

ANNUAL OVERSIGHT OF WALL STREET FIRMS

HEARING
BEFORE THE
COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE
ONE HUNDRED EIGHTEENTH CONGRESS
FIRST SESSION
ON
EXAMINING HOW THE FAILURE OF THE LARGEST BANKS IN THE NA-
TION COULD POSE A THREAT TO THE ENTIRE GLOBAL FINANCIAL
SYSTEM

DECEMBER 6, 2023

Printed for the use of the Committee on Banking, Housing, and Urban Affairs



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U.S. GOVERNMENT PUBLISHING OFFICE

WASHINGTON : 2025

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WEDNESDAY, DECEMBER 6, 2023

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 9:30 a.m., in room 216, Hart Senate Office Building, Hon. Sherrod Brown, Chair of the Committee, presiding.

OPENING STATEMENT OF CHAIR SHERROD BROWN

Chair BROWN. The Committee on Banking, Housing, and Urban Affairs will come to order. Thank you to our eight witnesses today. Senator Scott, thank you for your work on this.

The eight bank CEOs appearing before us today lead the biggest global, systemically important banks in the United States of America. Your banks hold nearly \$15 trillion in assets, manage trillions of dollars of investments and retirement accounts, and fund the biggest companies in the country. You hold nearly half of the Nation's deposits and more than \$80 trillion in client assets. Your banks touch almost every aspect of our financial system and working Americans' money, even if they are not your customers.

All of that makes you eight of the most powerful people in the country.

The banks you run are so large, so complex, and so interconnected, that their distress or failure could pose a threat to the entire global financial system.

You may be private companies, but the risks you take and the mistakes you make do not just affect you. They do not even just affect your customers, or not even just your shareholders, or not even just your workers. Mistakes you make affect the whole economy, and, as we all remember from 2008 and 2009, they can certainly affect American taxpayers.

That amount of enormous power should also come with enormous responsibility. A big part of that responsibility is to make sure that investors, not taxpayers, are on the hook when risks at your bank do not pay off.

That is why we need strong capital requirements at the biggest banks. Because of this Committee, we finally have financial watchdogs in place who are now serious about the need for these protections, commonsense rules to ensure that banks can withstand losses from the riskiest financial shenanigans that create no value to the real economy. These rules protect against risky trading and derivative activities on Wall Street, the same activities that led to the 2008 financial crisis. They would close a loophole that allowed

banks like SVB to hide behind an accounting fiction that lowered capital requirements and contributed to its failure.

And anyone who had any doubt about whether Wall Street could be trusted to use its power responsibly need only look at the current lobbying fight on this. If you have watched the local news in Washington, if you have waited at a bus stop in Washington, if you have flown out of Washington National Airport, you have probably seen ads urging people to “Stop Basel Endgame.”

The eight of you surely know your audience.

And you have not stopped there. You have even gone national in that campaign, pouring money into ads for Sunday Night Football. It is a campaign waged by your lobbyists to prevent financial watchdogs from putting in place these stronger capital requirements to protect our banking system and our economy.

Listening to these ads, you hear all kinds of claims about how stronger rules will raise the cost of mortgages and stop small businesses from making loans. Wall Street banks are actually saying that cracking down on them will, quote, “hurt working families.” Really? You are saying that cracking down on Wall Street is going to hurt working families? You are going to claim that?

The economic devastation of 2008 is what hurt working families. The uncertainty and turmoil from the failure of Silicon Valley Bank hurt working families, when small businesses and their employees in Ohio and Utah and Minnesota and California and Rhode Island and South Carolina and across the country did not know if they could get access to their money and make payroll.

And of course, the claims in this ad campaign simply are not true. Your game, too often, is to try to confuse people. Most Americans think of a bank’s capital—if you force people to think about it at all—most Americans think of a bank’s capital as money stashed away in a vault somewhere.

But that is not what it means. You all know that. Capital is just a way to fund loans and investments and risky activities in a way that can absorb losses if things go south. It means shareholders and investors are on the hook, not taxpayers. And what those glossy ads do not tell you is that your banks have been reducing your lending to small businesses and veterans and homebuyers for years now, long before the new capital requirement were proposed.

Remember that. These are just proposals at this point. They have not even been implemented.

Let us be clear. Absolutely nothing in these rules would stop your banks from making loans to working families, to veterans, to homeowners, and small businesses. Absolutely nothing.

The reason banks might make fewer of these good loans in the future is the same reason we have been seeing less and less productive banking activity for years: it does not make your banks as much money as the risky stuff. You know that. We all know that. You would rather fund risky trading and derivatives bets than boring, bread-and-butter small business lending.

So even with this rule, you can still lend to small businesses and homeowners. You just might not increase your profits quarter-over-quarter by quite as much as you increased them last year.

But I think most Americans would agree that is a fair tradeoff for society: More small business lending. More first-time home-

buyers. Less chance of taxpayer bank bailouts. And, in exchange, maybe, smaller executive bonuses and a teeny tiny bit less profits for multitrillion-dollar Wall Street banks.

We know the banking industry does not give up without a well-funded fight. Wall Street pours money into high-priced lobbyists to fight any effort to put the most basic guardrails on your ability to do whatever you want. And what your banks want is to maximize quarterly profits, we understand that—the cost to everything and everyone else be damned.

We have seen over and over what a problem that is, and the harm that the current system does in places like Ohio. Earlier this year, when I first heard about SVB's collapse, my mind immediately went to another crisis in my State, in East Palestine, Ohio, the place where the train derailment happened and affected, dramatically, a community in my State. They have one thing in common: corporate lobbyists for years pushed for weaker rules, less oversight. Companies cut costs, did not care about safety if it got in the way of increasing profits. And working people—always, always, always working people—pay the price.

This is why people hate Wall Street. And that is why people hate Washington, because these lobbying campaigns, that you have engaged in, usually work. We see it over and over. We saw it during the fight to pass Dodd-Frank, after the financial crisis. Many of us remember the quote from an industry lobbyist after the President signed Dodd-Frank—“Now it is halftime.”

This time, Wall Street was true to its word.

The executives whose banks failed this spring had lobbied for watered-down rules to make it easier to chase profits at all costs. They knew risks were building at their banks, but they chose to ignore those risks because it meant a bigger payout for executives at the top. So we should be concerned when the executives of even bigger banks are doing the same thing against capital requirements.

Working Americans are tired of arrogant executives gambling with other people's money, then riding off into the sunset without any consequences. That is why we need to pass the bipartisan RE-COUP Act—thank you, Senator Scott, for your work on that—to hold failed bank executives accountable for driving their banks into the ground. And it is why we need strong capital rules.

Before you protest, I know, of course, that it was not your banks, the eight of you, that failed. But after those failures earlier this year, we were reminded about how fragile our banking system could be, and as a result, your banks only got even more powerful. So it is fair to take stock of how you are using that power.

I appreciate the long overdue increases in wages and benefits for many of your frontline employees. Thank you for that. At least one of your banks has made real efforts to get rid of overdraft fees. Thank you for that.

But your banks need to do far better when it comes to meeting your customers where they are and recognizing their dignity of work, your employees and your customers. You should be cutting prices for consumers, increasing opportunity for your employees, increasing diversity within your executive ranks, and supporting your workers' efforts, if they so choose, to unionize. And you should

stop pouring money into lobbying against efforts to protect the taxpayers who, in the end, subsidize your entire industry.

The reason for this hearing every year is to hold the biggest banks accountable to the American public. I thanked each of you for being here, a moment ago, personally. I appreciate you all coming together for this hearing. We want to hear from you—what will you do to support workers, to invest in the real economy, and to finally put Wall Street to work for Main Street?

Senator Scott.

OPENING STATEMENT OF SENATOR TIM SCOTT

Senator SCOTT. Thank you, Chairman, and thank you to a very long list of CEOs who have come to talk with us about how the impacts of our regulatory environment will impact everyday consumers.

And I hope that you all, some of the things I will say will be redundant because some of it is unprepared based on what the Chairman just said, but I hope you all will really answer the question of whether nothing in these proposals will stop your banks from lending to small businesses or first-time homebuyers. Because if the proposals, Basel III Endgame—who in America knows of Basel III Endgame really is?—let's translate that for the average American sitting at home watching this because they have nothing else on TV to watch.

It is simply requiring more capital on the sidelines, which then means fewer dollars to lend to small businesses, first-time homebuyers, car loans. So the actual impact of a higher regulatory standard is fewer dollars to lend to Americans who need desperately to be engaged in the process of achieving the American Dream that is typically defined by having access to capital.

If you work really hard and keep your life in order, you can have a good quality middle-class life. But if you want to actually experience wealth in America, you have to experience the benefits of profit or equity. Equity comes from having capital. Having capital typically means you either have it because you are born with it or you have access to it because you have an idea or a vision that will make your community or this Nation better.

When that happens, you go to a lending facility called a bank or outside of the market and you find that capital that allows you to start your business. And as you start your business and it appreciates, it creates a profit, and that profit allows you to experience the upper echelon of the American Dream. If you have a home, look at the differences between African Americans and majority population and net worth—tenfold difference. Much of that difference is found in the profit or the equity in a home.

So, when we think about the proposals, not of good regulation, but of a nightmare proposal called Basel III Endgame that will put so much more capital on the sidelines, we should ask ourselves, how does that translate for the average American living and working paycheck to paycheck? My thought is that it has a devastating impact on access to capital that makes the American Dream harder to achieve and access to capital, for some folks who started where I started, virtually impossible.

I think if you if you think about today's hearing from my perspective, I want to talk about three things. Number one is certainly Basel III Endgame, number two is the burdensome regulations and guidance that will ultimately hamper consumer choice, and number three, the job our regulators are doing, or frankly should be doing, and the work and the workplaces our regulators cultivate.

I will start as I just did with Basel III Endgame. The fact of the matter is that this one proposal could have a devastating impact on small businesses, and I would like for you all to address that either now or during the questions.

Last month, I led a letter to the FDIC, Fed, and OCC calling on them to withdraw this misguided proposal because American families, the folks who will bear the burden of these burdensome regulations, simply cannot afford it. The letter was signed by nearly 80 percent of my Republican colleagues that really span the entire ideological spectrum and the country. Nearly every single person who has signed the letter did so because they all agreed that costly, harmful impacts on our constituents, our businesses, and their families is something that could be avoided if, simply, the banking regulators would listen to common sense and withdraw the proposal.

And frankly, last month when the regulators spoke, even some of my Democrat colleagues agreed with our concerns on the negative impacts brought to us by a burdensome regulatory environment.

Let me be clear. This proposal could limit, and frankly I think will limit, the following: availability of credit for housing for those who need it most, severely restrict lending for small businesses that are still rebounding from the pandemic, and cut into the retirement savings for hardworking Americans, like teachers, police officers, firefighters, when they are dealing with higher prices and runaway inflation and brought by the radical left. These are very, very serious and real concerns.

But Americans should not just hear about the concerns from those of us who are Senators. We should hear from those who actually run the institutions that they have and trust in and have confidence in. As a former business owner myself, I believe that you all, as the day-to-day operators of these businesses, not elected officials, have a better sense of what the communities are facing, the challenges brought upon the communities by these higher standards.

Vice Chair Barr last month said that the new Basel Endgame will only impact about 40 of the banks in our country. Said differently, two-thirds of all the loans processed will be negatively impacted by the Endgame proposal. That is \$60 billion in small business loans in 2021, \$250 billion negatively impacted, and the definition of "negative," higher interest rates or fewer loans in 2022. In my home State of South Carolina, that translates into \$550 million of small businesses having higher interest rates or fewer loans, and \$3 billion in 2022 in home mortgage originations.

If regulations continue to increase the costs of providing a loan, I fear that banks will decrease lending, not only in my home State, but across the country. The increased lending means increased fi-

nancial hardship, and increased financial hardship means a reduction in opportunity.

That is my ultimate concern, reducing opportunity for everyday Americans. At the end of the day, these consequences will create a ceiling for low-income Americans, and it will not be a ceiling made of glass. Instead it will be made of concrete. We simply cannot let that happen.

The second item I want to discuss with you all today concerns the onslaught of rules and proposals targeting your institutions and the banking system writ large. For instance, in recent months, we have seen proposals or final rules all the way from climate risk management to the Community Reinvestment Act.

None of these proposals exist in a vacuum, and it is vital that this Committee hear from each of you about the overall impact on the health of our economy. In particular, I am deeply concerned by the continued partisan attempts of this Administration to advance their climate goals by any means possible, including through our banking system, with the recent climate risk management guidance.

Banks have been considering weather risks for decades—and you should—it is called common sense. And it remains incumbent upon each of you to base your lending decisions on risks you can reasonably assess, like weather or credit risk, not, however, perceived political, rhetorical, or reputational risk.

Beyond the explicit cost of these proposals, which ultimately are passed on to consumers, I fear that the only real accomplishments of the regulators will be to push more activity outside of the regulated financial system where we have less insight into the impacts on consumers.

And finally, number three, we must emphasize and turn our attention to the performance of our regulators and their core mission—the supervision of your banks and the stability of our financial economy.

This past spring, we saw the failures of several banks, which shook consumer confidence. Since then, there has been nonstop finger-pointing by our regulators. In the aftermath of the failures, I was critical of the failed bank executives because that is where the dollar should stop. The buck stops with the executives.

But you cannot see that in a vacuum. You have to ask yourself the question, what was the role of the regulators? What did they do? What did they see? How do they respond to that?

Your institutions have teams of examiners from the regulatory agencies in your offices every day, and I can tell by your faces you are really excited to see them when they show up.

But the truth is that we, the American people, deserve to understand the complexity of the web that exists that makes the headwinds real for lending money to would-be entrepreneurs or first-time homebuyers.

Let me close with this. We are not on the same page on a lot of issues. I think there are times when banks go too far in getting involved in politics. But when it comes to your objective of creating access to credit, to resources, for the American people and the American Dream, that is where I hope we find our attention today, focused on an environment that is easier for the average American

to experience the American Dream or it is made harder because of the challenges brought to them by this Government.

Chair BROWN. Thank you, Senator Scott.

I would like to introduce our eight witnesses, and then I am going to ask you each to stand and raise your right hand to swear you in.

Charles Scharf, CEO and President of Wells Fargo, welcome. Brian Moynihan, Chair and CEO of Bank of America, welcome. Jamie Dimon, Chair and CEO of JPMorgan Chase, welcome. Jane Fraser, CEO of Citigroup, welcome. Ron O'Hanley, CEO of State Street, welcome to you. Robin Vince, CEO of BNY Mellon, thank you for joining us. David Solomon of Goldman Sachs, CEO. James Gorman, CEO of Morgan Stanley.

Please stand for a moment and raise your right hand.

Do you swear or affirm that the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. SCHARF. I do.

Mr. MOYNIHAN. I do.

Mr. DIMON. I do.

Ms. FRASER. I do.

Mr. O'HANLEY. I do.

Mr. VINCE. I do.

