and long-term debt requirements. We believe that a holistic review of the cumulative impact of existing and forthcoming rules is warranted before introduction of any new regulations. Moreover, doing such an analysis would be an important exercise that would allow us to evaluate which particular rule(s) could exacerbate an economic downturn or may impede recovery from a downturn.

QUESTIONS FROM CONGRESSWOMAN BEATTY

The 2008 financial crisis, in particular, revealed the depth of the problems in the financial services industry, including a lack of diversity in the industry's workforce and business activities. In response to this concern, Section 342 of the Dodd Frank Wall Street Reform and Consumer Protection Act created 20 Offices of Minority and Women Inclusion (OMWI) in the nation's most powerful financial regulatory agencies, to be responsible for all matters relating to diversity in regulated agencies' management, employment, and business activities.[1] Section 342(b)(2)(C) of the Dodd-Frank Act also required the OMWI Director of each agency to develop standards for assessing the diversity policies and practices of entities regulated by the agency. The Final Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity and Policies and Practices of Entities Regulated (Joint Standards) was adopted in June 2015 by the lead prudential banking and consumer finance regulatory agencies to implement this requirement.[2]

Unfortunately, a complete picture of diversity and inclusion in the financial services industry cannot be obtained until the financial services industry shares their diversity data and policies with the OMWIs, Congress, and the public. Under the Joint Standards, regulated entities were encouraged, but not required, to share diversity data and policies with the OMWI offices. Without access to this data, it is not fully possible to gauge whether regulated entities are meeting the spirit and intention of Section 342.

To best examine this concern about Goldman Sachs' implementation of diversity and inclusion initiatives, please provide the following about your institution's diversity and inclusion data and policies from 2015 through present, including:[3]

1. **Demographic totals on your employees, including:**
   a) **Total number of employees (full- and part-time)**
   b) **Career level of employees (executive and manager versus employees in other roles);**
   c) **Gender, race and ethnic identity of your employees, as otherwise known or provided voluntarily;**
   d) **Employee compensation by gender, race and ethnicity;**

   As of December 2018, we had approximately 36,600 employees, with approximately 19,400 employees based in the United States. For a breakdown of demographic totals, please see the table below published in our Environmental, Social and Governance Sustainability Report (ESG) Report based on Goldman Sachs 2018 Equal Employment Opportunity (EEO-1) reports.

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[1] Pub. L. No. 111-203 (2010).
[2] Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Bureau of Consumer Financial Protection and Securities and Exchange Commission; Final Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Securities and Exchange Commission; OCC-2013-0014, OP-1465 and Release No. 34-75050 File No. S7-10-15 (June 2015).
[3] If your institution is a member of and participated in diversity surveys conducted by the Securities Industry and Financial Markets Association, you may have previously provided similar diversity statistics and information to that trade association. If so, that data may be provided as a response, in part, to this data request.

GOLDMAN SACHS U.S. WORKFORCE DEMOGRAPHICS

	White	Asian	Black or African American	American Indian/ Alaskan Native	Hispanic or Latino	Two or More Races	Native Hawaiian or Other Pacific Islander	Females
Exec/Sr. Officials & Managers	78.3%	14.0%	2.7%	0.1%	3.3%	0.8%	0.0%	22.0%
Officials & Managers	58.7%	29.7%	4.8%	0.2%	4.7%	1.4%	0.1%	29.0%
Professionals	54.0%	28.7%	5.5%	0.1%	9.2%	2.3%	0.2%	38.0%
All Others	61.8%	8.0%	13.8%	0.3%	14.5%	2.5%	0.2%	60.3%
Total	57.2%	25.2%	6.2%	0.1%	8.0%	2.1%	0.2%	38.7%

[illegible]

2. **Number and dollar value invested with minority- and women-owned vendors and asset managers as compared to all vendor and asset manager investments, as applicable;**
   a) **Amount and percentage of company 401K plan and other pension plan assets invested with diverse-owned asset management firms and categorize each firm by gender and racial ownership type (i.e. women, African-American, Latino etc.)**
   b) **Amount and percentage of externally-managed wealth management platform assets invested with diverse-owned asset management firms and categorize each firm by gender and racial ownership type (i.e. women, African-American, Latino etc.)**
   c) **Amount and percentage of investments managed by diverse owned banks and underwriters and categorize each firm by gender and racial ownership type (i.e. women, African-American, Latino etc.)**

We do not currently track how we invest these assets. We also do not currently share data regarding spend with diverse external vendors. However, we recently published a public commitment within our 2018 ESG Report to report our 2020 spend with diverse vendors. This commitment alongside other information on our program can be found on our vendor diversity webpage.[4]

3. **Title(s) and reporting structure for your institution's lead diversity officer(s);**
   a) **Number of staff and budget dedicated to diversity initiatives;**

Our Chief Diversity Officer (managing director) reports directly to the head of Human Capital Management (partner). There are 32 staff members at Goldman Sachs dedicated to diversity initiatives.

4. **Description of performance measures and compensation tied to diversity initiatives;**

Our Manager Effectiveness evaluation, which is part of annual formal feedback for managers who are a Managing Director or Vice President with at least three people who directly report to the manager, asks the employees to assess whether the manager "demonstrates a commitment to developing a diverse team and ownership of the firm's diversity priorities."

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[4] https://www.goldmansachs.com/our-firm/people-and-culture/vendor-diversity/.

5. **Company-wide diversity policies and practices, including:**
   a) **Recruitment strategies;**
   b) **Outreach to diverse organizations, such as historically black colleges and universities and professional organizations;**
   c) **Gender pay equity data and efforts to close any identified gaps;**

We have a range of initiatives in place to increase diverse representation at all levels while fostering inclusion.

We now recruit talented, diverse people by leveraging technology and engaging with new media outlets to search for people in new ways. Our aim is to engage with the broadest possible range of candidates, including pipeline programs designed to attract people who might not otherwise look to pursue a career in financial services.

We also now use video interviews for all first-round interactions with candidates, which allow any candidate from any school (including community colleges) to apply. In 2015 we interviewed students from 798 schools around the world, compared with 1,268 for our most recent incoming class. In the United States, where historically the majority of our student hires came from target schools, the opposite is now true: more students are hired from "non-target" schools.

In 2018, we enhanced our efforts to recruit top, diverse talent by introducing several new programs and extending proven programs. To increase representation of senior black professionals at our firm, we need to start on the front end (at the recruiting phase) to develop a strong pipeline of black talent. As part of our overall strategy to be more inclusive, we now recruit black talent through on-campus and marketing efforts from the more than 100 historically black colleges and universities (HBCUs) all across this country. We were the first company across industries to host a three-day summit at our firm exclusively for HBCU students (in 2017 and again in 2018). In 2018, in addition to skills-building workshops and networking, more than 100 students from 35 HBCUs were ultimately selected to attend our Summit and interview for analyst positions at the firm, resulting in our hiring of over 20 intern and new analysts from HBCUs.

Additionally, we launched our inaugural Hispanic/Latino Leadership Summit to enhance connectivity with Hispanic/Latino students, particularly those attending Hispanic-Serving Institutions. The Summit featured career workshops, skills training, networking and on-site interviews for participants.

As relates to gender pay equity data, all compensation decisions are premised on the principle that all employees (including women and minorities) in similar roles with similar performance should be paid similarly. The firm periodically reviews employee compensation to ensure adherence to the firm's commitment to equal opportunity and non-discrimination. We remain committed to being vigilant to ensure that all those who have similar roles and perform at the same level are paid similarly.

6. **Corporate board demographic data, including;**
   a) **Total number of board members;**
   b) **Gender, race and ethnic identity of board members, as otherwise known or provided voluntarily;**
   c) **Board position title, as well as any leadership and subcommittee assignments;**

Our Board currently consists of 11 directors. Of our 11 directors, based on self-identified characteristics, our Board includes: four directors who are women, our Lead Director who is black, one director who is of Indian descent, one director with career service in the military and three directors who are non-U.S. or dual citizens. Three of our Board leadership roles are filled by directors who are diverse by race or gender (our Lead Director/Governance Committee Chair, Compensation Committee Chair and incoming Public Responsibilities Committee Chair). Overall, our Board is 54% diverse by race, gender or sexual orientation.

Additional information about each director, including Committee assignments, is as follows:

NAME/AGE/INDEPENDENCE	DIRECTOR SINCE	COMMITTEE MEMBERSHIP[5]				
		GOV	COMP	AUD	PRC	RISK
David Solomon, 57 Chairman and CEO	October 2018					
Adebayo Ogunlesi, 65 Independent Lead Director	October 2012	Chair	Ex-Officio			
Michele Burns, 61 Independent	October 2011	X	Chair			X
Drew Faust, 71 Independent	July 2018	X			X	X
Mark Flaherty, 60 Independent	December 2014	X		X		X
Ellen Kullman, 63 Independent	December 2016	X	X		Chair	
Lakshmi Mittal, 68 Independent	June 2008	X	X		X	
Peter Oppenheimer, 56 Independent	March 2014	X		Chair		X
Jan Tighe, 56 Independent	December 2018	X		X		X
David Viniar, 63 Non-Employee	January 2013					X
Mark Winkelman, 73 Independent	December 2014	X		X		Chair

7. **Your institution's diversity policies and practices; and**

Diversity is one issue that is central to our broader ability to compete. Since I became CEO, I have been vocal about the importance of advancing diversity at Goldman Sachs, including with respect to gender, race, sexual orientation, gender identity, veterans and disability or whatever contributes to who we are. Effectively serving a broad and diverse set of clients means having an appreciation and understanding of their different experiences, interests and values, and we are committed to building a team capable of that critical work.

Board of Directors and C-Suite
At the top of our organization, we have made progress in recent years and have more diverse representation on our Board of Directors. To most effectively carry out its duties, we believe that the composition of our Board must reflect an appropriate diversity – broadly defined – of demographics, viewpoints, experiences and expertise. We have been, and will continue to be, committed to diversity on our Board, and in recent years, have maintained a particular focus in our director searches on diverse candidates. Our Governance Committee considers a number of demographics and other factors, including race, gender, ethnicity, sexual orientation, culture, nationality and work experiences (including military service), seeking to develop a Board that, as a whole, reflects diverse viewpoints, backgrounds, skills, experiences and expertise.

The last three people to join our Board as independent directors have been women: Dr. Drew Faust, Vice Admiral Jan Tighe (Ret. U.S. Navy) and Ellen Kullman. Of our 11 directors, based on self-identified characteristics, our Board includes: four directors who are women, our Lead Director who is

[5] Board Committees include Audit (AUD), Compensation (COMP), Governance (GOV), Public Responsibilities (PRC) and Risk. For additional detail regarding our Board, please see our 2019 Annual Meeting of Shareholders Proxy Statement at https://www.goldmansachs.com/investor-relations/financials/current/proxy-statements/2019-proxy-statement-pdf.pdf.

black, one director who is of Indian descent, one director with career service in the military and three directors who are non-U.S. or dual citizens. Three of our Board leadership roles are filled by directors who are diverse by race or gender (our Lead Director/Governance Committee Chair, Compensation Committee Chair and incoming Public Responsibilities Committee Chair). Overall, our Board is 54% diverse by race, gender or sexual orientation.