Mr. SOLOMON. I do.

Mr. GORMAN. I do.

Chair BROWN. Thank you. You may take your seat.

Mr. Scharf, please begin.

**STATEMENT OF CHARLES W. SCHARF, CEO AND PRESIDENT,
WELLS FARGO & COMPANY**

Mr. SCHARF. Chairman Brown, Ranking Member Scott, Members of the Committee, thank you for the opportunity to be here today. I look forward to talking with you about the contributions Wells Fargo is making to support our customers, communities, employees, and to ensure the banking system is strong and resilient.

In March of this year, we all saw the failure of several banks rapidly create instability in certain parts of the banking sector. Though the causes were specific to the institutions that failed, markets became concerned that the issues were broader. In response, Wells Fargo, along with other banks here today, stood as a source of strength and stability. The strength of our institution allowed us to lend support to a smaller bank in a time of need. These actions helped stabilize the banking system, ease consumer concerns, and keep a challenge from becoming a much broader crisis. I am proud of the role we were able to play.

Wells Fargo's strength comes from a strong financial profile, disciplined financial risk management, and a commitment to run our business with high standards. Our top priority continues to be building and running a well-controlled company.

Over the past 4 years we have simplified our business model and have exited or downsized several businesses. We are primarily a U.S. domestic bank, and we do not have many complexities that running large-scale international businesses brings. Our legal entity structure and physical footprint are far simpler than many of

our competitors. Approximately 90 percent of our revenues come from the United States.

We proudly serve one in three U.S. households and more than 10 percent of small businesses in the U.S. We are a leading middle-market banking provider here. We maintain one of the largest branch networks in the Nation, and we have more rural branches than any other large bank. Nearly 30 percent of our branches are in low- or moderate-income census tracts.

We are constantly improving how we serve our customers and our communities. We are investing in our branches, we are building digital capabilities to complement our physical presence, and we are investing in the products we offer to our customers.

Since 2019, we have taken numerous steps to reduce and simplify fees, which as of yearend 2022, have resulted in average consumer deposit accounts paying approximately 25 percent less in fees per year. We give customers the choice of an account that offers overdraft protection or one that is not subject to overdraft fees. We eliminated nonsufficient fund fees and transfer fees for customers enrolled in overdraft protection. We introduced Early Pay Day, which makes eligible direct deposits available up to 2 days early; Extra Day Grace, which gives eligible customers an additional business day to make deposits to avoid overdraft fees; and Flex loan, a new digital-only small-dollar loan.

I am also proud of the role we play in our communities, where we seek to have broad impact. Last year, people who work at Wells Fargo contributed over 700,000 hours of volunteer service. I have spoken in the past of our decision to take the \$420 million in fees we received from administering the PPP program and donating them, through local partners, to small businesses in need. Through the first half of 2023, these funds have helped support more than 203,000 small businesses, the majority of them diverse owned, and helped preserve or create nearly 254,000 jobs.

Finally, we believe our employees are our greatest asset. We invest in them, and we listen to them. Since 2019, we have increased wages for U.S. hourly employees by nearly 20 percent, and increased the average pay rate for tellers by 34 percent. In 2022, we increased the minimum base pay for more than 40,000 employees, and we invested an additional \$200 million in employee development.

We have several ways for employees to share ideas or voice concerns. Their voice matters. We take their feedback seriously, and we act on their comments. For example, in our consumer bank, approximately 4,000 improvement ideas that our employees have submitted this year have been implemented or are in the process for future implementation. Engaging directly with our employees in this way is critical to improving the work experience at Wells Fargo.

I want to close by thanking our employees. Their dedication is unmatched. I am thankful for all that they do, and I remain committed to leading Wells Fargo to being one of the most respected financial institutions in the country.

Thank you, and I welcome your questions.

Chair BROWN. Thank you. Mr. Moynihan, welcome.

**STATEMENT OF BRIAN THOMAS MOYNIHAN, CHAIRMAN AND
CEO, BANK OF AMERICA**

Mr. MOYNIHAN. Chairman Brown, Ranking Member Scott, and distinguished Members of the Committee, good morning. I am here once again to proudly represent my 212,000-plus Bank of America teammates. Today I will provide an update from last year on how we deliver responsive growth for our clients, our teammates, our communities, and shareholders every day.

Responsible growth continues to deliver strong results during times of relative calm as well as during challenging environments like we experienced earlier this year. We saw market turbulence as a limited number of financial institutions faced challenges due to their unique business models. Bank of America, as we did during the pandemic, along with my colleague companies, served as a source of strength and stability for our industry and for our customers during this time. And we did this all while continuing to strengthen our balance sheet. As a GSIB, we are subject to the highest capital and liquidity requirements, and all of our metrics exceed those requirements.

And while we have declared that we have the capital today meet the proposed new capital rules, we remind that recent years, including this one, have shown just how important it is to have these institutions be able to position our balance sheets to help customers and clients in times of stress. That is why we continue to play an active role to help inform the future of this industry, including comments on proposed Basel III capital rule. We believe that capital accumulated by the industry should continue to serve the customers in America's economy, not be subject to regulatory capture by a theoretical model. The \$30 billion in excess today at Bank of America should be used to grow the U.S. economy, to support the business plan of small businesses and medium-sized businesses, to help consumers buy a home and recognize the American Dream.

And now for a few specific examples of progress on responsible growth. At Bank of America we serve 60 million American consumers, 11 million small business clients, and tens of thousands of commercial clients. We continue to focus on delivering expert networking guides across our high-touch physical network. We ended the year with 3,900 financial centers and 15,500 ATMs. We opened 58 new financial centers last year and renovated 784 more of them. In addition to these branches we have tens of thousands of teammates serving in over 100 local markets around the country. Over the next 4 years we are expanding to Omaha, Louisville, Boise, Birmingham, Madison, New Orleans, Milwaukee, Dayton, and Huntsville. This will enable us to bring our full range of services and solutions to better serve clients and help drive local community growth and development.

We also developed and deployed our strength to low- and moderate-income customers, including approximately \$9 billion in LMI loans to small businesses in 2022. In addition, we provided nearly \$8 billion in debt and equity financing, creating more than 10,000 units of affordable housing. And we have committed \$15 billion to our Affordable Home Ownership program. That will help 60,000

American families purchase a home to ensure the American Dream.

Over the last few years we have also invested in 24 minority deposit institutions. We have \$2 billion outstanding at the CDFIs. We have helped seed more than 150 private equity funds run by women and diverse private equity entrepreneurs.

Our clients also continue to look to us to help them achieve a transition to secure a low-carbon economy. With tens of trillions of dollars of investment needed over the next 30 years, this transition creates significant opportunities for our clients and for our company. This transition has to be led by the private sector or it is simply not going to happen.

Within our company we continue to invest in our teammates' physical, emotional, and financial health. This includes taking steps to continue to move to our \$25 U.S. minimum hourly wage pledge, which we increased to \$23 in October. And for the 12th year in a row, U.S. teammates earning less than \$50,000 annually will not see any increase in medical premiums. For the sixth year in a row, our teammates received special sharing success bonus, generating equity ownership to over 200,000 teammates.

We are a great place to work, as recognized by external parties and by our teammates. Our employee satisfaction scores remain at all-time highs, and our turnover rate is approaching an all-time low.

Responsible growth also means supporting the communities where we live and work. In 2022, we made \$360 million in philanthropic investments. Our teammates reported nearly 2 million volunteer hours for the year. We also created opportunity in our communities for employment. We are in the second leg of a 10,000 teammate hiring. That is 20,000 total, from low- and moderate-income communities to work in our company. Similarly, we have hired over 15,000 veterans in the last 8 years.

And importantly, responsible growth delivers for our shareholders. We have delivered stronger and stronger returns. We continue to increase our common dividend, and we continue to return capital to shareholders.

This is driving responsible growth. This is American capitalism at work. Thank you.

Chair BROWN. Thank you, Mr. Moynihan. Mr. Dimon, welcome.

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

Mr. DIMON. Thank you Chairman Brown, Ranking Member Scott, and Members of the Committee. I appreciate the opportunity to talk about JPMorgan Chase and the role of America's largest banks in supporting our economy.

The United States has the best financial system in the world, where retail banks, investment banks, asset managers, investors, hedge funds, and nonbanks serve the American economy. The country benefits from thousands of banks and credit unions of all sizes, covering all corners of our country.

I am very proud of this company and of the more than 300,000 employees worldwide. In the U.S. we serve more than 80 million customers, 6 million small businesses, we have more than 4,800

branches now in 48 States, almost all of your States here, and Washington, DC, which puts a Chase branch within a 10-minute drive for 60 percent of the population.

We are a top lender in every rural State, serving medium and large companies, local governments, hospital, universities, farms, and manufacturers, providing almost \$100 billion of credit and capital to clients in rural and small towns. JPMorgan Chase extended a total of \$1.7 trillion in credit to consumers and corporation in 2023. We moved \$10 trillion around the world every day in 120 currencies in 160 countries daily, and we safeguard more than \$29 trillion in assets.

The country benefits from thousands of banks and credit unions of all sizes, serving all corners, and we must acknowledge that there are some things that can only be done by large and complex banks, things that are essential to a thriving U.S. economy and American competitiveness.

While we are a large Main Street bank, large banks on this panel serve America's interests overseas. We bank America's largest multinational corporations around the world. We bank other banks and financial institutions such as mortgage finance companies, insurance companies, the World Bank, IMF, community banks, MDIs, CDFIs. Large American banks support the deepest transparent and most liquid capital markets in the world. We underwrite large and complex municipal bonds which provide Governments' financing for roads, bridges, schools, hospitals, and airports, and we help American small businesses manage their money and finance their dreams.

Our collective work is important in good times but essential in troubled times.

In good times, large banks help Americans save, invest, and grow. We underwrites stocks and bonds to create investments for retirees and other savers, and raise money for companies, fueling jobs creation and new business development. As guardians of the financial system we support our Government and national security to combat financial crimes and to carry out complex sanctions. We are a force for good for the country, its citizens, and the global economy.

In troubled times, large banks provide market stability to protect customers and employers alike. As demonstrated recently during the spring 2023 regional bank turmoil, large banks stepped in to provide market liquidity, which protected consumers, retirement savers, and employers.

During COVID we also saw America's large banks provide significant support, extending tens of billions of dollars of credit and capital to struggling large and small businesses, local governments, universities, and hospitals, at a time when they needed it the most. Banks waived hundreds of millions of dollars in fees and postponed loan payments for customers struggling to make ends meet.

Despite zero evidence that the U.S. banks are undercapitalized today, the proposed Basel III Endgame rule, 10 years in the making—shockingly—if enacted, would increase capital requirements by about 25 percent for the largest banks. None of these proposed changes, by the way, would have effectively prevented the Silicon Valley Bank failure.

The rule would have predictable and harmful outcomes to the economy, markets, businesses of all sizes, and American households, in ways the Federal Reserve has not studied, contemplated, or shared.

Mortgages and small business loans would be more expensive and harder to access, particularly for low- to moderate-income borrowers, as costs for originating and securitizing loans rise.

Savings for retirement or college will yield lower returns as costs rise for asset management, money market funds, and pension funds.

Government infrastructure projects will become more expensive as capital requirements for market activities more than double, translating to higher costs to build hospitals, bridges, and roads.

From beverage companies that need to manage aluminum costs to farms that need to protect against environmental risks, if the cost of hedging these risks increases, everything from a can of soda to meat products will be impacted.

Ironically, a proposal meant to mitigate risk will actually increase risk. This rule will result in an increased shift away from regulated markets to less regulated markets—which was not also studied, by the way—and this activity will be out of the sight of regulators, unable to see the next crisis brewing.

I fear that “propose now, study later” has become the troublesome new theme in Washington. There have been a number of consumer-focused proposals—caps on late fees or interest rates, cuts to debit interchange, to name a few—where virtually no economic analysis has been performed to determine the individual—or collective—impact of these rules on consumers, small businesses, lower-income families, markets, or the economy.

The debate should not always be about more or less regulation but about the right regulations to keep America’s banking system the best in the world. I urge lawmakers and regulators to be thoughtful about the effect of arbitrary and unstudied regulatory proposals and their cumulative impact on the economy.

Good regulations and good regulators are critical to maintaining the strength of our banking system. Our Nation should give thanks to Chairman Powell and Secretary Yellen for the tremendous work through some complicated economic times, including their work on sanctions following Russia’s invasion of Ukraine and the steps they took during the regional bank turmoil this past spring. These are excellent examples of how regulators, working with the industry collaboratively, sharing information transparently—can protect the financial system and the country.

To close, I would like to speak to my 300,000 employees, and actually maybe all bank employees around the world, of how I am proud of everything they do every day, in hundreds of communities around the world, serving consumers, businesses—large and small, farms, cities, schools, States, and hospitals, around the clock, 24/7. Thank you very much for the great things you do for this country.

Chair BROWN. Thanks, Mr. Dimon. Ms. Fraser, welcome.

STATEMENT OF JANE FRASER, CEO, CITIGROUP

Ms. FRASER. Thank you. Chairman Brown, Ranking Member Scott and esteemed Members of the Committee, thank you for the opportunity to speak to you this morning. As CEO, I have the opportunity to lead a 211-year-old institution that supports clients in nearly 160 markets around the world, and we have 240,000 employees, of whom I could not be more proud to lead, and more grateful too.

Through decades of geopolitical shifts and technological advances, we have seen how the U.S. banking system is truly unmatched. The isolated bank failures of the spring may have tested some of the confidence of our people in our industry.

But I am proud of how our industry, including my peers sitting around me today, how we came together and worked with the Government to affirm the underlying strength and stability of the system.

As we chart a path forward, we need to make sure we do not inadvertently upend the very system and unique system that we have. Our financial system is the envy of others because it is underpinned by the most competitive banking system and the deepest capital markets. We are home to banks of all sizes, each with an important role to play. Collectively, our banks serve as engines of growth, supporting businesses and households and promoting access to financial services in hard-to-reach communities.

For American multinationals, global banks such as ours offer the size and scale to help them compete overseas, without having to rely on foreign banks. We finance supply chains and partner with America's top companies to bring products and services to American consumers at affordable prices.

We use our robust balance sheets to fund transformational projects. Last year alone, Citi worked with State and local governments to raise or refinance nearly \$31 billion in infrastructure investment. That included financing 35,000 affordable housing units across 32 States. That was our 13th year as the country's number one affordable housing lender. And in addition, we provide a variety of products to drive financial inclusion and work with CDFIs and MDIs to reach the underserved. As a proud participant of the OCC's Project Reach, we are coleading the work stream that is focused on strengthening MDIs, and we are also engaged in initiatives to increase access to credit and reduce the number of Americans who are credit invisible.

The strength of our financial system becomes most critical when the outlook for our economy weakens. Although we certainly do not see a drastic downturn on the horizon, history suggests that a recession is possible given the macroeconomic factors at play. And they include persistent inflation in services, rising debt, and a slowdown in global growth, as well as two major conflicts in Europe and the Middle East. And we are beginning to see some concernings in the lower FICO score segment of our customers, and this is unfortunately the very same group that feels any tightening of credit first.

Raising capital requirements by as much as 20 percent on an industry that all participants believe is well capitalized is a bad idea in any environment. But it becomes even more problematic with

economic uncertainty ahead. Almost every element of the Basel III Endgame proposal would make lending and other financial activities more expensive, especially for smaller companies and consumers. The most likely result of increasing the cost of banks to offer a variety of products is that it would move more activity into the less-regulated, nonbank sector, which carries its own risk for consumers and the stability of the financial system. It would also diminish our industry's ability to compete internationally, especially with our European counterparts.

I raise these concerns as I know we all share the same goal, that is of maintaining a strong and competitive banking system that supports a resilient economy.

Thank you, and I look forward to answering your questions later today.

Chair BROWN. Thank you, Ms. Fraser. Mr. O'Hanley, welcome.

STATEMENT OF RONALD O'HANLEY, CEO, STATE STREET

Mr. O'HANLEY. Chairman Brown, Ranking Member Scott, and Members of the Committee, good morning. I am proud to serve as State Street's Chairman and CEO.

To start, I need to be clear on what State Street is not. We are not a consumer bank, a commercial bank, a mortgage bank, or an investment bank. We do not serve individual customers directly, and we have no retail branches. What we are is highly focused on two lines of business: investment servicing and investment management.

Our investment servicing business, which includes custody and related services, enables our clients to invest and execute transactions daily in markets across the globe in a safe and efficient manner. Our investment management division is a pioneer in indexing and quantitative investing, creator of many of the world's first ETFs, and the world's fourth largest asset manager. Our low-cost, diversified investment products are the building blocks of savings and investment across the world.

Both business lines have the same corporate purpose, to create better outcomes for the world's institutional investors and the people they serve. Our direct clients are institutions across the globe—pension funds, mutual funds, central banks, sovereign wealth funds, endowments, foundations, and insurance companies, holders of assets for the benefit of individuals, such as retirees, savers, or students.

I would like to focus a bit today on my very strong view of the value and importance of custody banks. Quite simply, strong, effective custody, combined with innovation in the asset management industry, is the backbone of our democratized capital market, providing investors access in a secure and cost-effective manner to the investment products they need to meet retirement and other financial goals.

The safekeeping custody banks provide ensures investor assets are held and accounted for where and how they should be. This has not always been the case.

From the collapse of investment trusts in the 1930s, to the failure of the Studebaker pension fund in 1963, to the misappropriation of the Mirror Group pension fund prior to Robert Maxwell's

death in 1991, to the Madoff scandal uncovered in the late aughts, investors are put at risk when there is no proper custody of assets. In contrast, proper custody regulation, such as the Investment Company Act of 1940, and ERISA, coupled with the enormous investments in technology by today's custody banks has produced a modern-time near perfect track record of safekeeping assets.

The recent events around FTX, which did not use bank custodians, demonstrate that more remains to be done to protect investors' assets and the financial system. In the emerging digital finance space, a comprehensive, effective regulatory framework is not yet in place, and the consequences are clear.

State Street is subject to the highest levels of regulation and supervision. We are well-capitalized, both stressed and unstressed. Our balance sheet is conservatively positioned to deliver liquidity when our clients need it. We are subject to extensive resolution and recovery plans. We are a proven source of stability for capital markets and our customers in times of stress.

Despite the challenges of COVID and the banking stress earlier this year, the eight GSIB banks before you have done their jobs exceedingly well, partnering with regulators during COVID and the SVB/First Republic crises, and providing stability to our financial system. I am proud of State Street's strong performance over these stressful periods.

Looking forward, the geopolitical environment is complex and unpredictable. The U.S. and the global economic recovery is uncertain as we all navigate higher interest rates and debt levels. And the financial services regulatory environment in the U.S. is in flux, in many cases with unclear goals.

From a State Street perspective, I am concerned with the U.S. banking regulators' capital proposal, which I fear could negatively impact the U.S. economy by limiting bank credit extension and impairing the ability of U.S. banks like State Street to continue to provide high quality custody and asset management services.

I am also concerned by the SEC's proposed "safekeeping" rule, which, with no clear rationale, challenges some of the foundational elements of custody banking and in effect destroys the low-cost, near perfect service now provided to investors.

I hope these proposals can be adjusted, for if not they create risk of negative economic, market, and individual outcomes going forward.

I am very proud of our company, our diverse workforce, and the role we play in the financial system. State Street and the other GSIB banks here are the most well capitalized and technologically advanced financial services firms in the world. They are essential to America's competitiveness and prosperity.

I look forward to our dialogue today.

Chair BROWN. Thank you, Mr. O'Hanley. Mr. Vince, welcome.

STATEMENT OF ROBIN VINCE, CEO, BNY MELLON

Mr. VINCE. Good morning, Chair Brown, Ranking Member Scott, and Members of the Committee. I have had the honor of serving as the CEO of BNY Mellon for just over a year. I take this responsibility very seriously. As a company, we work for a strong, competitive banking system that serves customers and communities,

supports the economy, and preserves U.S. economic leadership. My appreciation for this role has only grown as I get to know our history, our clients, our people, and our culture.

Let me start with who we are. BNY Mellon is the Nation's oldest bank, founded by Alexander Hamilton in 1784. Today we are a global financial services company with 50,000 employees. Our client base is varied, ranging from Governments and pension funds to corporations and financial firms. These clients all have different needs and roles in the economy, and we provide the services to put their money to work, keeping it safe, moving it, and managing it.

While we are proud of our history and our leading market positions, we do not take them for granted. They are constant reminders to earn trust and to plan for the long term. We know that our economy will face challenges. It's not a matter of if but when, and for how long. It is critical that we are prepared to operate through these different conditions, being prepared to prevent, respond, and recover. This is what we mean by resiliency. It is a basic concept and a shared goal amongst our clients, regulators, and other stakeholders, and it is embedded in our strategy.

One part of being prepared is financial resiliency, having enough capital and liquidity to weather unexpected market stress. We have a strong track record, and customers consistently look to us as a dependable provider during market disruptions. We aim to manage our balance sheet conservatively, with a high proportion of cash and high quality liquid assets to adjust for changing market conditions.

Another part of being prepared is operational resiliency, having the technology, the people, the processes in place to respond to events that could disrupt operations. I am very proud of the hard work that our teams have put in to keep markets running smoothly, all through record volatility and volumes during the pandemic, wars, and market stresses. This work happens behind the scenes, and I want to commend our people who have made this happen.

We have a long legacy of firsts as a company to solve problems and help move the country forward. We provided the first loan to the United States, and we were the first stock listed on the New York Stock Exchange. These actions, taken for granted today, were financial innovations at the time.

But we cannot be complacent. Markets are uncertain. We must adapt to new needs and address new risks as we plan and prepare for the future. U.S. leadership on technology, including on cyber, distributed ledger technology, and artificial intelligence is important for our economy. This will require diligence and innovation by the public and private sectors to address them in a responsible way.

Finally, I would like to close with an emphasis on our more than 50,000 employees who do the hard work to keep our company and global markets running. Our goal at BNY Mellon is to drive a spirit of ownership, shared responsibility, and mutual success.

Equity ownership in our company is an important part of this, and I am particularly proud of our BK Shares program to grant equity to employees who otherwise would not have received stock. This program has benefited more than 45,000 employees and allowed many of them to become first-time participants in the capital

markets that they help to serve. This is just one example of our culture and commitment to invest in our people and our company's long-term success.

Thank you for your time, and I am happy to answer any questions that you may have.

Chair BROWN. Thank you, Mr. Vince. Mr. Solomon, welcome.

STATEMENT OF DAVID SOLOMON, CEO, GOLDMAN SACHS

Mr. SOLOMON. Thank you. Chairman Brown, Ranking Member Scott, Members of the Committee, thank you for giving me the opportunity to testify. I am proud to serve as the Chairman and CEO of Goldman Sachs and lead our incredibly talented team of 45,000 people around the world as they work tirelessly to serve our clients.

Goldman Sachs has a deep history, spanning over 150 years as a global leader in investment banking, securities, trading, and investment management. Our size, global reach, and capabilities allows us to provide tailored services and products, aiding institutions, businesses of all sizes, and individuals in achieving their financial goals.

We sit at the center of the U.S. capital markets, which forms the bedrock of our financial system and helps drive America's innovation. In fact, 75 percent of financing for U.S. businesses and State and local governments is conducted through our capital markets.

A core component of our firm lies in the talent and expertise of our people and their commitment to advising our clients on buying and selling businesses, raising capital, and managing risks. In particular, Goldman Sachs as a crucial risk advisor to help businesses of all sizes navigate through challenges and financial risks that range from currency fluctuations and commodity price volatility to interest rate risks and various forms of credit risk.

In addition, we finance infrastructure projects for local governments to invest in schools, hospitals, and roads. We also invest on behalf of our clients so that jobs can be created, retirement savings can grow, and economies can expand.

We are able to facilitate all these activities because of the strength and resiliency of our balance sheet. In fact, since 2007, Goldman Sachs' capital has nearly tripled, our liquidity has increased more than five times, and our leverage has decreased by half.

In addition, the Federal Reserve's stress tests have consistently confirmed that all of us here have sufficient capital to withstand a severe global recession. As an example, the scenario has included 50 percent decline in equity prices within a year, in addition to a separate global market shock that also features dramatic instantaneous declines in equity prices.

You have the finest and most innovative financial institutions in the world represented here today, and we all served as a source of strength for the economy throughout the pandemic, the Ukraine war, and regional bank failures. Federal Reserve Chairman Powell, Treasury Secretary Yellen, and many other Government officials of both political parties across three administrations have repeatedly stated that the largest banks are strong and well capitalized.

In the wake of significant interest rate hikes I believe the U.S. economy has proven to be more resilient than expected, and the chances of a recession have decreased, although there are many reasons to remain vigilant. We are seeing a further tightening of financial conditions, the U.S. structural debt continues to grow and become more expensive to finance, and the geopolitical stresses associated with Ukraine, China, and the Middle East could impact economic growth and stability around the world.

Against this backdrop, one headwind to U.S. economic recovery is the finalization of the new capital rules, referred to as Basel III Endgame. These rules were conceived to create a common set of international capital standards without raising the aggregate amount of capital. However, the U.S. proposal does exactly the opposite. It is significantly more stringent than any other jurisdiction and would increase our capital requirements by about 25 percent.

Although this increase in capital is a result of a number of over-calibrations throughout the proposal, I want to highlight just one of the many issues that is particularly punitive to capital markets' activities. The proposal nearly doubles the capital for market-making activity. These higher requirements are simply layered on top of the global market shock that I discussed moments ago, without any consideration for how they interact, resulting in a significant double count. As a result, banks will need to hold capital for many of the exact same risks associated with those market activities.

As of the third quarter, the institutions most impacted by this proposal amount to two-thirds of both lending and capital markets activity in the U.S. In addition, since 2010, U.S. banks have underwritten 70 percent of equity financing and 60 percent of U.S. dollar debt financing.

These punitive regulatory measures also run the risk of harming U.S. competitiveness and capital market strength globally, as well as pushing activity overseas and outside of the regulated banking sector, without making the U.S. system far safer.

Indeed, we believe the proposal results in increased costs for airlines, manufacturers, food producers, pensions and mutual funds, insurance companies, small businesses, and energy companies. These costs will likely get passed on to consumers. For example, it would quadruple our capital requirements for clean energy tax equity products and would increase our capital eight times for important transactions we enter into with pension funds to improve the returns for retirees.

Systemic financial stability is critical to the functioning of the U.S. economy, and we should ensure that we are only taking actions that enhance the capacity of financial institutions to support our economy and provide demonstrable systemic benefit.

Thank you. I would be happy to take any questions.

Chair BROWN. Thank you, Mr. Solomon. Mr. Gorman, welcome.

STATEMENT OF JAMES P. GORMAN, CEO, MORGAN STANLEY

Mr. GORMAN. Thank you, Chairman Brown, Ranking Member Scott, and Members of the Committee. Thanks for having us here. I am honored to represent the Morgan Stanley employees today, and for the last 14 years as their Chairman and CEO.

In 2021, we were still battling an extraordinary public health crisis. The economy was supported with monetary and fiscal stimulus, and inflation was low. A lot has changed since. While inflation has receded from its highs, the macroeconomic environment continues to be very complex. We are also witnessing, as is obvious, considerable geopolitical challenges today.

At Morgan Stanley, in our Institutional business, we help advise private companies and public sector entities for meet their financing needs. That includes raising equity and debt capital to fund and grow businesses, invest in public infrastructure, ultimately contributing to the growth of the economy. We assist pension funds, mutual funds, and other financial institutions trade and manage assets around the globe.

In our Wealth and Asset Management businesses, we are managing nearly \$6.2 trillion of assets for individuals and households, as well as institutions like endowments and pension funds that manage the retirements of our public employees. For millions of U.S. households, our services help families save money for retirement, and for college, and for a mortgage to build home ownership.

The U.S. banking system remains strong, and is the envy of the world. It is an extraordinary asset for our country. Nowhere—not China, not Europe, not South America, not the U.K., not the rest of Asia—has a system remotely having these kinds of strengths.

Large U.S. banks have undergone a dramatic change in their capital and liquidity profile since the financial crisis of 15 years ago, when the U.S. Government, you, acted decisively and quickly in implementing the Dodd-Frank and CCAR reforms. As we saw earlier this year, there was a crisis among some regional banks. It was not a banking crisis. It was a crisis of three banks. It was in the spring, and it was quickly averted by prompt regulatory action, and with the strength and support from these large banks. We, along with three other banks, together provided \$30 billion in uninsured deposits to First Republic to assist the regulators so that they could manage its ultimate resolution. It was gratifying, after being part of the problem in the 2008 financial crisis, to have the financial strength and stability to be part of the solution.

Current proposals to put additional capital requirements, as you have heard today, on all the largest banks, the so-called Basel III Endgame, need to consider the full impact to the U.S. economy and what it will mean for U.S. small businesses and consumers. Regulations are only effective when they find that balance.

Blanket increases in capital for the large U.S. banks, who already undergo annual rigorous stress testing and are required to maintain additional specific capital buffers already, additional increases are wholly unnecessary. It will make credit more expensive, as everybody has said, make it less accessible to consumers and businesses, while harming the competitiveness of this economy, one of the great strengths of the U.S. economy, the banking system. As it stands, the proposal would increase the cost of capital and borrowing across the U.S. economy, not just to large and small corporations, but to pensions, municipalities, and endowments.

We hope the Federal agencies will be open to changes and reviewing the industry's comments thoughtfully.

As a global leader in financial services, we have a responsibility to all the communities we operate in. Many of those communities continue to experience social and financial challenges, and we are using our resources to help them.