Having a diverse Board is not enough to achieve where we want to be on our diversity efforts. We also continue to work to increase the number of diverse managing directors and partners. Our most recent partner class had the highest percentage of women (26%) and black (6%) partners in our history. We also added four women to our Management Committee in the last year, bringing the total on the Committee to eight women. However, more work needs to be done to enhance the diversity of our senior leaders across the firm, and we are working to improve these efforts.

<u>Launching the Global Diversity Committee</u>
After I became CEO, we decided to reconstitute our Global Diversity Committee (comprised of a number of our most senior leaders), which reports directly to me, to specifically focus on developing and promoting diverse business leaders, developing better recruiting strategies for diverse candidates and ensuring greater accountability across the firm for making progress on those goals. In addition, diversity committees and governance councils exist in every region where Goldman Sachs operates to help ensure top-down support of our efforts while also driving accountability for important people, processes and decisions.

<u>Aspirational Goals</u>
We recently announced a new set of goals so that we continue to improve our diversity efforts across the firm. The fundamental task is to build our diverse pipeline from analyst to partner – that is the work that leadership at the firm has been focused on and where we still need to do better.

We are undertaking new initiatives aimed at increasing the representation of diverse communities at all levels across the firm. This includes increasing the representation of our analyst and entry-level associate new joiners – which represents more than 70% of our annual hiring – to 50% women, 11% black professionals and 14% Hispanic/Latino professionals in the Americas. We have already started to make progress. We hired an exceptional campus analyst class this year and achieved a significant increase in the representation of women globally, black professionals in the Americas, and Hispanic/Latino professionals in the Americas. We are also exploring new ways to increase representation of the LGBTQ, disabled and veterans communities.

<u>Diversity Recruitment Efforts</u>
To increase the representation of all diverse communities across all levels at the firm, we are requiring businesses to interview two or more qualified diverse candidates for each open experienced (vice president, managing director and partner) role. We will hold senior managers in each business group accountable in advancing these goals, particularly as an important part of pay and promotion decisions, including by tying compensation awards to efforts made to meet these goals.

In addition, we have a range of initiatives in place to increase diverse representation at all levels while fostering inclusion, as described above in Question 5.

<u>Inclusive Work Environment</u>
Building and sustaining an inclusive work environment requires building a common language, skills and accountability. Our diversity and inclusion curriculum includes offerings that increase awareness of the diverse backgrounds and experiences of our people. Most recently, we launched Identity Matters: Race & Ethnicity in the Workplace, a classroom curriculum which addresses inclusion barriers with a focus on race and ethnicity.

<u>Affinity Networks and Interest Forums</u>
Open to all professionals at Goldman Sachs, affinity networks play a central role in helping to promote and advance diversity and inclusion at the firm. Affinity networks are an important part of our

strategy and serve as forums which offer support, understanding, information and connectivity. Further, these networks provide our people with the opportunity to problem-solve, innovate, develop and showcase their leadership skills. We currently have more than 10,500 (~54%) of our U.S. employees who have opted into these affinity networks.

Practices and Policies to Promote the Use of Diverse Contractors
Goldman Sachs believes that diversity is a social and economic imperative and looks to vendors to share this commitment in their operations and within their supply chain. Vendors are expected to take proactive steps to provide a full spectrum of businesses – based on the ownership structure (for example, women owned, locally owned), scale (for example, small or medium enterprise) or nature of the enterprise (for example, social enterprise) – with the opportunity to compete on a fair and equal basis for business. This commitment alongside other information on our program can be found on our vendor diversity webpage.[6]

In 2018, we reaffirmed our commitment to our vendor diversity and inclusion strategy through our Vendor Diversity Program, which began in 2000 and seeks to drive opportunities with small and minority business owners. We continue to discover and partner with exceptional businesses through the program in our efforts to achieve a supply chain that reflects the diversity of our people and clients. For example, in New York, we spent more than $300 million with minority- and women-owned businesses while constructing our global headquarters, which was the most successful project in the history of New York State's Minority- and Women-Owned Business Enterprise Program at the time.[7]

The Vendor Diversity Program is paramount to Goldman Sachs for three reasons: One, it helps us provide the best possible solutions to clients by bringing talented, experienced professionals into our network. Two, it drives growth opportunities for these businesses. And three, it is a chance for us to break down barriers that still exist for minority business owners – and that is critical for a healthy society. However, we believe we can always do better, and we have set 2020 targets accordingly, including reporting our business with diverse vendors, and increasing that business by 50% from our 2020 baseline.

Use of Diverse Asset Managers
Our asset management division works with more than 20 external asset managers that are majority women-owned or ethnically diverse-owned firms. These firms manage equity, fixed income, hedge fund and private equity assets for Goldman Sachs institutional and private clients. In addition, the Goldman Sachs external manager selection team has begun to pilot a diversity due diligence questionnaire, which asks its overall population of managers for data and information on each firm's diversity and inclusion metrics and practices.

Moreover, in 2018, our asset management group repositioned one of our Government money market funds to effect greater diversity and inclusion. Through our GS Financial Square Federal Instruments Fund, we are seeking to include firms that are women, minority and veteran owned broker-dealers in our trading partners. Disclosures will be added to the monthly fact sheet to allow investors to track how much of the fund's trading volume is being executed via women, minority and veteran owned broker-dealers. In the last year, approximately 65% of the fund's purchase transactions were placed with diverse-owned broker-dealers. The fund is approximately $1 billion and we hope to expand it significantly in the coming years.

Use of Diverse Broker Dealers and Underwriters
Goldman Sachs is one of the largest issuers of corporate bonds in the investment grade capital markets. In the last 10 years, we have employed a range of diverse firms on every new USD benchmark financing we have issued for ourselves, representing $149 billion of aggregate issuance.

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[6] https://www.goldmansachs.com/our-firm/people-and-culture/vendor-diversity/.
[7] https://www1.nyc.gov/nycbusiness/description/state-minority-and-women-owned-business-enterprise-program.

We have endeavored to be inclusive across all diverse firm types with strong representation from black, Hispanic/Latino, disabled veteran and women owned and operated firms.

The majority of these transactions have included four diverse firms, with some including as many as 12. Over this period, we have asked 22 different diverse firms to join our underwriting syndicate. We are proud to support these firms and their underwriting and distribution businesses. We manage our relationships with diverse firms on a continuous basis and regularly review our partner firms based on numerous criteria, including the commitment each makes to their community, the proportion of their staff that is representative of their demographic, and their distribution abilities.

8. Any challenges your institution faces in implementing its diversity goals and initiatives.

After I became CEO, we reconstituted our Global Diversity Committee (comprised of a number of our most senior leaders), which reports directly to me, to specifically focus on developing and promoting diverse business leaders, developing better recruiting strategies for diverse candidates and ensuring greater accountability across the firm for making progress on those goals. This Committee is reviewing the firm's everyday practices and processes to make recommendations that will create a stronger culture of inclusion for all our people.

One of the Committee's objectives is to explore changes to our hiring and integration practices across all functions and seniority levels. Historically, experienced lateral hiring has been an important part of the firm's growth. However, it has also been a significant contributor to the dilution of our diversity at more senior levels. To expand our sources for diverse talent, we will require businesses to interview two or more qualified diverse candidates for each open experienced (vice president, managing director and partner) role. To drive progress, we are holding business unit heads accountable for working to ensure an inclusive environment.

QUESTIONS FROM CONGRESSMAN CLEAVER

1. **The Kansas City Fed produced a report on low- and moderate-income individuals' economic conditions within their district. The report read that "more survey contacts still reported worsening conditions than improving conditions, and those who reported no change were in some sense comparing current conditions with a low base." This is to say that conditions for some of low-income people have been negative for so long it is like looking up from a hole that hasn't gotten any deeper but is still far underground. Nationally, less than 75 percent of those younger than 65 with incomes less than $25,000 have health insurance coverage, compared with about 95 percent of those with incomes greater than $50,000. Since 2008, more than 2.5 million new jobs were created in the most prosperous ZIP codes, while the least prosperous areas lost nearly 1.5 million jobs, according to research from the Economic Innovation Group. People are struggling all over this country and when they hear about a tax reform bill that resulted in record stock buybacks and bonuses to senior executives—they are understandably upset.**

   a) **What are your firms doing to create long-term, sustainable changes to help these struggling communities? Specifically, what measurable long-term commitments have your firms made to uplift struggling communities and where are you in achieving measurable benchmarks? If no such process exists would you be willing to develop such commitments?**

Our Urban Investment Group's (UIG) primary purpose is to make investments and loans that benefit underserved people and places (with a focus on quality and affordable housing, education, the need for targeted job creation, and supporting small businesses). Through this group, we have so far committed nearly $7.8 billion in areas such as New York City (Harlem, Queens, Brooklyn), Newark, New Orleans and Baltimore.

In total, our investments have spanned 27 states in 75 neighborhoods across the country. Overall, UIG's investments have facilitated the creation and preservation of more than 31,000 housing units – the majority of which are affordable to low, moderate, and middle-income families – as well more than 2,200,000 square feet of community facility space and more than 9,600,000 square feet of commercial, retail and industrial space.

To give you some examples:

- In New York, we have invested $4 billion in Harlem, Bedford-Stuyvesant, Jamaica Queens and Staten Island.

- In Newark, which was starved for private investment for decades, we have invested more than $650 million to revitalize distressed areas of the city, making us the largest private investor there.

- In South Baltimore, we have committed more than $230 million to revitalize Port Covington, a once empty railyard that now, in large part shaped by hundreds of meetings with community leaders, will be a hub for economic growth, job creation, and affordable housing adjacent to Under Armour's new headquarters.

- In Detroit, we have invested in the East Riverfront neighborhood and partnered with the Police Athletic League, in total adding almost 400 units of low-rise, mixed-income rental apartments.

- In Salt Lake City, we have committed over $750 million to help finance 4,000 affordable housing units and support the expansion of childhood education.

b) Are your firms planning to deploy recourses in the core of communities who need them through the opportunity zones program? If yes, please articulate exactly how your firm plans to do that? If not, why not?

Our UIG's core investing strategy has always centered on the geographies that are the focus of the federal Opportunity Zone (OZ) program. Approximately 75% of the group's investments have been in areas that were eligible to be selected for the OZ program at the time of investment.

Goldman Sachs has played an industry-leading role in making OZ investments, even while the U.S. Treasury finalized clarifying regulations. Our UIG has closed eight equity investment transactions in neighborhoods selected as opportunity zones since the program was enacted. We have also played a thought leadership role given the significant private investor interest, which has given us a chance to reiterate the importance of community engagement and investing in projects that have an intentional and measurable positive social impact.

We have served as an educational resource for numerous cities getting up to speed on how to leverage opportunity zones to further their local community development strategies. We have had these educational conversations with a range of areas, from large cities like New York, to mid-sized cities like Louisville, to small rural towns in Ohio.

c) How will you ensure your firms resources will deployed in communities that need them and not diverted to those that do not? What metrics and tools are you using to ensure your resources and investments will be deployed in the most needed areas?

A key mandate of the UIG, the firm's primary channel of investing in high-need communities, is managing GS Bank USA's Community Reinvestment Act (CRA) mandate. As a result, the vast majority of the firm's investing in high-need communities are in CRA-eligible investments. Of note, approximately 80% of the team's investing is in projects located in neighborhoods where the majority of residents are racial minorities.

Goldman Sachs employs a range of approaches in conducting outreach, surveying community needs, identifying and responding to the priorities of municipal government, and soliciting the needs of our clients. Efforts are targeted primarily toward identifying and addressing the needs of low- and moderate-income people and areas.

Those approaches include, among others:

- Regular meetings with our local public and private sector partners, including community advocates and other community representatives
- Conducting regular outreach to senior management of municipal housing and economic development agencies
- Participating on advisory boards focused on community development issues
- Participating on boards and loan committees of local and national non-profit groups that are active in low- and moderate-income communities
- Frequently participating in and sponsoring community development conferences

Some of the metrics we and our community partners use to assess community need and impact are housing affordability levels, unemployment rates, the percentage of students at a school or in a school district that qualify for free-or-reduced lunch, to name a few.

2. **Adopted in 2003, the Rooney Rule is a National Football League policy that requires teams to interview ethnic-minority candidates for head coaching jobs. Since then, the Rooney Rule has been expanded to include general manager jobs. A similar rule requires that a woman be interviewed for every business front-office position that opens in the league. In all witnesses' testimonies diversity was noted as an important principal.**

a) **Would you all be willing to commit to abiding by a Rooney Rule when interviewing for every open executive level position in your firm?**

Yes. For experienced hires (vice president, managing director and partner), businesses are required to interview two or more diverse qualified candidates for each open experienced role. To increase the pool, we are working on finding new sources of talent and asking our people to help with referrals. We are specifically creating a stronger and more intentional partnership with our affinity networks globally to source referrals and enhance our engagement with diverse candidates.

b) **Has your firm identified disparities in the promotion/retention rates of diverse employees? If so, what steps has your company taken to evaluate and address such disparities?**

Investing in our people's development and helping them grow in their careers is one of our most important responsibilities. Below are a few examples of the firm's programs that aim to grow our diverse pipeline:

- Black Analyst Initiative (BAI): The BAI seeks to grow and develop black professionals by investing in their professional development, enhancing connectivity to managers and providing access to a senior leader within their division who serves as a coach. This program is offered to all black analysts and associates in the Americas.

- Hispanic/Latino Analyst Initiative (HLAI): The HLAI supplements Hispanic/Latino analysts' day-to-day experience by fostering early connectivity to their managers, divisional leadership and peers. This program is offered to all Hispanic/Latino analysts in the Americas.

- Women's Career Strategies Initiative (WCSI): The WCSI is a five-month career management program that provides developmental and networking opportunities for a nominated group of women associates from across the firm.

- Asian Talent Initiative (ATI): The ATI is an annual program that aims to enhance the pipeline of Asian senior leaders by developing Asian managing director candidates and focusing on talent discussions about their career trajectories at the firm. The program is led by a select group of partners.

c) **What steps does your firm take to ensure equal pay for equal work for women and minorities?**

All compensation decisions are premised on the principle that all employees (including women and minorities) in similar roles with similar performance should be paid similarly. As part of our compensation process, we review compensation to ensure adherence to the firm's commitment to equal opportunity and non-discrimination. We remain committed to being vigilant to ensure that all those who have similar roles and perform at the same level are paid similarly.

d) **Do your companies currently set targets and/or goals for supplier diversity (including outside legal services)?**

Goldman Sachs believes that diversity is a social and economic imperative and looks to vendors to share this commitment in their operations and within their supply chain. Vendors are expected to take proactive steps to provide a full spectrum of businesses – based on the ownership structure (for example, women owned, locally owned), scale (for example, small or medium enterprise) or nature of the enterprise (for example, social enterprise) – with the opportunity to compete on a fair and equal basis for business. This commitment alongside other information on our program can be found on our vendor diversity webpage.[8]

In 2018, we reaffirmed our commitment to our vendor diversity and inclusion strategy through our Vendor Diversity Program, which began in 2000 and seeks to drive opportunities with small and minority business owners. We continue to discover and partner with exceptional businesses through the program in our efforts to achieve a supply chain that reflects the diversity of our people and clients. For example, in New York, we spent more than $300 million with minority- and women-owned businesses while constructing our global headquarters, which was the most successful project in the history of New York State's Minority- and Women-Owned Business Enterprise Program at the time.[9]

The Vendor Diversity Program is paramount to Goldman Sachs for three reasons: One, it helps us provide the best possible solutions to clients by bringing talented, experienced professionals into our network. Two, it drives growth opportunities for these businesses. And three, it is a chance for us to break down barriers that still exist for minority business owners – and that is critical for a healthy society. However, we believe we can always do better, and we have set 2020 targets accordingly, including reporting our business with diverse vendors, and increasing that business by 50% from our 2020 baseline.

3. **There was a report released by Berkley University entitled "Consumer-Discrimination in the Era of Fintech[10]." The report highlights that, "the mode of lending discrimination has shifted from human bias to algorithmic bias." "Even if the people writing the algorithms intend to create a fair system, their programming is having a disparate impact on minority borrowers—in other words, discriminating under the law." All of your firms were included in this report. I understand from our exchange during the hearing that you may not be aware of the report. I would request that you all commit to reviewing the report and its findings.**

   a) **What steps are you prepared to take to address its findings?**

   The Berkeley study rightly points out that lending discrimination is not limited to face to face interactions and that the use of artificial intelligence has the potential to perpetuate bias where the underlying data may be an output of a historical lack of access to a range of financial products. Goldman Sachs remains committed to ensuring that fair and equal treatment is applied in all aspects of a consumer credit transaction and has developed a Fair Lending Program.

   b) **How does your firm ensure compliance with fair lending laws while deploying algorithms? What steps do your firms take to monitor and evaluate the impact of automated decision making on racial subgroups? What forms of self-testing do you utilize in this area?**

   Where automated decision making is used, variables in consumer credit models are reviewed by Fair Lending Compliance (which is an independent group within the firm) to ensure that a variable does not so closely correlate with a protected group that it effectively acts as a proxy for that group (e.g., zip code). Separately, Fair Lending Compliance undertakes an analysis of the model that evaluates whether variables that appear neutral have a disparate impact on protected groups and do not provide lift to the performance of the model. This testing is done prior to a credit model going into market and then at points in time after a model is in production as part of ongoing testing and monitoring.

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[8] https://www.goldmansachs.com/our-firm/people-and-culture/vendor-diversity/.
[9] https://www1.nyc.gov/nycbusiness/description/state-minority-and-women-owned-business-enterprise-program.
[10] https://faculty.haas.berkeley.edu/morse/research/papers/discrim.pdf.

c) **If your firm utilizes "alternative data" for evaluating credit worthiness and terms of contract, what data has your firm has definitively determined should not be used either because it is explicitly discriminatory or may serve as a proxy for discrimination?**

Variables to be used in any proprietary consumer credit model are subject to review by Fair Lending Compliance for potential fair lending impacts. By way of example, a proposal to incorporate zip code as a factor would be deemed impermissible. Additionally, Goldman Sachs relies on Federal Credit Reporting Act compliant data received from credit reporting agencies and information provided by the applicant in the application.

QUESTIONS FROM CONGRESSMAN GARCIA

Top Goldman Sachs employees, including a partner at the firm, committed fraud and money laundering while conspiring with criminals to steal billions of dollars from 1MDB, a Malaysian sovereign wealth fund.

1. **Would you agree or disagree with this assessment of the case?**

   Two former employees, Tim Leissner (who was a partner) and Roger Ng (who was a managing director), were charged with conspiracy to violate the Foreign Corrupt Practices Act and engage in money laundering. Leissner has pleaded guilty. Goldman Sachs is shocked and outraged that any of its employees was involved in these crimes. We are committed to assisting the authorities in holding the individuals who engaged in these crimes accountable for their misconduct.

2. **We now know that Jho Low, the key figure in this 1MDB conspiracy, met personally with Lloyd Blankfein, David Solomon's predecessor as CEO at Goldman. Did Mr. Solomon ever speak to or meet with Jho Low? If so, when, why, and what was discussed?**

   I have never spoken to or met with Jho Low.

3. **In 2012, Federal Reserve bank examiner Carmen Segarra claimed that Goldman Sachs effectively had no conflict of interest policies and lacked administrative safeguards to prevent the firm from engaging in money laundering, bribery, and fraud.**

   Ms. Segarra lost her job for acting as a whistleblower and both your bank and the Federal Reserve claimed her charges were false. Just a few years after Ms. Segarra made her claims, it appears that Goldman was engaged in large-scale money laundering and fraud in the 1MDB case, and is also accused of defrauding customers due to conflicts of interest related to 1MDB connections.

   Was Ms. Segarra right that your firm lacked effective safeguards against conflicts of interest and money laundering behavior at the time of her examination in 2012? If not, what explains the violations that took place in the 1MDB case in the years since 2012?

   In 2012, Goldman Sachs had in place a comprehensive framework to manage potential conflicts, led by a dedicated team that reviews potential transactions to assess whether the firm's interests might compromise its ability to participate in a transaction. Goldman Sachs also had a strong, independent, well-resourced, and centralized compliance team dedicated to preventing and detecting money laundering and other financial crimes or violations of law. Nonetheless, it is very difficult to detect misconduct by an employee who is determined to violate the firm's policies and the law and conducts communications off firm systems to avoid detection. Additionally, the Department of Justice has not alleged that any funds were laundered through Goldman Sachs.

QUESTIONS FROM CONGRESSMAN GREEN

1. Has your firm ever had a woman or person of color in the position of Chair & CEO?

Goldman Sachs has not yet had a woman or person of color in the position of Chair & CEO. Women and persons of color currently have representation at the board level. The last three people to join our Board as independent directors have been women: Dr. Drew Faust, Vice Admiral Jan Tighe (Ret. U.S. Navy) and Ellen Kullman. Our Board currently consists of 11 directors. Of our 11 directors, based on self-identified characteristics, our Board includes: four directors who are women, our Lead Director who is black, one director who is of Indian descent, one director with career service in the military and three directors who are non-U.S. or dual citizens. Three of our Board leadership roles are filled by directors who are diverse by race or gender (our Lead Director/Governance Committee Chair, Compensation Committee Chair and incoming Public Responsibilities Committee Chair). Overall, our Board is 54% diverse by race, gender or sexual orientation.

2. At the full Committee hearing on April 10, 2019, when asked about your likely successor, you each indicated that it is unlikely that a woman or person of color will replace you.

a) Why do your likely successors exclude women and people of color?

While I certainly would not rule out that my immediate successor could be a woman or a person of color, I did not believe it would be appropriate during the hearing to respond yes to that question. Our firm typically strives to promote from within, and it is likely that our Board would first look to our Management Committee for candidates. We have added four women to the Management Committee in the last year, bringing the total on the Committee to eight women. In addition, we have other Management Committee members who are people of color. On a more practical level, I'd note that currently each of our firm's President/Chief Operating Officer and Chief Financial Officer is male and not a person of color. Accordingly, at this time, all things being equal it would appear that my immediate successor is less likely to be a woman or a person of color. That being said, we have made a significant commitment to diversity and inclusion clear, and we understand the criticality of tone at the top with respect to these issues.

b) What are you doing to diversify the talent pipeline for very senior leadership roles at your bank?