Finally, Mr. Chairman, in your letter dated November 6, 2023, you asked me to provide information on a number of topics, and that in the attached addendum.

Thank you again, Chairman Brown, Ranking Member Scott, and Members of the Committee. We look forward to your questions.

Chair BROWN. Thank you, Mr. Gorman.

A productive third quarter for your banks. Your banks, as you like to say, return capital to shareholders in the form of dividends and stock buybacks. During your earnings calls at the end of the third quarter we heard statements about how you are going to continue to manage your businesses to deliver value to your shareholders. Of course, what we did not hear was any concern that your firms would not be able to meet the anticipated increased capital levels under Basel III Endgame.

If I am mistaken I would like you to set the record straight for the public and the investors. Do any of you have any reason to believe that your firm would not be able to achieve the increased capital requirements of Basel III, adopted as proposed? Any of you think you could not achieve the increased capital requirements, raise your hands if you think you cannot.

[No hands raised.]

Chair BROWN. Thank you. I think you have indicated your firms will be able to meet the enhanced capital requirements. It leads me to conclude that the proposed capital standards are not too onerous.

Mr. Scharf, Americans' support for unions, as we have discussed, is at a half-century high. Unions help ensure that workers share in a company's success through better pay and better benefits, control over their schedules, greater stability to their personal and professional lives. Workers at two Wells Fargo branches will be voting to unionize this month. Dozens of other union organizing drives are in the works.

Wells Fargo's recent scandals highlight the pressure that overworked and underpaid workers that short-staffed branches face. One worker said, "The executives do not have to deal with the consequences of their decisions in a direct sense but we do."

Mr. Scharf, I appreciate your willingness to talk one-on-one about this with me. I remain concerned about unfair labor practices and reports that Wells Fargo is geared up in response to the union campaign. Will you remain neutral as these employees vote to organize?

Mr. SCHARF. Chairman Brown, I agree with your sentiment about the importance of the workers and our employees, and as you know we have done a tremendous amount to support them and will continue to do that. And we believe that it is best that we have a direct relationship with those employees, and we do intend to exercise our right to speak with them, to make sure that they make an informed decision.

Chair BROWN. Thank you. It was an opportunity to show the American public truly a new day at Wells Fargo, and I am sorry that you have failed to show that real change is afoot at your bank.

Mr. Scharf, Mr. Moynihan, Mr. Dimon, and Ms. Fraser, according to CFPB, failure to invoke the Servicemembers Civil Relief Act interest rate reductions cost servicemembers \$100 million between 2007 and 2018. You can unilaterally act to ensure servicemembers receive those benefits, the SCRA benefits they are entitled to.

Do your banks proactively check authorized military data bases to identify accounts that may be eligible for SCRA protections? Begin, Mr. Scharf.

Mr. SCHARF. Chairman, we have huge respect for those that have been in the military. Specifically, to your question, I am not sure, but certainly we will check and get back to you.

Chair BROWN. OK. Thank you. Mr. Moynihan.

Mr. MOYNIHAN. We, again, follow the SCRA provisions. On an annual basis we retroactively, looking back, after we get notification, about \$180 million a year we send back to those servicemembers, including fees, which we are not required to rebate, but we go ahead and rebate them. So I will check to make sure we are looking at all available means, but we comply with the law.

Chair BROWN. Thank you. Mr. Dimon.

Mr. DIMON. I am sure we comply with the law, but it is an opportunity to say that we have hired 18,000 veterans in the last couple of years. We support the United States military. We have hired 3,000 military spouses. So we stand 100 percent behind the servicemembers that we hold in the highest regard.

Chair BROWN. Thank you. Ms. Fraser.

Ms. FRASER. Similarly, Chair Brown, we are very proud to employ many veterans, and we are incredibly grateful for everything that they do for our country. We make extensive investments in ensuring that we comply with the laws, and we do indeed tap into the database.

Chair BROWN. Thank you. Thank you for your candor about that. I urge you all to proactively check whether customers are eligible for SCRA benefits. It is the type of work that you could be doing. The answers were helpful, and we will be back with all four of you about how we can help do that proactively.

There is plenty we do not agree on. It is pretty clear. But I also want to finish somewhere we do agree, supplemental security income. SSI provides a lifeline for 300,000 Ohioans, nearly 8 million Americans living with disabilities. The problem is SSI's eligibility rules have not been updated by Congress—that is on us—in 40 years. They are now so outdated they lock people in poverty. The Bipartisan Policy Center called SSI's asset limit the most regressive anti-savings provision in Federal law. I have a bipartisan bill with Senator Rounds of this Committee to raise the program's asset limit and stop punishing people for working and saving.

Mr. Dimon, I know JPMorgan Chase is supportive of raising the asset level. I thank you for your leadership on this. Tell us briefly how it affects JPMorgan and why you are so supportive, and then I would like to ask all of you if you would join Mr. Dimon and Senator Rounds and me in support. Mr. Dimon.

Mr. DIMON. Senator, thank you. We have employees who do not want us to increase their salary because if it goes over a certain amount they cannot get that benefit, which they are entitled to, or they cannot have assets over \$10,000. So this definitely should be fixed. We fully support it, and try to be as helpful as we can.

Chair BROWN. Thank you. Mr. Scharf, would you agree to support Mr. Dimon's position and mine?

Mr. SCHARF. It sounds like something that we would be willing to support, but we would like to take a look at it.

Chair BROWN. Mr. Moynihan.

Mr. MOYNIHAN. [Inaudible.]

Chair BROWN. Ms. Fraser.

Ms. FRASER. Fully and wholeheartedly.

Chair BROWN. OK. Mr. O'Hanley.

Mr. O'HANLEY. We do support it.

Chair BROWN. Thank you. Mr. Vince.

Mr. VINCE. We do support it.

Chair BROWN. Mr. Solomon.

Mr. SOLOMON. We do support it.

Chair BROWN. Mr. Gorman.

Mr. GORMAN. Yes.

Chair BROWN. Thank you all. Senator Scott.

Senator SCOTT. Thank you, Mr. Chairman. A question for the panel. The Chairman asked a question about can you achieve the increased capital requirements. My question is can you achieve the increased capital requirements without negative consequences to the economy and to lending?

Mr. SCHARF. Senator, we do have concerns that some of the items in the proposal will lead us to either increase the price or to reduce the amount that we lend.

Mr. MOYNIHAN. There is a chart in the MPR that looks deceptively simple. It says here is the RWA before the proposal and here is the RWA after the proposal. It says 24 percent increase. That is a reduction in capacity of this industry to service clients, no questions asked. The capital that could have been used to create those additional RWA incremental has to be used to sustain the same activities we have today, with no risk from the day before to the day after in what the enterprise does.

That is the point that we are trying to make is that this is about using our capital, whether we have it or not, whether we have it to meet the new requirements to support additional activity, not the old activity, which does not help the American economy.

Senator SCOTT. Thank you.

Mr. DIMON. I think one of the frustrations you hear from this group up here is this question should have been asked before it went out. We have to hold 30 percent more capital than international banks in the United States of America for every loan. A lot of loans have now become unprofitable. There are a lot of loans that do not make sense for our company anymore—small business, CDFI, solar, wind, middle market loans, certain trades you do with pension plans, et cetera.

The work should have been done beforehand. By law, the QIS, the qualitative impact, should have been done beforehand. We had 10 years to do this, and it is shocking to me that after 10 years

we are talking about what is it going to do for small business, and we have to analyze it today. Now are we all going to fill out thousands of pages of forms responding in a very detailed way to every single one of these things, but it was not thoughtfully done. I am not sure it was shared fully among all the regulators. This should be relooked at.

Senator SCOTT. And before I go to Ms. Fraser, my assumption is everyone is going to say “with consequences that will be negative.”

So let me ask a different question to you, Ms. Fraser. The impact, and perhaps the unintended impact, from Basel, the Endgame, on customers, we so often talk about the American consumer as if there is just one generic consumer out there. But from a State like South Carolina where we have a lot of farmers, the impact on farmers and access to not only credit but liquidity during the hard times, can you perhaps give me a 30-second reaction to will this have a negative impact on some of rural communities that need derivatives? Walk me through that for a second.

Ms. FRASER. Certainly, and thank you very much for your question, Senator. This will, to your point, increase the cost of borrowing for farmers and rural communities. It could impact them in terms of their mortgages. It could impact their credit card. It could also, importantly, impact their cost of any borrowing that they do.

And let me give you an example. For a farmer, hedging your commodity costs and your commodity prices is an absolutely fundamental piece of providing stability and ability to sleep at night. Under the Basel III proposal the cost of the derivatives would increase quite materially, and that would therefore have an impact on farmers’ ability to do a fairly fundamental component of risk management. It could also impact their access to credit.

So it is the cost of borrowing, it is the access to credit, and it is some of the fundamental tools that they need to manage their stability of their income.

Senator SCOTT. Mr. Solomon, you said something earlier that I thought was really important, that as we discuss the Basel Endgame proposal and its impact on lending and on folks like me that come from poverty or are looking for the ability to achieve the American Dream, someone would say contrary to what I am talking about maybe there are other points that are important that I am missing in my thought process, like is it going to make our financial system safer? Have we not done enough work since the financial crisis of 2007–2009 to make sure that our financial institutions are able to meet obligations and responsibilities under an even worse case scenario? And your opening comments reflected that, yes, we can meet even a more disastrous crisis.

Can you walk through the importance of the regulatory burden that exists and how the Basel Endgame would make it even harder for small business borrowers but not necessarily making our economy safer?

Mr. SOLOMON. Sure. Thank you for the question, Senator. I tried to highlight, in my opening comments, and Mr. Gorman highlighted it quite clearly, these stress tests are very, very significant tests that look at very, very severe shocks to our balance sheets. [Unclear] a 50 percent decline in equity prices over a 1-year period, on top of then a simultaneous equity market shock that has both

as much as a 30 percent instantaneous equity decline. So very, very severe shocks that we have not seen, even in the worst crisis.

That puts buffers in place that protect the system. Now, of course, a sound and secure system is imperative for our capital markets, and we can always have debates at the margin as to whether or not there are things that we can do that can strengthen the system. But a wholesale increase of 25 percent capital on the largest banks, with lots of individual provisions that affect different activities, I think is ultimately punitive to economic growth and does not strike the right cost-benefit analysis.

We, of course, need to make the system secure. The system is in good shape. We have seen that under stress. That does not mean there are not things that can be done at the margin. But this is a wholesale change that leads to problems.

Ms. Fraser highlighted one example, taking about farmers. You can look at airlines hedging jet fuel, if you want to look at other derivatives which obviously get passed on to consumers. You can look to gas being hedged, and utilities, which obviously gets passed on to consumers. And then you can look at other transactions. There is a provision under the rule called SFT, which allows institutions like ours to borrow securities from pension plans and give them cash. That increases the returns and allows them to use their assets to increase their returns. Capital would increase by 8 times for those types of transactions, which would make them unattractive and therefore would diminish the ability for pensions to access that tool to increase the returns.

Senator SCOTT. Thank you.

Chair BROWN. Thank you, Senator Scott.

Senator Reed, from Rhode Island, is recognized.

Senator REED. Thank you very much, Mr. Chairman, and first let me thank you for your support of our military men and women. They are superb, and their spouses are superb, so thank you for helping them out.

With respect to the legislation that we passed several years ago, the Military Lending Act, I think the key aspect is the 36 percent interest cap. And I think it is such a critical aspect it should not be just a provenance of military personnel but every American.

I think essentially your banks collectively have made about \$219 billion in profit this year, and I believe that your credit cards are not beyond 30 percent. So the 36 percent interest rate seems to be very appropriate. And so I can go down, starting with Mr. Scharf, would you support a national 36 percent interest cap?

Mr. SCHARF. Senator, I appreciate your thoughts on this one. I think we would be concerned about setting a flat number without really understanding what the impact would be in different inflationary environments.

Senator REED. Mr. Moynihan.

Mr. MOYNIHAN. Senator, it is not really relevant to us. We do not engage in prime lending. I think, as Mr. Scharf said, it is a question of balance. What would it push outside the system, what would it make not available. But it is just not a relevant question for us because we do not have rates that high.

Senator REED. Well, I guess in a general sense it is relevant because most of the people who use this adversely are payday lenders

and rather dubious operators who will induce borrowers into arrangements which are something you would not even tolerate. So I think we have reached a point now, after several years of questioning you all—and I am not picking on you, Mr. Moynihan—to come to a conclusion, and I think the conclusion is it should.

Mr. Dimon, please.

Mr. DIMON. We do not engage in that. I completely agree with your intent, and I think there should be a focus on payday lenders and check cashers and sort of things like that. And we would love to help you design it so it covers the intent without any bad consequences. There are some people that make very small loans who it may stop them from doing that and actually push people into payday lending.

Senator REED. Ms. Fraser, please.

Ms. FRASER. Senator, thank you for the question. We applaud the intent of what you are trying to do. I think as large banks we are very mindful of our responsibilities in protecting customers from abuses. Experience has shown that caps diminish access to credit can do in the system and the Federal Reserve has a study to show that. So I think, as with most of my colleagues, we believe there are other ways to achieve the intent, but we would be supportive of following up with you on how.

Senator REED. Mr. O'Hanley.

Mr. O'HANLEY. Senator, we do not engage in consumer lending but we do support what you are trying to achieve there.

Senator REED. Thank you, sir. Mr. Vince.

Mr. VINCE. Senator, we are also not in the consumer business, but we support the intent.

Senator REED. Thank you. Mr. Solomon.

Mr. SOLOMON. We have a very, very small business in the consumer area but we support the intent.

Senator REED. Thank you.

Mr. GORMAN. I support it, Senator, for what I consider normal economic times. I actually came to this country and borrowed at 24 percent, so not quite your 36. I found that particularly heinous, but it turned out OK. But no, I think anybody who is forced to borrow at 36 percent, that is sort of unforgiveable.

Senator REED. I was living in the United States when I was borrowing at 24 percent. In fact, I recall we had to repeal the Rhode Island legislation because it was 21 percent. Again, I hope to work with you on this because I think it is very important, and I do not think it will cause the disruptions which you might anticipate. I think it can be done.

And I think the other thing that should be done, and I know many of you are doing it, is to go out aggressively and start getting people banked. One of the reasons that they find themselves borrowing money from unscrupulous characters is because they have not been fully introduced to the banking system, understand that it is relatively easy, and it is much more appropriate than some of these other arrangements.

But thank you all, and we will continue to work, and any advice, I would appreciate it. Thank you.

Chair BROWN. Thank you, Senator Reed.

Senator Rounds, of South Dakota, is recognized.

Senator ROUNDS. Thank you, Mr. Chairman, and I appreciate the plug for our bill together. We do things occasionally on a bipartisan basis, even in the Banking Committee, but we also have an opportunity once in a while to disagree, and sometimes that means that we get to have you folks participate in that disagreement process.