We recognize that having a diverse Board is not enough to achieve where we want to be on our diversity efforts. Goldman Sachs' most recent partner class had the highest percentage of women and black partners in our history. We also added four women to the Management Committee in the last year, bringing the total on the Committee to eight women. However, more work needs to be done to enhance the diversity of our senior leaders across the firm, and we are working to improve these efforts.

After I became CEO, we decided to reconstitute our Global Diversity Committee (with some of our most senior leaders), which reports directly to me, to specifically focus on developing and promoting diverse business leaders and developing better recruiting strategies for diverse candidates, and we recently announced that we are aiming to achieve many aspirational goals so that we continue to improve our diversity efforts across the firm.

To increase the representation of all diverse communities across all levels at the firm, we are reviewing the potential pipeline for those candidates who may be promoted this year to assess their diverse representation, and we are requiring businesses to interview two or more qualified diverse candidates for each open experienced (vice president, managing director and partner) role.

Our leadership planning and pipeline initiatives are important tools to improve the diversity of our most senior leaders. The Leadership Pipeline Review is an important tool that we use to assess and strengthen the senior leadership pipeline, enhance diversity of senior leadership, ensure we have succession plans in place for critical positions across the globe, and increase visibility of high performing senior talent. In addition, the firm's Managing Director Retention Initiative provides sponsorship, new career platforms and performance development plans to foster the long-term success and retention of newly promoted Asian, black, Hispanic/Latino, LGBTQ and women managing directors.

3. **Often a CEO's responsibilities include leadership planning. Is this one of your exclusive or shared responsibilities as CEO? If yes:**
   a) **Do you believe your leadership planning sufficiently prioritizes the development of diverse candidates for the bank's most senior roles?**
   b) **What changes in your bank's leadership development and planning would increase the likelihood that likely candidates to succeed you will include women, people of color, and LGBTQ people?**
   c) **Do you commit to making those changes to your bank's leadership development plan?**

   We believe our firm's leadership planning prioritizes the development of diverse candidates for the bank's most senior roles. While we have implemented a number of important efforts throughout the years to drive our agenda on diversity, we recognize that we have not made enough progress.

   Since its inception in 2009, we have strived to improve and expand our Leadership Pipeline Review (described above) efforts to help further the firm's goal of enhancing the diversity of the firm overall and in particular of the senior level leadership. We are committed to continually evolving our practices to ensure we increase the likelihood that successors for our most senior roles, including CEO, will include women, people of color, and LGBTQ people. We view the Leadership Pipeline Review Process as an integral part of developing the leadership bench for the firm's senior leadership positions and ensuring there are and will continue to be a diverse slate of successors for senior roles at the firm.

4. **Produce documentation of your bank's leadership development plan.**

   In addition to our Leadership Pipeline Review (described above), our firm is focused on developing our future leaders. To achieve this, the firm created Pine Street, our executive leadership organization. Pine Street aims to:

   - Strengthen the partnership by enhancing partners' ability to drive commercial impact, foster the firm's culture, and cultivate followership

   - Provide senior leadership with an objective, differentiated view on senior firmwide talent

   - Demonstrate the firm's commitment to its history and ensure culture and leadership remain competitive advantages

   Pine Street aims to achieve these goals by providing experiential learning opportunities, in-depth leadership assessments and tailored executive coaching. An example of the programming offered through Pine Street is the Managing Director Leadership Acceleration Initiative, which is designed to accelerate the performance of high-performing managing directors who have the potential to be the next generation of senior leaders of the firm. Over the course of this program, select managing directors gain knowledge, skills and perspectives to scale their leadership, as well as strengthen their relationships with peers and partners at the firm.

5. **It often takes years to recover from the damage and loss caused by a natural disaster. I know this because my district of Houston is unfortunately still struggling to recover since Hurricane Harvey devastated countless homes and communities. That is why I believe we need to push**

banks to provide real assistance after the foreclosure moratoria expire. People need more time to rebuild and a way to deal with the inevitable missed payments through a modification or other form of relief that isn't just resuming their regular payment or paying back a lump sum. What options do you offer disaster relief victims after the first year for long term solutions that help borrowers keep their homes?

Direct Aid
First, in support of relief efforts in the wake of the devastation wrought by Hurricane Harvey in southeast Texas, Goldman Sachs raised more than $750,000 through the generosity of our employees and our *Goldman Sachs Gives* program. Additionally, through our *10,000 Small Businesses* program, Goldman Sachs provided a $5 million loan with zero interest to LiftFund, a Texas-based *10,000 Small Businesses* lending partner, who distributed no-interest microloans to small businesses recovering from Hurricane Harvey's impact. The loans were as large as $35,000 and had a four-month deferment period, providing small businesses more time to rebuild before having to begin paying down their loan.

Mortgage Activity
As it relates to options for disaster relief victims who need assistance keeping their homes, Goldman Sachs originates a small number of residential mortgages – primarily as an accommodation for existing private wealth management clients. We use third party vendors to perform mortgage servicing and debt collection on our behalf; and they are committed to helping struggling homeowners make their home loan payments, including as a result of a natural disaster such as Hurricane Harvey. Specifically, we require that our servicers present loss mitigation options (such as loan modifications, repayment plans, short sales and deeds in lieu of foreclosure) to borrowers to provide financial relief and avoid foreclosure. We have robust controls in place to make sure that they operate in accordance with the law and our standards.

Marcus Personal Loans
With respect to our Marcus by Goldman Sachs personal loans, we have programs to address repayment difficulties caused by disasters, short term or long term hardships, and we recently added a program to address repayment difficulties during government shutdowns. We also proactively identify areas that may qualify for our disaster relief program and reach out to consumers to enroll them in the program for an interest free deferral.

6. **According to a recent study by Reveal from the Center for Investigative Reporting, fifty years after the Fair Housing Act banned discrimination in lending, African-Americans and Hispanic (or Latin) Americans are still denied conventional mortgage loans at rates far higher than their white counterparts in 61 metro areas across the United States. Earlier this year, Citi entered into a settlement with the OCC for failing to give minority customers mortgage discounts that were available to many other borrowers. In 2017, JP Morgan Chase entered into a $53 million settlement for overcharging African-American and Hispanic borrowers higher rates and fees on mortgage loans.**

   a) **Do you agree that discrimination exists in mortgage lending?**

   Goldman Sachs is not a significant originator of residential mortgages. However, we are certainly aware of the various enforcement actions against other mortgage lenders involving violations of the Fair Housing Act, and believe that there must be consistent and ongoing vigilance with mortgage origination processes to ensure that any discrimination in mortgage lending is immediately detected and remediated. Goldman Sachs remains committed to ensuring that fair and equal treatment is applied in all aspects of a consumer credit transaction, including mortgage products.

   b) **What changes, if any, have you made to your systems and procedures to prevent this type of discrimination in the future?**

As mentioned above, Goldman Sachs originates a small number of residential mortgages, primarily as an accommodation for existing private wealth management clients. Our origination activities rely on judgmental underwriting and, as noted below, such activities are subject to fair lending monitoring and testing.

c) What systems do you have in place to make sure your bank is not discriminating against borrowers of color?

Goldman Sachs remains committed to compliance with the Fair Housing Act and other laws and regulations that prohibit discrimination against all protected class members, including borrowers of color. Fair Lending Compliance reviews issues, events and complaints that may indicate a potential fair lending issue (e.g., a claim of discrimination), conducts annual testing for disparities in applications that are approved and declined, withdrawn applications and pricing outcomes, and provides periodic reporting to senior legal and compliance leadership and business management.

QUESTIONS FROM CONGRESSMAN MCADAMS

1. **How do you survey and evaluate employee morale? And how do you incorporate that feedback into action plans to improve your companies?**

   Since 2001, Goldman Sachs gathers candid, confidential feedback every two years about our people's experiences at the firm. This People Survey is one of our most important means of collecting opinions and ideas, and illustrates the value we place on our people's views about our work environment, as well as the impact our people can have on inspiring new programs and initiatives.

   The 2017 People Survey contained approximately 60 questions on a five-point scale, plus two "free-text" comment boxes. Similar to 2015, the survey was launched under the banner, "Share Your Views. Enrich Our Culture." To encourage survey participation, we displayed posters in our buildings and senior leaders posted messages on Symphony, the firm's internal social platform. Additionally, we issued an impact graphic to the firm that highlighted how our people's feedback from the last People Survey has inspired some of the firm's most distinctive initiatives that ensure a rewarding workplace – from the launch of Ongoing Feedback360+ to enhanced digital learning offerings. In line with prior years, we received a 90% participation rate and over 19,000 qualitative comments. Through an infographic results summary, we shared with our people both the positive and developmental areas of focus. Overall, our people are incredibly positive about the firm, our reputation and our culture.

   Following high level results being shared with the firm, divisional and firm leadership review the results in greater detail to further analyze the feedback and identify areas to prioritize changes to be incorporated into action plans for each division and the firm overall.

2. **What steps does your company take to ensure employees can report concerns or grievances up the chain of command and/or to an independent entity outside the direct chain of command? How do you ensure these employees can report any concerns without fear of reprisal?**

   At Goldman Sachs, we created the Business Integrity Program ("BIP" or "whistleblower program"), which is a mechanism used to identify possible concerns or grievances. The BIP provides the firm's stakeholders, including employees and the general public, with multiple ways to raise concerns and grievances, including those related to potential violations of applicable policies, procedures, rules and regulations – without the fear of reprisal because the firm strictly prohibits retaliation. Any concerns that are raised – either by internal or external constituents – can be made on a confidential or disclosed basis by using the firm's integrity hotline or its integrity Internet-based reporting form.

   Additionally, employees may escalate matters to their supervisors, members of Compliance, Legal or Human Capital Management (our HR group). This can be done through multiple channels including but not limited to (1) an employee's immediate supervisor or a superior in his or her chain of command; (2) the Global Head of Human Capital Management; (3) a member of the Human Capital Management Employee Relations Group; (4) a Managing Director in the Legal Department; (5) a member of the regional diversity committee; or (5) the firm's external ombudspersons.

   Escalation and communication are critical to ensuring a culture of compliance at the firm. The firm not only expects that conduct-related matters will be escalated immediately, but also that matters will be promptly investigated and resolved.

QUESTION FROM CONGRESSWOMAN OCASIO-CORTEZ

1. **Mr. Dimon indicated that JP Morgan Chase will no longer be financing or working with private prisons and detention centers. Earlier this month, the Wells Fargo and US Bank also announced that their banks would no longer be financing or working with private prisons or detention centers. When do your banks plan to cease providing lending or other services to companies in the private prison and detention industry?**

   Goldman Sachs has not provided lending or other services to companies operating in the private prison and detention industry in the United States since 2017. Goldman Sachs is not actively pursuing, nor do we have plans to pursue, lending or other opportunities with such companies.

QUESTIONS FROM CONGRESSMAN PERLMUTTER

Your bank recently requested a federal judge to force certain women involved in a gender discrimination class action lawsuit against Goldman Sachs (Case 1:10-cv-06950-AT-RWL, Southern District of New York) to arbitrate their claims.