Today you are going to hear us talk a lot about consumers as they are the latest victim of heavy-handed Washington bureaucrats. In the last few months alone, financial regulators have put forth or finalized regulations and guidance that represent the biggest rewrite of banking regulation since the passage of Dodd-Frank. We have seen regulations on bank capital, long-term debt, resolution planning, the Community Reinvestment Act, and climate risk management, just to name a few.

However, we know that none of these regulations exist in a vacuum. Vice Chair Barr said himself that the Basel III Endgame proposal is, and I quote, “projected to raise capital for large banks. This may result in higher funding costs. But this only half the story,” end of quote. I want you to help tell the other half of the story.

Now, I was just going to ask this of one of you, but since our Chairman has kind of set the example of asking folks to raise their hands, I am going to apologize in advance because I think folks hate to be put in that position. I think it is critical that you get to tell the other half of that story. None of you raised your hands when you said that it was a case of where you could not meet the capital requirements. The issue is what damage it does to the economy when you are expected to raise that and the folks who need that capital.

So here are my questions, and I am going to ask you raise your hands. I apologize for that. But if you agree with these assessments would you please raise your hands.

Do you believe, in its current form, could these regulations negatively impact first-time homebuyers?

[All hands raised.]

Senator ROUNDS. Do you believe, in its current form, could these regulations negatively impact those saving for retirement?

[All hands raised.]

Senator ROUNDS. Do you believe that these regulations could negatively impact our farmers and our ranchers?

[All hands raised.]

Senator ROUNDS. And do you believe that these regulations could negatively impact small business owners?

[All hands raised.]

Senator ROUNDS. See, this is the rest of the story. Sometimes we think that we are just beating up on the big banks, but the bottom line is it hits the American consumer where it hurts. This is at a time that when they try to go after the big guys it is the American consumer that will suffer.

You can already see the signs of consumers struggling as they are utilizing the “buy now, pay later” approach to products and making late payments on credit cards. This is because Americans are paying more per month just to get by since President Biden took office. Bidenomics has led to a family of four in South Dakota

needing to pay over \$900 more a month just to get by for normal living expenses.

I am going to say this again: regulation does not exist in a vacuum, and the Federal Reserve must take this into account as they work toward finalizing their rulemaking.

I will not embarrass you by asking you to raise your hands anymore. I apologize for that. But I think it is important that the American people see the rest of the story and who is really going to pay the bill for this overzealous approach, and without finding out the rest of the story about these types of regulations and who really gets stuck with it.

In recent years, U.S. Federal debt levels have climbed further, and annual interest on the debt is slated to reach over \$1.4 trillion in the next decade, almost outnumbering all discretionary spending. I am concerned about what risk rising indebtedness poses to the economy. According to recent estimates by your institutions, the Treasury will conservatively need to issue \$20 trillion of debt in the coming decade. I am not only concerned about who is going to buy this massive issuance of Treasuries, but with a Federal funds rate of 5 percent the Federal Government is going to be paying even more to borrow, as Treasuries, with near zero rates, mature.

Mr. Solomon, how could sustained high levels of debt have adverse effects on the U.S. Treasuries market the dollar and the general economy?

Mr. SOLOMON. Thank you for the question, Senator. This is a significant issue and one I tried to highlight in my opening remarks. The growth of the U.S. Treasury debt has been very, very significant over the last 15 years. It has more than tripled. That debt will continue to grow as the cost of refinancing that debt will also grow. The Office of Budget and Management, looking out through the decade, estimates a 3.5 percent cost to refinance the debt, but I certainly think there are scenarios where that cost could be higher.

You know, this cost obviously hampers our ability to invest in other things, as a Nation, that we need. There certainly is a lot of attention and focus on things that are needed to strengthen our economy, to strengthen our society, and the cost of that burden of the debt to future generations, based on decisions we have made, is something that we are going to have to get focused on. As the cost of debt goes up, it certainly can create volatility in our funding treasuries, it can create volatility in the Treasury market.

One of the things I am also concerned about, when I look at Basel III Endgame, is one of the impacts is to a business called "Prime." The business of "Prime" finances institutions' securities positions. So asset managers, investment managers, asset management platforms that regularly trade on the Treasury market, provide liquidity to the Treasury market, and the cost of the financing that they have to finance those positions would go up with this proposal, and it could, potentially, therefore, impact liquidity. So that is another risk that I think we need to look at carefully.

Chair BROWN. Thank you, Mr. Solomon.

Senator ROUNDS. Thank you, Mr. Chairman.

Chair BROWN. Senator Tester is recognized, from Montana.

Senator TESTER. Yeah, I want to thank the Chairman and Ranking Member for holding this hearing, and I want to thank the panelists for your testimony and for being here today. And I also want to echo Senator Reed's comments on your support for the military, both active duty and veterans. Them and their families are very, very important.

I serve as the Chair of the Defense Appropriations Committee. I spend a fair amount of my time thinking about national security, how to protect against folks who want to do this Nation harm, terrorist organizations, as well as foreign adversaries.

You all have responsibilities, including legal responsibilities, to make sure that you are preventing hostile Governments, like Iran, who would like to see the U.S. not exist, from financing terrorist operations and other illegal activities with funds that have gone through your institutions.

So this would be a question for Mr. Gorman and then, not for any particular reason, just because he is right in front of me, and then if any of you would like to add you can. So the question is how are you, as chief executives, making sure that procedures are in place and that they are followed so that your institutions do not end up inadvertently financing illicit activities?

Mr. GORMAN. Senator, thank you for the question. Obviously it is critical as a good player in this country to do our best to work with the Government.

There are two things that I would just point out. The first is what I would call our cybersecurity efforts, to understand incoming into the financial system. Several years ago, when I started this job, I believe we were spending about \$50 million on that activity. The number is closer to \$1 billion now. We work very closely with all the intelligence agencies, ensuring that we have a proper cyber command to keep the financial system safe.

And then second, as it relates to specific individuals, bad actors, Governments, we have an enormous compliance effort focused on anti-money laundering to ensure that they do not get in, by verifying the source of where their funds come from. Obviously we deal with not as many clients as some of the institutions here but we still have over 18 million individual clients and many, many, tens of thousands of institutional clients.

So it is an extraordinary effort with several hundred employees constantly working. Interestingly, I think the advances in AI will be a real strategic weapon in this regard.

Senator TESTER. Very good. Does anybody have anything different to add? All right. Thank you.

Along those same lines, on anti-money laundering protections and national security safeguards, Mr. Gorman talked about cybersecurity. Mr. Solomon, would you like to add anything in regard to anti-money laundering protections that you have?

Mr. SOLOMON. I do not have anything to add that is materially different from what Mr. Gorman stated. It is an enormous focus. We file thousands of SARs in the course of our Compliance Department's financial crime team working every day, but no difference in that focus and the intensity of that focus.

Senator TESTER. Very good. Earlier this year, Mr. Scharf, Wells paid nearly \$100 million in penalties to the Fed and OFAC for vio-

lating sanctions against Iran, Syria, Sudan. I think we can all agree that is not a good thing. But what is your bank doing to make sure that these sanction violations never happen again?

Mr. SCHARF. Sure, Senator. Preventing bad actors from abusing our services is a top priority. We have extensive systems in place that we are constantly looking to make sure that they are as complete as they can possibly be. We work in industry groups, we work with the Government, and we work with the regulators to make sure that we are doing everything we possibly can to prevent that abuse.

Senator TESTER. Thank you. This goes to the nonbanking world. Some of you have talked about the fact that, and maybe all of you talked about the fact that Basel will force money to go outside the traditional banking system into the unregulated banking system. Ms. Fraser, could you just talk about what kind of impact that you see that having from a—I do not know if you can project percentage of money that you would see going into the nonbanking system, but it would be interesting because I remember in '08 that was the problem, one of the problems.

Ms. FRASER. Yes, Senator, we are worried about migration of financial activities into the nonbanking sector, particularly in a period where there is tremendous technological innovation, and making sure that we maintain the safeguards that we all invest billions of dollars in, in a year, be it anti-money laundering, be it fraud protection, be it cyber protection. All of these areas protect the American consumer, protect the American saver, safeguard the system, and also the critical role that all of our banks play in the global financial system as a strategic asset of the United States.

So we are very concerned that this will undermine some of the strengths and foundations of the unique American financial system.

Senator TESTER. Thank you all. Thank you, Mr. Chairman.

Chair BROWN. Thank you, Senator Tester.

Senator Tillis, of North Carolina.

Senator TILLIS. Thank you, Mr. Chairman. Thank you all for being here and for the preparation. I am actually very pleased. I thought it was going to be the annual flogging of the GSIBs, but people are asking very serious questions and I am glad to hear it.

I have got a few serious questions for you all. No. 1, I want to start by saying—because thank goodness you are not the head of an organization that has had an expose on a culture of sexual harassment and workplace hostility, because I guess if you were, every person up here would be asking for your resignation, including me. But we have got a top financial regulator that gets a pass. I do not expect you to respond to that, but it is true.

That same financial regulator has implemented an SEC cyber reporting rule that now we have evidence that the ransomware companies are exploiting. Right? OK, this is the mandatory cyber reporting requirement that now a ransomware company has gone on record as reporting. I do not even want you all to respond to that, but we have got detailed questions. We are going to ask you what impact this is, a 4-day reporting requirement, a national security waiver that you have to reapply for every 30 days, and it has to be approved by the Attorney General. These people are out of con-

trol. We have got to try and repeal this, and I am putting forth my first CRA to try and do that next week. Hopefully the SEC can see that the bad guys are exploiting a rule, creating a burden for our financial services industry and not producing a good result.

That is all on that. I want to go back to the operational risk question, and I think that Senator Rounds did a good job of saying this Basel III Endgame is bad. It is not very well thought out, and hopefully it is going to look very differently before it gets promulgated. But who would like to speak for this group around the impact on operational risk just one more time, and how we think that they have missed it in terms of the benefit?

Mr. Gorman, if you could do it in 30 seconds I would appreciate it.

Mr. GORMAN. It makes no sense. I mean, that is the bottom line. I have been at this for a long time. I served on the New York Fed Board for years. I have seen a lot of rules. Some of them make sense, and it is a question of how far you turn the dial. This does not make sense. You should not punish institutions for creating fee-based businesses.

Senator TILLIS. Is there any evidence that work has been done to really understand the fully burden costs and the impact of this rule on the industry? And more importantly, people like my dad who would get 90-day notes to fund his construction job that I used to work on. Is there anything out there that I have missed in terms of the regulators actually doing an exhaustive study of the impact and the downstream implications? Are you aware of anything that I have just simply not read?

Mr. GORMAN. I am not aware.

Senator TILLIS. OK. Thank you.

Mr. Solomon, would you go back to the—I think you mentioned SFTs, securities financing transactions. Can you go back and talk a little bit about why people in the pension business should be worried about the promulgation of this rule, in about 30 seconds?

Mr. SOLOMON. Sure. Securities financing transactions are transactions where institutions like ours borrow stock securities from pensions. We pay them cash. They can then invest that cash and earn returns. The capital in Basel III attributed to those transactions goes up by eight times. It would make the transactions uneconomical for businesses like us, so we would exit that business. That would then prevent the pensions from having that ability to increase their returns through this activity.

Senator TILLIS. So anybody who is sitting on top of any sort of pension management should understand that if we implement it in its current form their returns, at least in this segment, are likely to go down.

Mr. SOLOMON. They are an end user that would be impacted.

Senator TILLIS. OK. Let's talk more about just—actually, I have to get something off my chest because I have heard more—I am kind of doing that, you all may have noticed—but I understand that you are a gaming CCAR, that somehow that you can game stress testing. That is what I am hearing from regulators, I am hearing from my colleagues on the other side of the aisle.

Give me an idea of how you game the system. I actually thought that this was a regimen that is provided by a supervisor, an exam-

iner, and you have got to execute it, and then they have to measure it. Is that how it works? Do any of you here want to share with me how you game the system? I used to work at Pricewaterhouse. We did not have a practice on gaming CCAR or stress testing at the time. Have you all cracked that code?

How many of you all think it is absurd to think that people would actually assert that you could game a stress test?

[No response.]

Senator TILLIS. OK. How many of you think that you are spending more and money on trying to satisfy stress test requirements at the expense of looking at real risks that are unique to your banking activities?

Mr. DIMON. I will take this one.

Senator TILLIS. OK, Jamie.

Mr. DIMON. The CCAR test is 200,000 pages long. Most of us do 10, 20, 30, 40, 50 tests a week. We are quite worried about risk. It is one test. It is to the n th degree. It is a big black box. So we all agree on stress testing. That thing is just out of control.

Senator TILLIS. Yeah, and in closing, look, Silicon Valley was a disaster. It was a fingerprint. It was unique in terms of their activities. It was a failure of supervision, in my opinion. And one thing I hope that we have, over the next year, is a hearing on everybody who was in the loop who failed to protect the investors and the depositors at Silicon Valley.

Thank you, Mr. Chair.

Chair BROWN. Thank you, Senator Tillis.

Senator Menendez, of New Jersey, is recognized.

Senator MENENDEZ. Thank you, Mr. Chairman.

For over a decade, the CFPB has stood up for everyday Americans and fought back against abusive and unlawful practices by large businesses, including some of the banks in this room.

Mr. Dimon, how much money has JPMorgan Chase returned to customers in the form of redresses and payments at the direction of CFPB?

Mr. DIMON. I do not know the number.

Senator MENENDEZ. Let me help you—\$360 million. Mr. Moynihan, same question.

Mr. MOYNIHAN. I do not know the number specifically.

Senator MENENDEZ. \$819 million. Ms. Fraser.

Ms. FRASER. I do not know the number either, Senator.

Senator MENENDEZ. One billion. Mr. Scharf.

Mr. SCHARF. I do not know the number, Senator.

Senator MENENDEZ. Well, it is over \$2 billion.

So from just the four of you that is over \$4 billion. It is amazing you do not know the number because they are not small in nature. Over \$4 billion returned to hardworking consumers in the past dozen years. And yet this critical agency is under constant attack by my Republican colleagues. A lawsuit before the Supreme Court is threatening its very existence. And time and time again we have seen why the CFPB is so necessary and why I intend to continue fight for it. Otherwise, that would have been \$4 billion out of the pockets of U.S. consumers.

Now while some banks have either decreased or eliminated overdraft fees altogether, in large part due to increased scrutiny and

oversight, banks still collected an estimated \$7.7 billion in 2022, in overdraft and nonsufficient fund fees.

Ms. Fraser, your bank eliminated overdraft fees last year. Is that not correct?

Ms. FRASER. Yes, Senator.

Senator MENENDEZ. Is it fair to say that Citi is still a profitable bank?

Ms. FRASER. Yes, Senator.

Senator MENENDEZ. Did overdraft fees upend your business model?

Ms. FRASER. No, Senator. We work hard to protect our customers and make sure that they do not fall into overdraft.

Senator MENENDEZ. While the rest of the banks here that have retail operations continue, to my knowledge, to charge overdraft fees.