1. **What portion of Goldman Sachs employees work under arbitration clauses?**

   Like many public and private companies, particularly in financial services, Goldman Sachs has agreed to arbitrate disputes with certain members of its workforce. For the most part, those with arbitration agreements include partners and managing directors (the firm's most highly compensated professionals), professionals in Private Wealth Management, and professionals who receive compensation in the form of Goldman Sachs' stock awards. At present, approximately, 65% of the firm's U.S. workforce has agreed to arbitration.

2. **Have any employees been denied a promotion, raise, or any other employee benefit because they refused to agree to an arbitration clause?**

   No.

3. **Has Goldman Sachs ever declined to hire someone because of their refusal to agree to an arbitration clause?**

   No.

QUESTION FROM CONGRESSMAN ROSE

1. **I am concerned with the recent trend of banks pulling financing from firearm industry participants. Responding to a question Chairman Mike Crapo asked in a Senate Banking Committee hearing in April 2018, Federal Reserve Vice Chairman of Supervision Randy Quarles responded: "I do not believe that lending to the NRA or to law-abiding gun firms in the gun industry raises security and soundness questions." Can you outline how your bank ensures that any withholding of banking services for the firearm industry, or any lawful business activity, is based on legitimate concerns of federal and state law compliance or creditworthiness as opposed to activist groups' disfavor of a certain lawful business activity?**

   Goldman Sachs has a firmwide committee comprised of senior control-side leaders that focuses on transactions that potentially present heightened reputational risk for the firm. Transactions must comply with federal and state law and not impair the safety or soundness of the firm; however, we also take other considerations, including the firm's reputation, and other constituents, including our shareholders, our current and potential employees, our clients and our regulators into account. These transactions are generally evaluated on a case-by-case basis.

QUESTIONS FROM CONGRESSMAN SHERMAN

1. **The American with Disabilities Act is nearing its 30th Anniversary (July 26, 2020) and several subsequent pieces of legislation have worked to fulfill the promise of the ADA. The Workforce Innovation and Opportunity Act transformed our nation's workforce development system to become more accessible, the Section 503 regulations encouraged federal contractors to recruit qualified individuals with disabilities, the Achieve a Better Life Expectancy (ABLE) Act created tax-free savings account to help pay for disability needs and CRA applies to low income people with disabilities. Please explain what your Financial Institution is currently doing or planning to do to support low-income people with disabilities in these specific areas:**

   - **Employment/Vocational Training**
   - **Financial Literacy**
   - **Promotion of ABLE Accounts**
   - **Housing**
   - **Education**
   - **Socialization**
   - **Public Policy**

Low-Income People and Other Non-Employees with Disabilities
Goldman Sachs has committed approximately $7.8 billion through our Urban Investment Group (UIG) to benefit underserved people and places. A core mission of UIG is to create and preserve affordable housing for low-income individuals, including individuals with disabilities. UIG has invested in over a dozen projects, primarily in New York, New Jersey, and Utah that provide critically-needed affordable housing and supportive services to individuals with disabilities. Below are a few examples:

- UIG invested approximately $49 million to finance the construction of a 157-unit mixed-income development in Salt Lake City. 36 of the 157 units will be reserved for individuals with disabilities. The project also includes approximately 2,800 square feet of community facility space that will be used to provide services tailored to individuals with disabilities, specifically vocational training for employment in the technology industry.

- UIG provided $9.5 million of Low Income Housing Tax Credit equity to finance the construction of a 40-unit affordable housing building in the South Bronx. The building includes 11 handicapped-accessible apartments and two units for the visually and hearing impaired. An additional seven units is targeted to individuals with mental disabilities. A non-profit partner provides supportive services to the tenants with disabilities.

- UIG through the GS Social Impact Fund made a $7 million loan to finance the acquisition, rehabilitation, and development of affordable, supportive housing throughout New Jersey. Units will be leased to tenants who suffer from housing insecurity and require supportive social services due to mental illness or substance abuse.

Additionally, Goldman Sachs employees have volunteered through our Community TeamWorks program to help to strengthen communities through infrastructure projects and activities that encourage residents to actively engage with and develop their local neighborhoods. In partnership with the New York Foundling, Goldman Sachs hosted a job readiness workshop with developmentally disabled adults. Employees provided individuals with a chance to practice interview skills, get assistance with resume creation, discuss professional attire and answer any questions they may have about the workplace. In 2018, there were various programs focused on helping employ those with disabilities. For example, we hosted a mock interview day for individuals who stutter in partnership with the National Stuttering Association. The goal was to help build individuals' confidence and improve their interviewing skills in a friendly environment.

Employees with Disabilities
Goldman Sachs offers a variety of resources to help employees develop professionally and support them with their financial planning needs.

For example, to create an optimal work environment, employees with disabilities can consult with the Goldman Sachs accommodations team, inclusive of nurse case managers and ergonomists, to create reasonable accommodations to their work environment (e.g., assistive technology solutions, furniture, equipment). All U.S. employees are made aware of this service upon hire and are offered the opportunity to discuss their disability and related accommodation needs. This team will also liaise with the employee's manager to ensure the manager understands the employee's needs and the importance of the accommodations while fully maintaining patient privacy.

Additionally, the firm offers training to managers on how to support employees with disabilities and what resources are available at the firm and how to access them.

Goldman Sachs also provides a Personal Finance Center, which provides a broad set of tools and resources to employees (including those with disabilities) as follows:

- Financial Dashboard: A secure and easy-to-use application that allows employees to integrate personal financial accounts with firm-provided benefits (e.g., 401(k), equity, & life insurance) into one account that will track and organize financial information. The dashboard provides employees with an ability to track daily spending, monitor asset allocation strategy, access financial reports.

- Financial Education: We offer speaker events and seminars that provide the opportunity education on a variety of topics such as Personal Investing, Saving for Retirement, College Savings, Debt Management, and Estate Planning.

- One-On-One Financial Counseling: We also offer one-on-one financial counseling for in-depth personal financial planning sessions. Our financial coaches are trained on ABLE accounts and are encouraged to bring this up in the discussion if someone has a loved one with disabilities where this may apply.

In 2009, we launched the Disability Interest Forum, which works to raise awareness and understanding of the needs, priorities and potential of people with disabilities. The goal of this global network is to ensure that Goldman Sachs is accessible to all and considered an employer of choice for individuals with a disability. The firm's efforts include providing support for employees with a disability, their managers and colleagues, those who develop a disability during employment and those who are caregivers of people with disabilities. Over the years, the network has hosted events that explore different themes that are of particular interest for the community. The caregivers pillar hosted a session focused on "Financial Planning for Children, Parents or Spouses with Special Needs" to discuss estate planning and tax options for this population.

2. **There are over 22 million working-age Americans and 70 percent of them are striving to work. However only one in three has a job. What is your financial institution's strategy for connecting with this pool of potential employees? How does your talent recruitment and employee education process meet the needs of job-seekers with disabilities? What processes are in place for when an employee with a disability requests a reasonable accommodation?**

Goldman Sachs seeks qualified individuals with disabilities for existing and future employment. In order to improve recruitment and increase the flow of qualified individuals with disabilities, the firm contacts regularly local, state and federal employment referral agencies and specialized placement agencies. We periodically inform primary recruiting sources in writing of our equal employment opportunity policy, and we also publish an accessibility statement on our website, indicating an alternative process for job seekers who may need assistance in order to apply for an opening.

The firm works with employees with disabilities in order to provide reasonable accommodations. Accommodations vary depending on the employee's disability and essential job functions, as well as other considerations that are evaluated on a case-by-case basis in consultation with the employee and the Medical Leaves of Absence/Occupational Health team.

We prioritize the recruitment of professionals with disabilities and continue to build awareness among our people of the leadership, technical skills and cultural attributes people with disabilities bring to our workplace. Launched in 2008, Diverse Abilities, a one-day career event, targets college freshmen and sophomores with disabilities who are seeking summer internships in the financial services industry. During the event, attendees receive a comprehensive introduction to their divisions of interest while developing acumen in financial services and interviewing skills. Students also participate in business case studies, best-in-class training, and networking opportunities with the firm's Disability Interest Forum (described above).

3. **As a federal contractor, your financial institution has an aspirational goal to have 7 percent of your employees, in all job categories, be qualified individuals with disabilities. What efforts have you made to work towards this goal? How has your organizational culture evolved to include employees with disabilities? What percentage of your employees have disabilities? What barriers have you experienced to success? What successes have you achieved?**

   Goldman Sachs undertakes outreach and positive recruitment activities in order to fulfill its commitment to provide meaningful employment opportunities for individuals with disabilities. These include enlisting the assistance and support of such persons and organizations as the State Vocational Rehabilitation Service Agency (SVRA), Employment One-Stop Career Center, and local employment networks listed in the Social Security Administration's Ticket to Work Employment Network Directory in recruiting and developing on-the-job training opportunities for individuals with disabilities in order to fulfill its commitment to provide equal employment opportunity for such individuals.

   The firm partners with organizations such as Lime Connect, HeartShare Human Services of New York City, National Business and Disability Council, Disability:IN and the Patrick Kennedy Foundation in an effort to increase the representation of people with disabilities in the workforce. We sponsor events designed to connect undergraduate and graduate students with disabilities to employers.

   Our Disability Interest Forum (described above) addresses various topics such as career mobility and advancement, accessibility and accommodations, and achieving a balance between professional and personal life. This Forum hosts many events to share best practices on the benefits of self-identification and how sharing personal stories can help enhance the experience of professionals at the firm.

   Over the last few years, we have made significant progress towards the inclusion of individuals with disabilities. These include: achieving 100% on the Disability Equality Index for the last two years in a row, introducing event accommodations guidelines, sponsoring research focused on hidden-disabilities in the workplace and launching our neurodiversity hiring initiative, developed in partnership with leading neurodiversity experts. This eight-week, paid initiative will provide neurodiverse participants (e.g., those with autism, dyslexia, ADHD, developmental disorders) on-the-desk experience, as well as mentoring opportunities, technical skill-building and professional development trainings.

4. **Fully 26 percent of people with disabilities live in poverty and fully 18 percent of households headed by people with disabilities are unbanked. What efforts have your financial institutions made to support people with disabilities who want to seek our financial literacy, open a savings account or otherwise improve their financial status?**

Retail Digital Consumer Platform
In 2016, we launched our retail digital consumer platform called Marcus by Goldman Sachs because we saw an opportunity to serve all consumers through consumer-centric products that are simple and transparent. We set out to build our retail digital consumer business from a clean sheet of paper. In designing Marcus, we spoke with more than 10,000 people across the country to understand their banking needs. Value, simplicity and transparency are at the core of our consumer products, which is based on this feedback.

Disabled Consumers
Our Marcus products are designed to be accessible to consumers with disabilities. Our Marcus products are available both online and by telephone with our contact centers. We design our online experience in consideration of the Web Content Accessibility Guidelines to facilitate access to our online products. Further, we invite consumers that prefer to interact with us by phone and require accommodations to request the assistance of our Americans with Disabilities Act coordinator.

Savings Products. Marcus offers online savings accounts and certificates of deposits. Because we are not operating with an expensive branch infrastructure, we are able to offer simple products with attractive rates when compared to other traditional banks. Further, our products do not charge monthly fees, transaction fees or overdraft fees.

Personal Loans. Marcus also provides no-fee, fixed rate personal loans that provide consumers an alternative to borrowing on credit cards. These loans are generally used to consolidate higher-interest rate debt but can also be used as an alternative to credit cards or other higher rate debt for a broad range of purposes such as home improvements or special occasions. Also, because we fund our personal loans from our own balance sheet, we can provide more flexibility to consumers, allowing them to select from various monthly payment and loan length options.

Personal Financial Management Tools. Marcus also provides personal financial management tools through its Clarity Money App. Clarity Money is available for free to all consumers and is designed to provide consumers with the opportunity to view their accounts across financial institutions in one place allowing them to understand the full picture of their financial situation, from paying down bills to managing debt.

5. **What are you doing to help people with disabilities start or grow their own companies or have access to credit for home ownership?**

Goldman Sachs *10,000 Small Businesses* program, launched in 2010, is a business and management education program designed to meet the growth needs of a broad array of small business owners and their businesses. *10,000 Small Businesses* participants represent a diverse spectrum of American entrepreneurs, and the program is open to businesses irrespective of age, educational level, gender, disability, or industry. *10,000 Small Businesses* provides business owners who have both a passion and desire to grow their businesses with access to education and the support services they need to take their businesses to the next level. *10,000 Small Businesses* has served business owners with disabilities as well as disabled veteran business owners and workers to ensure participants have the resources and support in a peer-to-peer learning environment to succeed and grow.

Through our *10,000 Small Businesses* program, we have committed $500 million to provide education by partnering with community colleges, business support services, and greater access to capital to thousands of small businesses across all 50 states, Puerto Rico and DC. To date, we have graduated more than 8,200 small business owners, with 78% of graduates reporting revenue increases and 57% adding jobs within 30 months of graduation.

QUESTIONS FROM CONGRESSWOMAN TLAIB

A new report finds that each of your banks benefited significantly from the 2017 corporate tax cut and also that each of your banks bought back at least several billion dollars in stock last year. We were promised going into that tax cut that corporations would spend that money on raising wages and creating jobs.

1. **What was the net change in your bank's U.S. employment last year?**

   The net change in our U.S. employees from 2017 to 2018 was +9% (from approximately 17,800 U.S. employees in 2017 to approximately 19,400 U.S. employees in 2018).

2. **Did median pay at your bank increase last year? If so, by how much?**

   The median pay at Goldman Sachs in the United States, from 2017 to 2018, increased by approximately $2,000.

3. **In 2018, did your bank utilize the provision in the 2017 tax law that provides an exemption for a 10 percent return on your overseas tangible investments (such as facilities and equipment)? If so, how much did that exemption cut your bank's taxes?**

   Based on our current interpretation of legislative guidance issued to date, we estimate that the 10 percent return on overseas tangible investments will reduce Goldman Sachs 2018 federal income taxes by less than $200,000.

4. **How much profit have you generated in your high-carbon energy portfolio?**

   We serve clients across all industry sectors globally including in sectors that have higher carbon intensity such as utilities and oil and gas. The revenue we generate from these activities can vary but an increasing area of focus and opportunity is helping clients transition to a low carbon economy. As an example, to-date, we have committed $80 billion towards our public commitment to finance and invest $150 billion in clean energy by 2025.

QUESTIONS FROM CHAIRWOMAN WATERS

1. **In the Committee's hearing invitation letter, I asked each bank to include in your testimony, "...a detailed description of... enforcement actions, including any consent orders and settlements, against your bank *and the number of consumers or investors harmed by your bank's actions...*" (emphasis added). While your testimony provided some information related to enforcement actions, your testimony failed to provide the Committee with the number of consumers or investors harmed by your bank's actions in the context of any enforcement actions, consent orders and settlements, where consumer or investor harm was identified. Therefore, I ask again, please provide the Committee with a detailed description of enforcement actions, including any consent orders and settlements, against your bank, including the number of consumers or investors harmed by your bank's actions in the last 10 years.**

   Based on our internal payment records, Goldman Sachs paid approximately $3.5 billion to state and federal regulators in connection with potential regulatory actions and approximately $4.2 billion in settlements of civil actions, totaling approximately $7.7 billion over the past 10 years. All of the conduct at issue in each of the regulatory enforcement actions occurred prior to 2014.

   Goldman Sachs paid a substantial portion of the $7.7 billion ($3.25 billion) to state and federal regulators / federal agencies in connection with the Mortgage Task Force settlement in 2016 relating to mortgage underwriting activities in 2005 through 2007. We also agreed to provide $1.8 billion in consumer relief in the form of financing affordable housing, providing debt forgiveness and grants paid to housing organizations. This consumer relief was not a payment to a federal or state regulator but rather was debt relief provided to borrowers or payments made to housing organizations and was not directly correlated to any potential harm to borrowers or investors as a result of the firm's mortgage underwriting activities between 2005 to 2007.

   The vast majority of the other regulatory settlements related to historical trading or stock loan / clearing issues, totaling $290 million and other employee conduct related regulatory settlements totaling approximately $100 million. For example, in the industry-wide investigation of FX trading from 2008 to early 2013, the range of settlements payments by other banks with U.S. regulators ranged from $351 million to $1.22 billion; Goldman Sachs paid $109 million.

   Most of the firm's regulatory settlements do not identify the number of borrowers or investors harmed by the conduct alleged and the amount of that harm. Therefore we are unable to provide this information for most of our regulatory settlements. However, two settlements did identify the number of potential borrowers or investors harmed by the conduct alleged in the relevant settlement orders. In connection with the Servicing Settlement (the "Settlement"), the OCC, the Federal Reserve and the Office of Thrift Supervision issued a public report in 2014 describing settlements with multiple banks, for alleged deficient practices in residential mortgage loan servicing and foreclosure proceedings.[11] With respect to Goldman Sachs, the conduct at issue in the Settlement involved servicing conducted by Litton Loan Services, a servicer Goldman Sachs acquired in 2008. We refer the Committee to page 28, Table A.2, of that report for the number of borrowers and borrower assistance information for all the banks participating in the Settlement. In addition, the SEC's Order in the Abacus settlement in 2010 referred to two institutional investors, which it alleged were harmed by conduct described in the settlement and the amount of that alleged harm.

   Similarly, we are unable to provide a reasonably accurate number of investors involved in settlements of civil actions as a portion of those settlements involve class actions, where the number of class members participating in the settlement is not identified in the settlement agreements and is not known to us.

[11] https://www.federalreserve.gov/publications/other-reports/files/independent-foreclosure-review-2014.pdf.

2. **Many of the banks have acknowledged the importance of data in identifying and addressing diversity gaps in your organizations. Despite this acknowledgment, Citigroup is the only bank represented on this panel who has made efforts to publicly disclose diversity statistics and openly report on its efforts to address gender pay equity. Citi's efforts are a step in the right direction but there is much more information that is needed so that regulators, through their Office of Minority and Women Inclusion (OMWI), and the public, via annual reports and proxy statements, can be aware of your diversity status.**
   a) **Please explain why your bank has not done more to share your workforce and board diversity demographics with OMWIs and the public?**
   b) **What immediate plans do you have to share this information and be accountable to Congress and the American people about your commitment to diversity?**

To ensure transparency in our diversity and inclusion efforts, Goldman Sachs responded to the Federal Reserve Board OMWI office Diversity Self-Assessment request in 2018 and again in 2019 providing requested information, which includes workforce and board diversity demographics. Annually, we also produce our Environmental, Social and Governance Sustainability Report (ESG) Report, which articulates the firm's commitment to sustainability and investment to our people. The 2018 ESG Report was most recently published in May.[12] Included in the ESG Report is a chart of the firm's U.S. workforce demographics, sourced from the firm's annual Equal Employment Opportunity (EEO-1) report.

Goldman Sachs plans to continue participation in the Federal Reserve Board Diversity Self-Assessment.

3. **Diversity is an issue that is very important to me, which is why I am very pleased that the Financial Services Committee created the Diversity and Inclusion Subcommittee, the very first of its kind in Congress, headed up by my colleague, Representative Joyce Beatty. When institutions embrace diversity, more voices and more ideas have a chance for action and businesses thrive.**
   a) **Please describe the current diversity of the directors of your board and C-Suite executives.**
   b) **Please explain what your bank is doing to increase diversity of the directors of your board and C-suite executives, the policies and practices implemented at your institution to promote diversity and inclusion among your workforce, and the policies to promote the use of diverse contractors, including diverse asset managers, brokers, and underwriters, by your institution.**

Diversity is one issue that is central to our broader ability to compete. Since I became CEO, I have been vocal about the importance of advancing diversity at Goldman Sachs, including with respect to gender, race, sexual orientation, gender identity, veterans and disability or whatever contributes to who we are. Effectively serving a broad and diverse set of clients means having an appreciation and understanding of their different experiences, interests and values, and we are committed to building a team capable of that critical work.

Board of Directors and C-Suite
At the top of our organization, we have made progress in recent years and have more diverse representation on our Board of Directors. To most effectively carry out its duties, we believe that the composition of our Board must reflect an appropriate diversity – broadly defined – of demographics, viewpoints, experiences and expertise. We have been, and will continue to be, committed to diversity on our Board, and in recent years, have maintained a particular focus in our director searches on diverse candidates. Our Governance Committee considers a number of demographics and other factors, including race, gender, ethnicity, sexual orientation, culture, nationality and work experiences (including military service), seeking to develop a Board that, as a whole, reflects diverse viewpoints, backgrounds, skills, experiences and expertise.

[12] https://www.goldmansachs.com/s/sustainability-report/index.html.

The last three people to join our Board as independent directors have been women: Dr. Drew Faust, Vice Admiral Jan Tighe (Ret. U.S. Navy) and Ellen Kullman. Of our 11 directors, based on self-identified characteristics, our Board includes: four directors who are women, our Lead Director who is black, one director who is of Indian descent, one director with career service in the military and three directors who are non-U.S. or dual citizens. Three of our Board leadership roles are filled by directors who are diverse by race or gender (our Lead Director/Governance Committee Chair, Compensation Committee Chair and incoming Public Responsibilities Committee Chair). Overall, our Board is 54% diverse by race, gender or sexual orientation.

Having a diverse Board is not enough to achieve where we want to be on our diversity efforts. We also continue to work to increase the number of diverse managing directors and partners. Our most recent partner class had the highest percentage of women (26%) and black (6%) partners in our history. We also added four women to our Management Committee in the last year, bringing the total on the Committee to eight women. However, more work needs to be done to enhance the diversity of our senior leaders across the firm, and we are working to improve these efforts.

Launching the Global Diversity Committee

After I became CEO, we decided to reconstitute our Global Diversity Committee (comprised of a number of our most senior leaders), which reports directly to me, to specifically focus on developing and promoting diverse business leaders, developing better recruiting strategies for diverse candidates and ensuring greater accountability across the firm for making progress on those goals. In addition, diversity committees and governance councils exist in every region where Goldman Sachs operates to help ensure top-down support of our efforts while also driving accountability for important people, processes and decisions.

Aspirational Goals

We recently announced a new set of goals so that we continue to improve our diversity efforts across the firm. The fundamental task is to build our diverse pipeline from analyst to partner – that is the work that leadership at the firm has been focused on and where we still need to do better.