Mr. Moynihan, Mr. Scharf, Mr. Dimon, you are all aware that Black and Hispanic households disproportionately incur overdraft and NSF fees. Correct? So you know that? Yes or no. Could you give me a verbal answer, please.

Mr. DIMON. I believe so.

Mr. MOYNIHAN. If that is your statistic, I do not have any reason to challenge it.

Mr. SCHARF. The same for me.

Senator MENENDEZ. Well, the reality is that, again, it is amazing you do not know that, because study after study have shown that the answer is yes to that question. So I suggest you call Ms. Fraser after this hearing to figure out how you can still be able to eliminate the fees in its entirety and still run a profitable bank. Charging the fees is a choice, one that disproportionately harms Black and Brown communities, and it is something that you could do that would change the course of events for a significant part of the consumer base.

The lawsuit currently before the Supreme Court over the CFPB's funding structure has the potential to upend every rule, guidance, and order the CFPB has ever issued, tossing over a decade of consumer protection law out of the window. That is not just harmful for consumers, I think it is dangerous to the financial system. The CFPB does not just issue regulations. They also provide safe harbor provisions like the Qualified Mortgage Rule, which protects mortgage lenders from certain lawsuits.

Mr. Scharf, Mr. Moynihan, Mr. Dimon, and Ms. Fraser, if you were to lose this safe harbor would it impact your bank's mortgage lending?

Mr. MOYNIHAN. I do not think it would make a difference. We did mortgage lending before this, and we would do it afterwards.

Mr. DIMON. I think it completely depends on the actual detail in the ruling.

Mr. SCHARF. The same. I would like to know the specifics to draw a conclusion.

Ms. FRASER. The same as my colleagues. I would need to understand the specifics more.

Senator MENENDEZ. Well, I am saying if you would lose it, not of it is limited. If would lose it totally, it seems to me pretty remarkable, based on previous testimony of how important the safe

harbor provisions would be to banks' mortgage lending abilities, that you would suggest that it would have no effect whatsoever. We are already in the midst of an affordable housing crisis, and eliminating the CFPB and such a rule would have a disastrous impact on the mortgage market and make it harder for families to buy a home.

Finally, the number of physical bank branches in the U.S. has been trending downward for some time. This has left more and more residents in so-called banking deserts, facing difficulties in carrying out basic financial tasks such as paying bills and depositing checks. A Philadelphia Reserve report found that bank closures during the pandemic resulted in the number of banking deserts in the Third District States of New Jersey, Pennsylvania, and Delaware rising from 48 to 63. And I understand part of this is mobile and online banking, but there are many who do not have the abilities to do that.

What are some ways that we can ensure communities continue to have access to basic banking services?

Mr. MOYNIHAN. Thanks, Senator. I think if you look at the people who have big branch systems we maintain approximately 30 percent of our branches, Mr. Scharf said earlier, and it is the same for us in LMI neighborhoods.

But importantly, one of the things that has gone on, and you mentioned this, we are up to 97 percent of our LMI customers use digital banking, which then is more convenient, more safe, and reaches them where they are. And so we manage that carefully to make sure we cover every market and make the calculations. You can see that in the published statistics.

But if you look at what we do as a group of institutions, we maintain that presence but we have driven the digital, and we have driven the types of accounts that are more appreciated, and that is why we are bringing 2 million people into the banking system that were unbanked a few years ago. It is largely these larger banks that have driven that.

Senator MENENDEZ. Well, I will close by simply saying I would commend to all of you that look at how your practices affect particularly minority communities, including on this issue. You have a disproportionate effect, and there is something you can do about the largest growing parts in the American society that would be beneficial to you and beneficial to them.

Thank you, Mr. Chairman.

Chair BROWN. Thank you, Senator Menendez.

Senator Kennedy, of Louisiana, is recognized.

Senator KENNEDY. Unlike some, I do not think you are crooks. In fact, you are all American companies and I am proud of you, and I thank you for supporting the most sophisticated and powerful economy in all of human history, and the jobs you create for Americans in doing it.

Mr. Dimon, since the last time the Federal Government raised your bank's capital requirements in Dodd-Frank, and otherwise, have you had a depositor run on your bank?

Mr. DIMON. No, we have not.

Senator KENNEDY. Have you failed a stress test?

Mr. DIMON. We have never failed a stress test, no.

Senator KENNEDY. Have you ever reached a point where your liabilities were greater than your assets?

Mr. DIMON. Absolutely no.

Senator KENNEDY. Well, unfortunately, we have had three banks this year that did go broke. They are mid-sized banks. You know them: Signature, Silicon Valley, First Republic. We have held hearings. In my judgment, they went broke because their management did really stupid stuff, and because the FDIC and the regulators who were in charge of keeping them from doing stupid stuff sat there, like bumps on a log, sucking on their teeth, and watched them do stupid stuff. And in many cases, had to turn to you to clean up the mess.

Now, in fairness to the FDIC, it may have been that the people in charge of watching those banks at the FDIC were too busy urinating off the top of a hotel, or abusing young women who went to work for the FDIC. The FDIC chairman told us recently, yes, he knew about it, it happened, but he wasn't the chairman yet and did not have the authority to stop it.

Mr. Dimon, don't you find it ironic, the FDIC is now turning to you and saying, "You know our track record," which is blemished at the FDIC. "Your bank is not broken but we are going to tell you how to fix it." Do you find that ironic? They are going to tell you how to fix it based on standards put together by bureaucrats in Basel,

Switzerland, not by the U.S. Congress. Do you find it ironic that they are telling you this and proposing this? Isn't that kind of like being given gun safety advice by Alec Baldwin?

Mr. DIMON. Should I answer the question? So the major risk of those banks was hiding in plain sight, which was interest rate exposure. That was known to most people who actually could read a balance sheet and read their financial statements, and that is true. I also think—

Senator KENNEDY. The FDIC said they did not know. They were busy doing whatever else they were doing at their Gomorrah of carnal abuse over there.

Mr. DIMON. I also do think you are making a good point, that some of these rules were put in place, and some folks mentioned here are pushing business outside of the banking system. And to point out exactly what that is, it is almost 80 percent of the mortgage business today, it is half of the leveraged lending business today, and it is a bunch of other things which people do not actually see about the plumbing of the system. And I do think it is adding risks about transparency, and a very important thing about the impact of—

Senator KENNEDY. I am going to stop you, Mr. Dimon, because I am going to run out of time. How is this even legal, under *West Virginia v. EPA*? You have bank regulators without clear direction from Congress, who are borrowing standards from other regulators in Basel, Switzerland, imposing them on you without clear directive from Congress. It clearly falls under the major questions doctrine. Why does this not violate *West Virginia v. EPA*? You do not have to know a law book from an L.L. Bean catalog to see that. Why does it not violate the law? Anybody.

[No response.]

Chair BROWN. Senator Kennedy's time has expired. Senator Warner, from—

Senator KENNEDY. Well, Ms. Fraser was about to answer.

Chair BROWN. Would you like to answer, Ms. Fraser? I thought you gave her time. Proceed, please.

Ms. FRASER. I think we very much appreciate your points of view, Senator, on this topic, and I think any of us would concur while violations of law are things that we will debate as a last record, we would be prepared to do so because there is clarity in the law, and that we abide by it.

Senator KENNEDY. Thank you.

Chair BROWN. Senator Warner.

Senator WARNER. Thank you, Mr. Chairman. I do find that it is kind of an interesting presentation, the yin and yang of whether we are the source of all challenges or the regulators are the source of all challenges. Somehow I do not believe either presentation represents the truth. My questions on Basel III have been raised already. I have indicated I think the timing at this moment is very problematic, with interest rates as high as they are. And obviously members of the Civil Rights Committee have raised this as well.

But before anybody smiles too much, I could also tell you that I get extraordinarily frustrated that any time there is any proposed new regulation or rule, the normal industry reaction is, "Oh, my God, the sky is falling," and the same response is always, "If you do this, it is going to limit access to capital on Main Street." And I actually do think Senator Menendez's presentation, particularly on CFPB in terms of dollars returned was pretty good.

But I want to actually go to an issue that I have raised with many of you in the past, which is I do believe before we add new regulatory tools about the safety and soundness of our system, one of the things we actually ought to use better is some of our existing tools. At the very beginning, when the Fed was stood up, the most important liquidity tool was the discount window and use of that tool. And yet we saw, with the banks that failed this year, particularly in terms of SVB and Signature, they did not even have procedures in place to know how to utilize that tool.

So I think I will start with Mr. Moynihan on this one. I know there was guidance given out this past July to say everybody ought to get their act together, and candidly, I do not have a lot of sympathy because of the concern that many of you and other colleagues have raised that, oh my gosh, if I go to the discount window that is going to raise a stigma with the market. Well, you cannot complain about new regulations if you are not using existing tools.

So beyond the guidance that was given, why should we not have, maybe on some kind of random basis, a mandatory use of the discount window so that we could start erasing that stigma to make sure that every bank, from large to small, knows how to use it. Because at least in terms of liquidity, this would be the most powerful tool of all. Mr. Moynihan.

Mr. MOYNIHAN. So, Senator, I think two things. One, readiness to use it, and I think you would find that the institutions all here, because of the amount of regulation we have already to use it, and that was an issue of readiness that you rose.

But the second question is the stigma, and we could not agree more, whether it was in '07 and '08, whether it was in 2020, whether it was last spring. Every time a crisis hits, one of the core roles of the reason why the Federal Reserve exists is to provide that liquidity at a time of stress, as a lender of last resort, and every time we are 100 percent reluctant to use it, as an industry, because it looks like we are weak. And we have got to figure out a way to change that.

Senator WARNER. And that is, again, where I think you see folks on my side of the aisle complain that if you are not using existing tools, well maybe you ought to look at new tools. And I would love to engage with you. I am going to put legislation forward that would require some mandatory usage, and maybe again how we do that on an episodic basis.

But just saying we know there is a stigma problem but we do not have a plan to address it means that somebody that might be sometimes sympathetic to you, if we cannot use that tool my sympathy is going to go down dramatically.

Mr. MOYNIHAN. We agree with you, Senator. We will work with—

Senator WARNER. Let me try to hit a couple of other questions. Artificial intelligence, I know, has been touched. I personally am surprised that there was not greater concern about AI in terms of using its ability to disrupt faith in the public markets. To me it feels like if there was ever a time and a tool that has such wide-reaching implications that FSOC, which I know whose record has been somewhat mixed, but I strongly believe FSOC ought to take on the responsibility around looking at artificial intelligence, from its safety and soundness to the overall system.

Ms. Fraser, we have talked about this a little bit, but what do you think on that issue?

Ms. FRASER. Thank you, Senator. You are raising a very important issue and topic that has all of our attention at the moment. When we look at artificial intelligence it is both an opportunity and a threat. On balance, we all hope it will be an opportunity to improve the strength of the financial system and of human beings, but the threats are also quite considerable.

We have a lot of regulation that is in place right now that works very well to safeguard our financial system. We think that regulation should continue to be used to guide—

Senator WARNER. Let me just say, I know my time is up, but I do think FSOC is a tool, and I would make the case, and as others have made the case about underserved communities. Some of you are participating in the Economic Opportunity Coalition and some of our efforts with CDFIs. That is still a tool to get into LMI communities. Those of you who are not participating, this is bipartisan led by Deputy Secretary Adeyemo out of the Administration, I hope you will consider it.

Thank you, Mr. Chairman.

Senator KENNEDY. I will yield some of my time to him, Senator.

Chair BROWN. You have no time to yield.

[Laughter.]

Chair BROWN. Senator Hagerty, of Tennessee.

Senator KENNEDY. I tried, Warner.

Senator HAGERTY. Thank you, Mr. Chairman, and to all of you, welcome. I know how much you must look forward to these meetings that we have here.

But today my colleagues have focused a great deal on the Basel III Endgame. It is something I am deeply concerned about too. What we have here in Washington, regretfully, are regulators that are in a competition with bureaucrats and other jurisdictions. They seem to be regulating for regulation's sake. I have the very difficult time when massive bodies of regulation are put forward and bureaucrats here try to tell us that the impact is going to be minimal.

I would like to quote specifically from Vice Chair Michael Barr, who is leading the effort on the Basel III Endgame. He says that the impacts of the new requirements they are proposing are going to be minimal. In fact, specifically, he says, quote, "The phase-in will allow ample time for banks to adjust their balance sheets and activities and to build capital over time. In fact, most banks already have enough capital today to meet the new requirements."

So the message that the public is getting is that these massive regulatory proposals they are putting forward with Basel III is going to have a very minimal impact on your banks. And I would just like to go back to the tool that everybody else is using. Would anybody here that believes that the impact of Basel III would be minimal raise your hand, please.

[No response.]

Senator HAGERTY. I would like the record to reflect, Mr. Chairman, that nobody raised their hand. No one believes that the impact will be minimal.

In fact, I think one of the most infuriating patterns of behavior I see here among the regulatory class in Washington is either an unwillingness or a refusal to take into account the knock-on effects of the regulations.

Mr. DIMON, I would like to come to you. Your bank has stated publicly that the Basel Endgame proposals would increase capital requirements by some \$50 billion. That is not an insignificant number. There are obviously very real costs that are associated with this proposal, and I would like to get your perspective on how this proposal would impact not only your bank but the markets and the economy more broadly.

Mr. DIMON. I think inside a bank you try to look at every loan you make and every relationship and every client and every country, and obviously you want to do a good job. In the long run, no one tries to be rapacious with customers or employees in the short run.

So it would take a lot of loans and immediately make them unprofitable, and I will give you a specific example—mortgages. I have already told our people that mortgages should not be on the balance sheet, and, of course, we cannot securitize them either because we have not passed a securitization law, so it will diminish certain kinds of mortgages. It will particularly diminish mortgages for lower-income people because the cost of all this is actually much higher on a \$150,000 mortgage than on a jumbo, \$2 million mortgage. And I can go down the line—CDFIs, financial companies, farmers.

And we have already mentioned the extreme effect on market making, which is just a critical function to help finance companies around the world and help people manage money, for retirees and veterans and State pension plans, to manage their money. And in that one it is hard to figure out the full extent of that. I think it actually may cause issues in the marketplace.

Senator HAGERTY. All of these knock-on effects, I think are very negative.

Ms. Fraser, not limited to your bank, in particular, but if you could comment on how this impacts U.S. banking systems' competitiveness on an international basis.

Ms. FRASER. This diminishes the U.S. banks' competitiveness on an international basis. I think as we have all reflected, the U.S. financial system is the envy of the world. The U.S. banks play an incredibly important role supporting multinationals and supporting the Western financial system and its operations. It is a strategic asset of the U.S.

Senator HAGERTY. Indeed. Indeed. And I think it is incredible in its competitive advantage. Yet the regulators that are focusing on Basel III seem to be hiding behind the claim that this is merely harmonization of capital requirements. And when you think about a harmonization of capital requirements it would lead you to believe that U.S. banking capital is somehow below that of our European competitors. And if that were the case, this might allow regulators to prevent, quote, "a race to the bottom."