We are undertaking new initiatives aimed at increasing the representation of diverse communities at all levels across the firm. This includes increasing the representation of our analyst and entry-level associate new joiners – which represents more than 70% of our annual hiring – to 50% women, 11% black professionals and 14% Hispanic/Latino professionals in the Americas. We have already started to make progress. We hired an exceptional campus analyst class this year and achieved a significant increase in the representation of women globally, black professionals in the Americas, and Hispanic/Latino professionals in the Americas. We are also exploring new ways to increase representation of the LGBTQ, disabled and veterans communities.

Diversity Recruitment Efforts

To increase the representation of all diverse communities across all levels at the firm, we are requiring businesses to interview two or more qualified diverse candidates for each open experienced (vice president, managing director and partner) role. We will hold senior managers in each business group accountable in advancing these goals, particularly as an important part of pay and promotion decisions, including by tying compensation awards to efforts made to meet these goals.

We also have a range of initiatives in place to increase diverse representation at all levels while fostering inclusion. We now recruit talented, diverse people by leveraging technology and engaging with new media outlets to search for people in new ways. Our aim is to engage with the broadest possible range of candidates, including pipeline programs designed to attract people who might not otherwise look to pursue a career in financial services.

We also now use video interviews for all first-round interactions with candidates, which allow any candidate from any school (including community colleges) to apply. In 2015 we interviewed students from 798 schools around the world, compared with 1,268 for our most recent incoming class. In the

United States, where historically the majority of our student hires came from target schools, the opposite is now true: more students are hired from "non-target" schools.

In 2018, we enhanced our efforts to recruit top, diverse talent by introducing several new programs and extending proven programs. To increase representation of senior black professionals at our firm, we need to start on the front end (at the recruiting phase) to develop a strong pipeline of black talent. As part of our overall strategy to be more inclusive, we now recruit black talent through on-campus and marketing efforts from the more than 100 historically black colleges and universities (HBCUs) all across this country. We were the first company across industries to host a three-day summit at our firm exclusively for HBCU students (in 2017 and again in 2018). In 2018, in addition to skills-building workshops and networking, more than 100 students from 35 HBCUs were ultimately selected to attend our Summit and interview for analyst positions at the firm, resulting in our hiring of over 20 intern and new analysts from HBCUs.

Additionally, we launched our inaugural Hispanic/Latino Leadership Summit to enhance connectivity with Hispanic/Latino students, particularly those attending Hispanic-Serving Institutions. The Summit featured career workshops, skills training, networking and on-site interviews for participants.

Inclusive Work Environment
Building and sustaining an inclusive work environment requires building a common language, skills and accountability. Our diversity and inclusion curriculum includes offerings that increase awareness of the diverse backgrounds and experiences of our people. Most recently, we launched Identity Matters: Race & Ethnicity in the Workplace, a classroom curriculum which addresses inclusion barriers with a focus on race and ethnicity.

Affinity Networks and Interest Forums
Open to all professionals at Goldman Sachs, affinity networks play a central role in helping to promote and advance diversity and inclusion at the firm. Affinity networks are an important part of our strategy and serve as forums which offer support, understanding, information and connectivity. Further, these networks provide our people with the opportunity to problem-solve, innovate, develop and showcase their leadership skills. We currently have more than 10,500 (~54%) of our U.S. employees who have opted into these affinity networks.

Practices and Policies to Promote the Use of Diverse Contractors
Goldman Sachs believes that diversity is a social and economic imperative and looks to vendors to share this commitment in their operations and within their supply chain. Vendors are expected to take proactive steps to provide a full spectrum of businesses – based on the ownership structure (for example, women owned, locally owned), scale (for example, small or medium enterprise) or nature of the enterprise (for example, social enterprise) – with the opportunity to compete on a fair and equal basis for business. This commitment alongside other information on our program can be found on our vendor diversity webpage.[13]

In 2018, we reaffirmed our commitment to our vendor diversity and inclusion strategy through our Vendor Diversity Program, which began in 2000 and seeks to drive opportunities with small and minority business owners. We continue to discover and partner with exceptional businesses through the program in our efforts to achieve a supply chain that reflects the diversity of our people and clients. For example, in New York, we spent more than $300 million with minority- and women-owned businesses while constructing our global headquarters, which was the most successful project in the history of New York State's Minority- and Women-Owned Business Enterprise Program at the time.[14]

The Vendor Diversity Program is paramount to Goldman Sachs for three reasons: One, it helps us provide the best possible solutions to clients by bringing talented, experienced professionals into our

[13] https://www.goldmansachs.com/our-firm/people-and-culture/vendor-diversity/.
[14] https://www1.nyc.gov/nycbusiness/description/state-minority-and-women-owned-business-enterprise-program.

network. Two, it drives growth opportunities for these businesses. And three, it is a chance for us to break down barriers that still exist for minority business owners – and that is critical for a healthy society. However, we believe we can always do better, and we have set 2020 targets accordingly, including reporting our business with diverse vendors, and increasing that business by 50% from our 2020 baseline.

Use of Diverse Asset Managers
Our asset management division works with more than 20 external asset managers that are majority women-owned or ethnically diverse-owned firms. These firms manage equity, fixed income, hedge fund and private equity assets for Goldman Sachs institutional and private clients. In addition, the Goldman Sachs external manager selection team has begun to pilot a diversity due diligence questionnaire, which asks its overall population of managers for data and information on each firm's diversity and inclusion metrics and practices.

Moreover, in 2018, our asset management group repositioned one of our Government money market funds to effect greater diversity and inclusion. Through our GS Financial Square Federal Instruments Fund, we are seeking to include firms that are women, minority and veteran owned broker-dealers in our trading partners. Disclosures will be added to the monthly fact sheet to allow investors to track how much of the fund's trading volume is being executed via women, minority and veteran owned broker-dealers. In the last year, approximately 65% of the fund's purchase transactions were placed with diverse-owned broker-dealers. The fund is approximately $1 billion and we hope to expand it significantly in the coming years.

Use of Diverse Broker Dealers and Underwriters
Goldman Sachs is one of the largest issuers of corporate bonds in the investment grade capital markets. In the last 10 years, we have employed a range of diverse firms on every new USD benchmark financing we have issued for ourselves, representing $149 billion of aggregate issuance. We have endeavored to be inclusive across all diverse firm types with strong representation from black, Hispanic/Latino, disabled veteran and women owned and operated firms.

The majority of these transactions have included four diverse firms, with some including as many as 12. Over this period, we have asked 22 different diverse firms to join our underwriting syndicate. We are proud to support these firms and their underwriting and distribution businesses. We manage our relationships with diverse firms on a continuous basis and regularly review our partner firms based on numerous criteria, including the commitment each makes to their community, the proportion of their staff that is representative of their demographic, and their distribution abilities.

4. **Goldman Sachs faces lawsuits and investigations by the Department of Justice, the Federal Reserve, and foreign regulators in relation to its role in raising money for Malaysia's sovereign wealth fund, 1Malaysia Development Berhad ("1MDB"). Goldman orchestrated three large bond offerings for 1MDB in 2012 and 2013. The bond sales, which raised a total of $6.5 billion resulted in Goldman Sachs earning $600 million in fees. In the end, almost half of the money that Goldman raised for the fund was allegedly siphoned off to pay for jewelry and fine art and to fund bribes and kickbacks to foreign officials.[15]**

   a) **Mr. Solomon, on December 21, 2018, you stated that you "do not believe that the criticism directed at [Goldman Sachs regarding the 1MDB scandal] accurately reflects who we were then or who we are now." You went on further to state that you believed the bank's "culture and ... processes around... due diligence and compliance was strong at the time, and is even stronger today." Yet in November of 2018, Timothy Leissner, the former chair of Goldman Sachs in Southeast Asia, pleaded guilty to corruption and money laundering charges related to the 1MDB Scandal and agreed to forfeit $43 million. What type of due diligence did the Bank conduct prior to orchestrating these bond sales?**

[15] CNN Business, *Goldman Sachs CEO defends bank's culture amid 1MDB scandal*, December 21, 2018. https://www.cnn.com/2018/12/21/business/goldman-sachs-david-solomon-1mdb-message/index.html.

The bond transactions were subject to extensive due diligence and committee review. When control functions and committees asked the deal team whether any intermediaries were involved in the transactions, they were told none were involved. In addition, Goldman Sachs received written representations from the parties to the transactions, including 1MDB and IPIC, that no intermediaries were involved. As we now know, these representations were false. Also during this period, 1MDB's outside auditors who had access to the books and records issued clean audit opinions.

b) Has the bank taken additional steps to increase its vigilance and oversight to make sure that an egregious scandal like this doesn't happen again?

Goldman Sachs is committed to continuously improving its compliance program. While the firm's compliance program was strong at the time of the 1MDB bond transactions, we have implemented a number of enhancements to attempt to prevent, detect, and mitigate the potential from harmful actions of employees.

5. Since the Crisis the six largest banks have grown tremendously in both assets and deposits, however, the number of Minority Depository Institutions (MDIs) have seen a rapid decline. Could you briefly inform the Committee of how many business relationships your bank currently has with MDIs, if any, and describe the amount of investments you have made to or in partnership with MDIs?

While Goldman Sachs does not directly have any business relationships with MDIs, our Goldman Sachs Urban Investment Group (UIG) works to help close the investment opportunity gap. For example, in the wake of the 2008 financial crisis and with many local and black-owned banks facing closure, UIG led the recapitalization efforts and was the lead investor to stabilize the largest black-owned bank in the United States, Carver Federal Savings Bank (an MDI). This allowed Carver to continue its critical role as one of the few capital providers in low income neighborhoods in Harlem and Brooklyn, New York.

6. Mr. Corbat, Mr. Dimon, Mr. Moynihan and Mr. Solomon, recently, the CFPB announced that it would rescind its Payday Lending Ability to Repay requirement. As you all are aware, payday loan products often result in consumers being seriously harmed and targets low-income communities.

a) Do you currently offer any small dollar credit products? If so, what is the annual percentage rate your customers are paying for these products?

Goldman Sachs does not offer small dollar loans of the type contemplated by the CFPB's Payday, Vehicle Title, and Certain High-Cost Installment Loan Rule. Marcus personal loans are fully amortizing loans generally with terms of 2-6 years and loan amounts ranging from $3,500 to $40,000. Notably, from time to time, we have offered loans as low as $600 to some of our more creditworthy borrowers (e.g., our seasonal loan program that offered loans of $600 to $3,000 during the holiday season). These loans were also fully amortizing with terms ranging from 6 to 24 months. The APR range for these loans was consistent with our larger loans and, as with all Marcus loans, there were no fees. For all of these loans, we conduct an ability to pay assessment designed to evaluate that our borrowers have the financial capacity to repay the amounts that we lend to them.

b) Are there any safeguards to ensure customers are not caught in a never-ending debt trap in using your bank's product, the same way they can be with payday loans?

As stated above, for all of our Marcus loans, we conduct an ability to pay assessment designed to evaluate that our borrowers have the financial capacity to repay the amounts that we lend to them.

c) What percentage of your portfolio is comprised of small-dollar loans?

As stated above, Goldman Sachs does not offer small dollar loans of the type contemplated by the CFPB's Payday, Vehicle Title, and Certain High-Cost Installment Loan Rule. Our loans currently range from $3,500 to $40,000.

7. Mr. Corbat, Mr. Dimon, Mr. Moynihan and Mr. Solomon, earlier this year, BB&T and SunTrust announced they would be merging to create the sixth largest bank in the United States with around $442 billion in assets.16 One notable recurring theme that has been reported is the ability to compete against the largest banks in the country as a primary driver for the merger, which was the latest of bank consolidation within the industry. According to the Federal Reserve Bank of New York's 2017 Small Business Credit Survey,17 community banks and CDFIs achieved net lender satisfaction scores of 73 percent and 76 percent, respectively, which measures the overall experience small businesses have with their lenders. That compares with 49 percent for large banks and 35 percent for online lenders. This is a clear sign that community banks play an integral role in supporting small businesses.

a) Could you please explain why small businesses reported such lower scores when banking with large banks compared to community banks and CDFIs?

We cannot speak to why small businesses reported the scores they did. We do not have a platform for making loans that are guaranteed by the Small Business Administration, and we cannot speak to the scores of other institutions. We do believe that there is a role to play for many different types of institutions in financial services and that not all large banks have the same reputation with consumers. In fact, in its inaugural rankings of personal loans, J.D. Power ranked Marcus by Goldman Sachs #1 in Overall Customer Satisfaction for personal loans.[18] We believe this is a reflection of the positive experience customers have working with Goldman Sachs and the success they have with using our products.

Additionally, through our *10,000 Small Businesses* program, we have partnered with over 25 CDFIs and mission-driven small business lenders (e.g., CDCs) to provide loan capital, grants, and technical assistance to help them fulfill their mission and increase access to capital to small businesses that need it the most. With their expertise, long-standing relationships in local markets and flexible approach to lending to business owners who do not qualify for traditional bank financing, CDFIs and mission-driven lenders play a significant role in the *10,000 Small Businesses* ecosystem. The program was designed so that these intermediaries use the *10,000 Small Businesses* loan capital and grants to expand their reach, whether geographically into a new market, through a new product offering or through improved internal capacity and risk management.

b) At the current rate of consolidation within the industry, will small businesses be left with only megabanks in a decade or two to seek credit from instead of the more familiar community banks they prefer to do business with?

We expect some further consolidation within the banking industry as banks look to offset pricing pressure through greater economies of scale, enhance their customer offerings through broadening their product set as well as accelerate rationalization of branch based distribution costs as the banking industry continues to digitize and offer more online banking products and services.

In addition, U.S. demographic trends are also contributing to increased consolidation within the banking industry. The largest banks have the greatest deposit market share in urban markets which

[16] https://www.marketwatch.com/story/suntrust-and-bbt-are-merging-heres-what-customers-need-to-know-2019-02-09.
[17] https://www.newyorkfed.org/smallbusiness/small-business-credit-survey-2017.
[18] Marcus by Goldman Sachs received the highest score in the J.D. Power 2019 U.S. Personal Loan Satisfaction Study of customers' satisfaction with the personal loan experience. Visit jdpower.com/awards.

are currently seeing the highest rate of economic growth. The top four banks by assets (Bank of America, Citigroup, JPMorgan Chase, Wells Fargo) have 45% deposit market share in the 15 largest metropolitan statistical areas (MSAs) versus 32% for the rest of the country. We note that those MSAs accounted for 60% of labor force growth since 2008 even though only 38% of Americans currently live in those markets.

Despite the increased concentration in the banking industry, the U.S. banking industry remains less concentrated than other markets globally. On our estimates, the U.S. banking market is half as concentrated as Europe and almost one third as concentrated as the Nordic countries.

8. **Recently, in his annual letter to shareholders, Mr. Dimon noted, that, quote, "America should and can afford to provide a proper safety net to our elderly, our sick and our poor," as well as help generate more opportunities for more Americans. This comes on the heels of Mr. Dimon's noting that the Trump tax cuts added almost $4 billion to JP Morgan's profits. This also comes at a time when income inequality is at an all-time high, limited affordable housing, and rising homelessness across the country.**

   a) **Should G-SIBs do more to address these issues?**

Yes, we believe that G-SIBs as well as others in the private sector and the government should find solutions to address income inequality and related issues. Income inequality is not a new problem. It has developed over centuries as a function of a number of factors, including our education system, our tax system and our health care system. That is why there is no silver bullet solution to the problem. If it is not addressed in the right way we risk social dislocations in our system, which is a threat to economic growth. Our company is particularly dependent on economic growth as a firm that helps companies raise and invest money for projects, factories and innovations.

At Goldman Sachs, we have been doing a number of things to address this issue in the United States and around the world. For example, we have spent over $650 million to develop two foundational programs: *10,000 Small Businesses* and *10,000 Women*. We started our *10,000 Small Businesses* program that partners with community colleges to provide business education and training to small business people. And we created the *10,000 Women* program to provide female entrepreneurs from around the world with a business and management education, mentoring and networking opportunities, and access to capital, which allows them to create jobs. We have since surpassed our initial goal of reaching 10,000 women and we have committed over $150 million through the Goldman Sachs Foundation.

We have also created *Launch with GS*, which is our commitment to invest $500 million in women-led companies and investment managers as part of our efforts to narrow the gender investing gap. Looking ahead, we will expand our *Launch with GS* initiative to include businesses founded, owned or led by people of color.

Also, in line with our firm's broader efforts to drive economic growth for and alongside our clients, Goldman Sachs has committed approximately $7.8 billion through our Urban Investment Group (UIG) to benefit underserved people and places. Since UIG was founded in 2001, it has invested in over 350 projects across the country, including in New York City, Newark, New Orleans, Detroit and Salt Lake City, bringing affordable housing, quality schools, new jobs, and growth capital for small businesses to neighborhoods in need. Approximately 80% of UIG's investments are located in or serve minority communities. Overall, UIG's investments have facilitated the creation and preservation of more than 31,000 housing units – the majority of which are affordable to low, moderate, and middle-income families – as well more than 2,200,000 square feet of community facility space and more than 9,600,000 square feet of commercial, retail and industrial space.

From a public policy standpoint, community colleges are one of the best accelerants into the middle class, and increasing our country's investments in community colleges can be a critical component of addressing income inequality. We are proud that Goldman Sachs is one of the largest private contributors to community colleges in the United States.

We have a stake in the outcome and we are going to use the various resources of our firm to provide more opportunity for more people. But we also need public policies that redress the weaknesses in our education system, principally, to orient the workforce of the future. We would be more than happy to work with you in Congress to think of ways to reduce inequality.

b) With the Trump tax cuts benefitting your bank's bottom line, what percentage of the tax benefits did your bank spend on affordable housing?

Based on our current interpretation of legislative guidance issued to date, we estimate that the 2017 tax reform reduced our 2018 income tax expense by approximately $750 million. As certain transition rules were effective for 2018, we expect this benefit to be reduced in 2019 and future years. In 2018, Goldman Sachs committed approximately $600 million for affordability transactions or approximately 80% of the tax reform's reduction to income tax expense. Today, as in prior years, we maintain our commitment to investing in affordable housing in underserved communities.

9. Recently, EPA scientists published a peer reviewed report entitled *Climate Damages and Adaptation Potential Across Diverse Sectors of the United States.* The report echoes and confirms the dire findings of the Fourth National Climate Assessment published in 2018 by the United States Global Change Research Program. This new study "....show[s] complex patterns of projected changes across the country, with damages in some sectors (for example, labor, extreme temperature mortality and coastal property) estimated to range in the hundreds of billions of US dollars annually [in each such sector] by the end of the century under high emissions. Inclusion of a large number of sectors shows that there are no regions that escape some mix of adverse impacts. Lower emissions, and adaptation in relevant sectors, would result in substantial economic benefits."[19]

a) How should the extremely well-known and increasingly well-documented material risks associated with current and projected climate change impacts on the US economy be communicated by the management of publicly traded companies to their shareholders and to the average investor?

At Goldman Sachs, we have a long-standing commitment to harnessing markets to help address climate change and leveraging the breadth of our businesses to facilitate the transition to a low carbon economy and help clients better manage the risks of climate change. We report on this commitment through our Environmental Policy Framework[20] and our annual sustainability report,[21] which are publicly available to our investors and other stakeholders. In addition, we conduct regular, direct engagement with our shareholders regarding our approach to climate change and environmental progress, which can include a discussion of potential risks and opportunities both to our business and for our clients. In addition, we have taken proactive measures to enhance our sustainability-related public disclosure. Two recent examples include:

- The Taskforce on Climate Related Financial Disclosure (TCFD) was established at the request of the Financial Stability Board to develop voluntary, consistent climate-related financial disclosures that would be useful to investors, lenders, and insurance underwriters in understanding material risks. TCFD released their final recommendation report in June 2017 and a number of companies have started to disclose additional information based on this framework. We are a public "supporter" of the TCFD recommendations and have committed

[19] https://www.nature.com/articles/s41558-019-0444-6.epdf.
[20] https://www.goldmansachs.com/citizenship/environmental-stewardship/epf-pdf.pdf.
[21] https://www.goldmansachs.com/s/sustainability-report/index.html.

to disclosing under TCFD, which provides a transparent framework for reporting on governance, strategy, risk management and metrics related to climate risks and opportunities.

- The Sustainability Accounting Standards Board (SASB) was formed to establish and maintain disclosure standards on sustainability matters that facilitate communication by companies to investors of decision-useful information including those that relate to the environment and climate change. SASB sets sustainability disclosure standards that are industry-specific and tied to the concept of materiality to investors. In 2018, Goldman Sachs issued its inaugural SASB report, the first major U.S. financial institution to do so.[22]

b) Specifically, how should the management of publicly traded companies discuss and disclose the risks to their shareholders value and a company's assets and operations of the legislative, regulatory, business and market impacts of current and projected trends in climate change, including those documented and forecast by the Fourth National Climate Assessment?

The SEC currently requires publicly traded companies to disclose material risks to their shareholders on a timely basis, and material risks related to climate change fall under the same disclosure requirements. In addition, there are reporting frameworks we support that are specifically focused on climate change and provide frameworks for more robust disclosure on climate change, including on impacts from policy / regulatory shifts and business / market impacts. This includes the TCFD (stated above) and Carbon Disclosure Project (CDP), which is a global disclosure system for carbon and represents a network of investors with over $100 trillion in assets under management.

c) If you do not concur with the US government's findings or the overwhelming preponderance of scientific studies documenting the increasing risks to our economy and public health from increasing greenhouse gas concentrations in the atmosphere, please explain why.

Under the Goldman Sachs Environmental Policy Framework, we acknowledge the scale and urgency of climate change and the scientific consensus, led by the Intergovernmental Panel on Climate Change, that climate change is a reality and human activities are responsible for increasing concentrations of greenhouse gases. For more information regarding our position on climate change see our Environmental Policy Framework.[23]

d) If you do not believe that climate change impacts are a material risk that should be managed, discussed, and disclosed by leaders of public companies to protect shareholder value and corporate assets and operations, please explain why.

As stated above, we believe that material risks should be disclosed to investors.

[22] https://www.goldmansachs.com/citizenship/sustainability-reporting/2018-sasb-report.pdf.
[23] https://www.goldmansachs.com/citizenship/environmental-stewardship/epf-pdf.pdf.