But this is not the case. I want to quote from Chairman Powell. Chairman Powell says, quote, "The proposal exceeds what is required by the Basel agreement, and it exceeds what has been done by implementation by the jurisdictions."

So, Mr. Solomon, I would like to come to you. You made reference in your testimony about the competitive disadvantage that this unnecessarily stringent proposal would create for financial institutions, for the economy more broadly. And would you mind to just comment on how this proposal, if it were enacted, would compare us to other jurisdictions. You are dealing around the world, but how it would make our competitiveness be affected in capital markets, specifically, versus other Nations.

Mr. SOLOMON. Thank you for the question, Senator. You know, as you stated, the capital requirements in the Basel III normalization in the U.K., in Europe, in Japan, and in other jurisdictions are meaningfully less significant than what is being proposed here. And so if you look at activities that we compete in around the world, particularly in market making, and those types of activities, the U.S. capital markets are the strongest capital markets in the world. I think it is one of our big competitive advantages that everyone comes from all over the world into our capital markets. You think about IPO activity and debt capital raising. It is done to a great proportion for international capital in our capital markets on a relative basis.

And this would just shift that balance. It would push more activity to other jurisdictions. It would make banks in other jurisdictions more competitive, and I do not think that strengthens the U.S. position, over time.

Senator HAGERTY. And then, conversely, the American banking system less competitive as well.

Thank you very much, Mr. Chairman.

Chair BROWN. Senator Cortez Masto, of Nevada, is recognized.

Senator CORTEZ MASTO. Thank you. Thank you, Mr. Chairman. Thank you all for being here. I know the last time you were here we talked about affordable housing. I want to continue the conversation. As we know, not just Nevadans but so many people across the country are struggling to afford homes.

One way to do that, I believe, is by investing more in affordable housing through the Federal Home Loan Bank system. And as we all know, the Federal Home Loan Banks enjoy Federal benefits that really no other bank has access to, in exchange for supporting affordable housing and community development across the homelessness.

Last month, the Federal Housing Finance Agency published two reports—I called for them—exploring whether the Federal Home Loan Banks' hundreds of billions of taxpayer-supported dollars are being well used for affordable housing and community development. The answer, according to this report, was no. Federal Home Loan Banks currently only provide about 10 percent of their net income to affordable housing. I, again, believe that is too low.

And my question to all of you is do you think the Federal Home Loan Banks should provide 20 percent or more of their net revenue for affordable housing or economic development? And really, does anyone not support greater affordable housing investments by the Federal Home Loan Banks?

[No response.]

Senator CORTEZ MASTO. So let me ask you this. For the record, nobody has said they do not think there should be more investments. So you think there should. Is 20 percent enough. Is 20 percent more? What more should we be looking at?

Mr. DIMON. Probably 20 percent would be fine.

Senator CORTEZ MASTO. Does everyone agree with that, 20 percent would be fine?

[No response.]

Senator CORTEZ MASTO. Does anybody not agree with that?

[No response.]

Senator CORTEZ MASTO. Good. All right. Good start. And I am trying to do this so you do not have to raise your hands. I do not like that either. I think that is kind of ridiculous.

Let me say this. The Federal Housing Finance Agency is proposing to adjust dividends and advance rates to better reflect the bank's support of affordable housing and community development. Does anyone not support having the Federal Home Loan Banks' dividends and advances tied to missions, activities of financial institutions? Is that a good start for us as we are looking at this? Does anybody have any comments regarding that, or concerns?

So it is a good start, from what I see the nods of all of your heads. Great.

Senator CORTEZ MASTO. Next question. FHFA has recommended that 10 percent of all institutions' assets be held in housing assets. Ninety-six percent of credit unions would meet that test but likely not some of our biggest banks. Under the proposed new policy,

would any of your institutions invest more in housing to retain access to Federal Home Loan Bank funding?

[No response.]

Senator CORTEZ MASTO. Questions? Thoughts? Ever thought about it? Still need to think about it?

Mr. MOYNIHAN. Many of us meet that test today, but I think, Senator, that the trick is, going to Mr. Dimon's last point, is if some of these rules change we will have to shrink our mortgages on balance sheet, which would make us less eligible and less able to live up to the principles you are doing, which is how much housing can we help drive. And so I think with everything balanced, a lot of meet that test today because of our business constitution.

Senator CORTEZ MASTO. So the concern is the changes in the rules might have a negative impact on what we are trying to achieve here, at the end of the day. Is that what I am hearing?

Mr. MOYNIHAN. Mortgage loans are tricky to hold, and if you make them more capital intensive they are going to be less profitable, and if we are going to hold less of them—already 80 percent of the activity goes on outside the financial institutions today. So I think these rules may frustrate your intentions of what you are trying to do with the Federal Home Loan Banks. And so we have applied that, we think more affordable housing, but you might be frustrated on the other side. So I think that is the kind of thing we worry about.

Senator CORTEZ MASTO. Helpful. Thank you.

I want to jump to one other item around affordable housing. Currently in southern Nevada, in Clark County, which is the most populated part of our State, Clark County is looking at new ways, innovative ways to build more affordable housing. One of those is really looking at land trust, Federal land trusts. And the challenge they are having is they are not able to get any of the banks to write the loans or the mortgages for these land trust.

And here is what I know. For decades—and this is what I want to talk to you about—for decades banks have invested in apartment buildings that are a deed restricted to require affordable rents, but in Clark County, so far, not a single bank has been willing to meet Clark County to discuss providing mortgages for deed-restricted, standalone homes on Federal land. The key here is the Federal land.

I have worked hard to make sure more Federal land is available for housing. It is frustrating to see that, unfortunately, the banks refused to offer mortgages to new homes on Federal land. The Clark County Land Trust has been looking for mortgages for 240 permanently affordable homes since August. Clark County has 2.3 million people. It is the top 30 largest metro area in the country. The county has a AA+ credit rating.

So I guess my question is what are we missing here from all of you that we need to be aware of, why we cannot get a bank to come work with us on these land trusts?

Mr. DIMON. I would love to get a team working the details of that, because I do not understand why that would be true unless there are legal things about collateral ownership or something.

Senator CORTEZ MASTO. Thank you. Thank you, Mr. Dimon. I appreciate. I know my time is up.

Chair BROWN. Thank you, Senator Cortez Masto.

Senator Vance, of Ohio, is recognized.

Senator VANCE. Thank you, Mr. Chair, and thanks to the CEOs for being here. I know a few of you personally. I admire all of you. But one of the things that I have expressed in private, and also in public, is my concern that the American political system is infecting the American financial system, and frankly, the American financial system is infecting the American political system.

This is a graphic compiled by my staff, which lists the ways in which your financial institutions have gotten involved in major political debates of the last few years, things like the Georgia voter identification law, things like whether to lend to fossil fuel-based companies, things like guns and abortion.

I should say, of course, that we all have our opinions on matter of public policy. Senator Cortez Masto and I disagree. But the difference between Senator Cortez Masto and I, and all of you, is the people of our States elected us to do public policy. Nobody elected you. And so my counsel and my line of questioning is going to be very focused on this particular issue. Stay out of public policy unless it affects your core business interests, because if you do not it is going to be a lot harder for us to see you guys as neutral arbiters and neutral actors in the American financial system. It is going to be much easier for us to see you as political actors.

And I want to focus on a couple of issues just because I think they highlight the absurdity of this, and that will lead me to my questions. Georgia, in 2021, passed an extraordinarily moderate voter identification law. Six of the eight of you immediately issued statements criticizing the State of Georgia to that effect, or at least your institutions issued statements to that effect.

Now I should point out that New York has a voter identification law, a much more stringent voter identification law than the State of Georgia. Did any of you issue statements criticizing the State of New York for their voter identification law? Show of hands.

Let the record show that none of you criticized New York for a more stringent law, but you jumped into a culture war over Georgia. I cannot possibly understand why.

Something that is more concerning to me, because it affects my constituents in the State of Ohio, is a lot of your approaches on energy policy. We have seen, over the last 18 months, the consequences of reducing American energy independence. It empowers very bad people all over the world. It also impoverishes and immiserates some of my constituents and destroys their job.

I am not picking on you, Mr. Moynihan, but I think you are the only bank that has a red X on every single issue. This is true of most of you. But I am going to ask you this question about energy policy. In 2015, Bank of America committed to cutoff lending by 2025, which is just a couple of years from now, to companies earning 25 percent or more of their revenue from thermal coal mining. Now that decision, and some other decisions that have been made, are raising the price of energy on Ohio consumers and imperiling the jobs of those who work in the energy sector.

Why are you doing this? Did the Government make you do it, and if not, why are you doing it?

Mr. MOYNIHAN. Senator Vance, just to be specific, that was a statement about mountaintop removal policy. I grew up in southern Ohio where there was, it was called strip mining back then. My next-door neighbor was engaged in the business. And the statement we made was we would not continue to fund people who would continue to take the tops off of the mountains, in the Appalachian Mountains, and turn them into mines. And that was based on our assessment of the risk at the time.

Senator VANCE. So you guys have taken a number of other energy policy decisions that raise the cost of energy on American consumers. You guys have committed to a net-zero standard by which effectively there are no net-zero carbon emissions, and you have held your clients to that standard, saying that they need to become aligned with net-zero, and we plan to be the advisor of choice to our clients in this transition. So it is not just that particular decision, Mr. Moynihan, and again, it is not just Bank of America.

My point here is pretty straightforward and simple, which is that whether we achieve net zero, and when we achieve net zero is a debate for the elected representatives to the American people. What kind of voter identification law we have is a decision for the elected representatives of the American people. And every time you guys get involved in these culture war battles it makes it harder for the American people to see you guys as neutral financial institutions, and it frankly makes it harder for us to do the same.

So I will leave you with just this thought. You have heard some very good line of questioning on Basel III. I agree with Senator Hagerty about Basel III. I do not know what some of the regulators are talking about doing. I do not think it makes a whole lot of sense. Often bank CEOs and other financial institutions will come to Republicans for more reasonable regulations, for lower regulations, for lower taxes, to fight back against things like Basel III.

I guess my point is if you guys are going to use the financial power that you have accumulated to go to war against the values of our voters, impoverish our constituents who rely on cheap energy, and destroy the jobs of people who work in the energy sector, why should we listen to you when you come and ask us for a tax break or for reasonable regulations? I am one Republican who wants to have a good relationship with you, but the more you guys insert yourselves into these fights the less good that relationship will be.

Thank you all for being here.

Chair BROWN. Thank you, Senator Vance.

Senator Van Hollen, of Maryland, is recognized.

Senator VAN HOLLEN. Thank you, Mr. Chairman, and thank all of you for being here today. As many of you know, I am a big fan of CDFIs and MDIs as vehicles for getting capital into lower-income areas, to small businesses in places like Baltimore. Baltimore really needs that ecosystem of CDFIs and MDIs. And as interest rates go up, of course, the cost of borrowing goes up for everybody, but often it is these entities that are hardest hit.

I know all of you are involved in one way or another with CDFIs and MDIs. I know Mr. Moynihan and Mr. Scharf, your banks, your institutions have a significant presence in Baltimore. Could you just speak briefly to what your commitment is, going forward, and

whether the higher interest rate environment is negatively impacting your determination to provide support for CDFIs and MDIs.

Mr. SCHARF. Senator, I will start. You know, I would say our commitment to working with CDFIs goes through all the cycles, and it is not going to be impacted by the rate environment that we see. We share your perspective that the CDFIs perform a service and reach a series of individuals in these markets that banks would not normally be able to access, you know, whether it is the investments that we make directly in them. We have talked about what we have done with our PPP money, where a lot of it was given through CDFIs, specifically because they have the ability to access, again, customers that are not comfortable doing business with banks. And so those partnership and those commitments will continue.

Senator VAN HOLLEN. Thank you.

Mr. MOYNIHAN. Senator, we have \$2 billion invested in CDFIs around the country, and that has increased from about \$1.5 billion 5 or 6 years ago, up to \$2 billion. And they are very interesting in the way they can help us, including, most recently, a lot of participate in the Veterans Loan Fund, where the CDFIs can work with veterans to start businesses. That is not unique to Bank of America. Many of us participate in it. We think they can reach parts of the economy with counseling and other things that are critical to the start of a small. Not that we do not do a good job. We have \$40 billion in small business loans outstanding, and that grew 10 percent year over year. It is not that we all do not do a good job in that. It is just that they reach it.

So our commitment has been there for many, many, many years, probably since they started. I just do not remember the history. And it will remain solid through any environment.

Senator VAN HOLLEN. I appreciate that, and, you know, I have worked with the Chairman and Senator Warner and others. I chair the Appropriations Subcommittee that funds the Small Business Administration, and the Treasury when it comes to CDFIs. So I look forward to really pushing hard on this as a vehicle going forward.

We have had many conversations over the years about late fees. Obviously, late fees and overdraft fees have a disproportionate impact on people living paycheck to paycheck. Aaron Klein, over at Brookings, estimated that if the United States had adopted a real-time payment system in 2007, when the Bank of England did, American consumers, and especially the folks at the lower income end, would have saved \$100 billion. And so I have been very focused on pushing the Fed to adopt the FedNow program. We have the clearinghouse system out there as well.

I do just want to get a brief sense of where were on this. As I understand, Mr. Vince, Mr. Scharf, and Mr. Dimon, your institutions have enrolled in FedNow. Am I right about that? Any qualifications?

Mr. VINCE. That is right, Senator.

Senator VAN HOLLEN. OK. And I know, Ms. Fraser, you and I had a conversation about this just a few days ago. I understand you are working through some technical issues. Is that correct?

Ms. FRASER. Yes. We will be joining the system.

Senator VAN HOLLEN. All right. And Mr. Moynihan, if you could give us an update on where you are, American Express.

Mr. MOYNIHAN. It is Bank of America.

Senator VAN HOLLEN. Bank of America. Sorry.

Mr. MOYNIHAN. American Express is not here, but if you want them to come next time that would be fine with us.

[Laughter.]

Senator VAN HOLLEN. Bank of America.

Mr. MOYNIHAN. We are in the process of doing the technical work, as Jane said, and so it is just a matter of time. It is a matter of when, not if, and it is just going through the systems and planning now.

Senator VAN HOLLEN. The more that you can do to push and get all your, you know, coordinate this system, the better.

My last question does not relate to banking specifically but it does to an issue that the Chairman and I have worked over years, with respect to trying to close a tax loophole on carried interest. I know that you are not all directly involved, but you are all involved in the finance system, you understand the workings of this.

Mr. Dimon, if I could just ask you, do you agree that we should close the carried interest loophole once and for all?

Mr. DIMON. Yes. I always have. I have been public about it.

Senator VAN HOLLEN. I appreciate that. I would hope that we would do that because it is just egregious that it has gone on for so long.

Thank you. Thank you, Mr. Chairman.

Chair BROWN. Thank you, Senator Van Hollen.

Senator Britt, of Alabama, is recognized.

Senator BRITT. Thank you, Mr. Chairman. It is a pleasure to be with all of you today. Thank you so much for carving out time for this.

Over the last year we have seen a host of incredibly complex and market-altering rules come out of nearly every financial Federal agency. Interestingly, five of our top financial regulators sat before this very committee last month and unanimously told me that they believed the U.S. banking system to be strong, while at the same time they argued for proposals that could fundamentally weaken it, without providing any adequate answer to the question, why.

You have seen actions, and we have seen them here, from the Federal Reserve, the FDIC, the OCC, the CFPB, the SEC, many of which seem to go far beyond the balance of their authority. Equally as concerning is the apparent lack of initiative by these regulators to understand both the qualitative and cumulative impacts of all of these rulemakings.

For example, focusing on Basel III proposal, in this Committee just a few weeks ago, Vice Chair Barr said the rule will have a, quote, "minimal impact on lending that banks do," end quote.

Now I would like to say, Mr. Scharf, most, I heard you earlier when I was watching, say that you have the most rural branches of all the banks represented here, and my question is can you briefly respond to that. Would this proposal only have a minimal impact on Wells Fargo's lending?

Mr. SCHARF. Well, Senator, we are going to be commenting to the Federal Reserve. We do think there are a series of asset classes

when you look at the increases in capital that are proposed, would affect both the availability of credit and the pricing of credit in the marketplace. And additionally, as we have seen in other asset classes, when regulation like this has taken hold, you can see substantial migration outside of the regulated banking system.

Senator BRITT. Thank you. At the end of the day the GSIBs play a vital role in the U.S. economy, and I do not want to diminish that. However, I do want to focus on downstream, so impacts on, let's say, Alabama smaller financial institutions, small businesses across the country, those in manufacturing and energy sectors, individuals seeking maybe a short-term liquidity to help pay their bills. I think the list of these potentially impacted goes on and on and on. And on this point your banks have said that by raising capital requirements by nearly 20 percent the proposal would ultimately limit access to capital across the board and undermine economic growth.

Mr. Moynihan, can you briefly explain this trickle-down effect, and if your banks are squeezed by the requirements of this rule what does this ultimately mean for maybe small business owners seeking a loan, a first-time homebuyer, or a small financial institution in, let's say, Alabama?

Mr. MOYNIHAN. Thank you, Senator. As Mr. Scharf said, and we talked about a lot today, if you have the same capital requirements increased by 20 percent to do the exact same activities you did yesterday, you have to get a higher return, and that higher return will be borne by the customer base, or you will have to leave the business, and either one of those is not good for the customer base. And it applies across the board.

In fact, the idea that this does not trickle down through the banking system overall, we provide service to a lot of those smaller banks. Those costs of the services will go up to them. And yes, so it has much more of an impact than people think.

Senator BRITT. Right, and just quickly—I know I am running out of time—I would love an answer from all of you. Would it be an inaccurate statement for regulators to assume that under this threshold, you know, those under the \$100 billion asset mark, they have said they will not feel the impacts of this. So my question for you is, will those institutions, and people and things that I just mentioned, under the \$100 billion mark that are, quote, “not affected by this,” will they feel the impacts of Basel III? Just if we can yes or no down the line.

Mr. Scharf, we will start with you.

Mr. SCHARF. Ultimately, yes.

Mr. MOYNIHAN. Ultimately, yes.

Mr. DIMON. Absolutely. We provide a lot of services.

Ms. FRASER. Yes. The trickle-down effect is real.

Mr. O'HANLEY. Yes. It is an integrated system.

Mr. VINCE. Yes, Senator. That is likely.

Mr. SOLOMON. Yes, I agree.

Mr. GORMAN. Yes.

Senator BRITT. And last but not least, if this rule is implemented as written, do we risk putting the United States banking sector at a global competitive disadvantage? Ms. Fraser, do you mind answering that?

Ms. FRASER. Yes, we will. We already have an unlevel playing field with the European banks. The American banks play an incredibly important role globally in the financial system, and ultimately affect the competitiveness of American companies. This is important.

Chair BROWN. Thank you, Senator Britt.

Senator Warren, of Massachusetts, is recognized.

Senator WARREN. Thank you, Mr. Chairman. So today I want to talk about how criminals are using our financial system to move money to finance terrorists, drug traffickers, and sanctioned countries, like Russia, Iran, and North Korea. Our witnesses are the CEOs of the largest banks in the United States and they deal with this issue every single day.

Mr. Moynihan, you are the CEO of Bank of America so let me ask you, if a terrorist group that wanted to attack the United States tried to move money through Bank of America accounts do you have systems in place to identify that activity, to report it to law enforcement, and to shut it down?

Mr. MOYNIHAN. Yes, we do, Senator.

Senator WARREN. OK. Mr. Dimon, you are the CEO of JPMorgan. What about you? If a terrorist group tried to move money through JPMorgan accounts do you have systems in place to catch it, to report it, and to shut it down?

Mr. DIMON. We have extensive systems in place, but no system is foolproof.

Senator WARREN. OK. But you do have systems in place.

Mr. DIMON. Yes.

Senator WARREN. You work on this every day.

And let me just ask all of you, in the interest of time, just raise your hand if you have those programs in place.

Good. I see all of the hands up.

Look, I believe that none of you want your banks to be used to finance terrorist attacks, but let's be clear. None of you runs these anti-money laundering programs out of the goodness of your hearts. Back in 1970, Congress passed the Bank Secrecy Act to make sure that banks do not run a financial system that is open to terrorist and drug traffickers and rogue Nations. But time passed, and the crooks got more sophisticated. So after the 9/11 terrorist attacks law enforcement discovered the way terrorists had gotten around the Bank Secrecy Act and Congress was then called on to update the laws to cutoff future access, and that is what Congress did.

Today's terrorists have a new way to get around the Bank Secrecy Act—cryptocurrency. Last year, an estimated \$20 billion in illicit crypto transactions funded every kind of dangerous criminal. North Korea has funded at least half its missile program, including nuclear weapons, using the proceeds of crypto crime. And Israeli officials have confirmed that Hamas received millions of dollars through crypto transactions including, quote, "large sums from Iran."

Mr. Dimon, you have been CEO of JPMorgan for almost two decades. Can you explain why crypto is such an attractive financial tool for terrorists, drug traffickers, and rogue Nations?

Mr. DIMON. I have always been deeply opposed to crypto, Bitcoin, et cetera. You pointed out the only true use case for it is criminals, drug traffickers, anti-money laundering, tax avoidance, and that is a use case, because it is somewhat anonymous, not fully, and because you can move money instantaneously, and because it does not go through, as you mentioned, all these systems built up over many years—Know Your Customer, sanctions, OFAC. They can bypass all of that. If I was the Government I would close it down.

Senator WARREN. OK. Well, that is what we are going to talk about. But this last week, Federal law enforcement asked Congress to update the banking laws saying, quote, “We cannot rely on statutory definitions that are decades old to address the illicit finance risks that we face in 2023,” and these law enforcement officials specifically called out the use of crypto to finance terrorist attacks.

Now laws clearly need to be updated, but crypto lobbyists are working overtime to block any legislation. They claim crypto is special, and it should not have to comply with the Bank Secrecy Act, even if that means letting terrorists and drug traffickers and ransomware criminals and rogue Nations move billions of dollars totally unrestricted.

So I would like to go down the line here. Maybe I can start with you, Mr. Scharf. Do you think that crypto companies facilitating financial transactions should have to follow the same anti-money laundering rules that your bank has to follow?

Mr. SCHARF. Absolutely, Senator.

Senator WARREN. OK. I like absolutely. Let’s go on down the line. Mr. Moynihan.

Mr. MOYNIHAN. Absolutely.

Senator WARREN. All right.

Mr. DIMON. Absolutely. Positively. Certainly.

Ms. FRASER. Unanimous absolutely.

Mr. O’HANLEY. Absolutely.

Mr. VINCE. Absolutely.

Mr. SOLOMON. Absolutely.

Mr. GORMAN. Absolutely.

Senator WARREN. All right. It is the word of the day.

You know, we have got a way to do this. Senator Marshall and I, along with 18 of our Senate colleagues, including Senator Cortez Masto, Senator Smith, Senator Fetterman, Senator Warnock, Senator Butler, who are here right now and on the Senate Banking Committee, have a bill that would do exactly what law enforcement asks. It would extend the anti-money laundering rules that banks follow so that crypto could not be used for financing terrorists attacks or North Korea’s nuclear program.

When it comes to banking policy I am not usually holding hands with the CEOs of multibillion-dollar banks, but this is a matter of national security. Terrorists, drug traffickers, and rogue Nations should be barred from using crypto for their dangerous activities. It is time for Congress to act.

Thank you, Mr. Chairman.

Chair BROWN. Thank you, Senator Warren.

Senator Daines, of Montana, is recognized.

Senator DAINES. Chairman, thank you, and thanks to all of our panelists for being here today.

Earlier this year we saw a series of bank failures which were among the largest in our Nation's history. These failures, in my opinion, were due to gross mismanagement by bank executives and regulators who were also asleep at the wheel. Instead of holding accountable those in supervisory positions responsible for missing the impending crisis, regulators have decided to put forth a host of regulations that would have done nothing to prevent the failures in the first place.

In fact, every regulator I have questioned this year, hearings like this, has confirmed that we all know to be true, and that is the U.S. banking system is strong, it is well capitalized.

The proposals put forth by Vice Chair Barr and other regulators will limit economic growth, reduce lending to small businesses, and for those who are able to obtain financing, they are going to see increased costs. You know, I have frequent meetings with my businesses across Montana. We are a State noted for small businesses. I hear from them firsthand about the critical need for access to capital, the concern they have with pending regulations that could threaten their businesses.

I questioned Vice Chair Barr before this very Committee about risk weighting and public listing requirements in the Basel III Endgame proposal. Astonishingly, he claimed that small businesses would be better off under the proposed scheme than they are now, despite the fact that less than one-tenth of 1 percent of businesses are publicly listed and would qualify for the lower risk weighting.

Mr. Dimon, could you speak to how the Basel III Endgame proposal would impact your ability to lend critical funds to small businesses and what trickle-down effects we might expect if this were to be implemented?

Mr. DIMON. Yeah, so thank you for the question, Senator. First off, these questions should not wait for the NPR coming out. They should have been answered way before because it is very complex, the work should have been done, the details should have been shared. Directly, it makes those loans—we would have to charge more, and have a lot of unintended consequences.

As you know, we opened in Bozeman and Billings, but we have to charge more locally just to make sure we get our return and cost of capital. Secondly, the operational risk capital, we increased the cost of simply holding a small business checking account or making a loan. And so all of these things are a cumulative effect.

It will also affect our ability to finance your local community banks, which we often do, your local affordable housing, or the Montana Pension Plan. So all these things will trickle through, they will all become a little bit more expensive, and there will be some other unintended consequences. One of the things is moving out of banking, but also how we deal with customers. So I think some people will be surprised, some people may drop a few customers, and it also may lead to more concentration in certain ways because you are going to have to get more revenues from a client to justify the loan.

Senator DAINES. Mr. Dimon, thank you. Mr. Scharf, do you have any comments or thoughts on that, as well?

Mr. SCHARF. I agree with what Mr. Dimon said.

Senator DAINES. Thank you. I want to shift into the issue of oil and gas investment. In this last year and a half since Russia's invasion of Ukraine, February 27th, I have had the opportunity to travel extensively throughout Europe, where I have met with leaders in virtually all the countries that border Ukraine, particularly on the west side. I have been in the Baltics, also in the Balkans, as well as Ukraine border countries.

One thing I have heard that is nearly universal is that they have let the whims of the day dictate their energy policy and moved too quickly away from reliable, baseload forms of energy, like natural gas, coal, hydropower, and nuclear. I was struck when I was in Vilnius. They took me out to their LNG facility. By the way, in that regassification, you know, these floating ships, which are parked there, it is fittingly called the "Independence," as this LNG has really been key, that is coming often from the United States to get Europe back on its feet, to a certain extent, as it relates to energy.

But I asked these folks who were running the LNG plant, "What did you do before you were making LNG?" And I had a background in chemical engineering. I was always kind of curious about process and who these people are. They said, "We used to run a nuclear plant in Lithuania." "So what do you mean, you used to run it?" They said, "We used to supply 70 percent of Lithuania's electricity through a nuclear plant, but in 2009, it was shut down." I said, "Why was it shut down?" They said as a condition of joining the EU they made them shut it down, and Lithuania went from being a net energy exporter to an energy importer.

And this is just a warning thing for all of us. You cannot let the whim of the moment, some particular segment of a green movement, which at that time was very anti-nuclear, and to their credit it was an old Russian-designed, Chernobyl-type reactor that needed to be changed over, which they were. Hitachi was going to build a new Japanese, state-of-the-art reactor. They shut the whole thing down, and they are paying a severe price for it.

The need for fossil fuels is not going to dissipate in the near term. I am very concerned the Biden administration has an all-out assault on the oil and gas industry in the United States to further their green fantasy and hallucination. We can do this in the safest and in the most environmentally sound way to have a balanced energy portfolio that includes, of course, renewables, and the exciting future we have in the transition. But we better make sure we think about expanding our portfolio when the world is going to need 50 percent more energy than it does today in the next 25 years.

Mr. Dimon, can you discuss—

Chair BROWN. Very briefly, 30 seconds if you can, Mr. Dimon.

Senator DAINES. Mr. Dimon, here is my question. Can you discuss the importance of having some common sense as it relates to capital requirements, lending, and so forth in the oil and gas industry?

Mr. DIMON. We have to finance transition. You need secure, safe, affordable oil and gas to do that. The oil companies are doing a great job reducing CO2. If you do not have affordable, cheaper energy, the costs on poor people, poor Nations will be dramatic. We can get it done right as long as we are very thoughtful about it.

Chair BROWN. Senator Smith is recognized, from Minnesota.

Senator SMITH. Thank you, Mr. Chair, and good morning to all of you, or I guess it is good afternoon. Glad to have you all with us.

I would like to start with you, Mr. Scharf. So I want to talk to you about the Community Reinvestment Act. I think that this is a really important tool for making sure that people and businesses in low- and moderate-income communities have access to capital and lending and financial services. And I, for one, am encouraged by the new CRA rulemaking, which I think is an important update, and I think it makes some thoughtful changes to realign the CRA with its core purpose and to give banks and financial institutions clear direction on what activities qualify for CRA credit.

So Mr. Scharf, could you tell me how you assess this final rulemaking for the CRA, and do you think that these changes will better enable banks to meet their CRA obligations?

Mr. SCHARF. Senator, I very much agree with your sentiment of both the importance of CRA and the need to make changes in existing CRA legislation to ensure that the ultimate goals are actually achieved through the actual legislation. I think when you look at the changes that have been made there are certainly many items that are taken into account which are directionally supportive of what I just said. We have given some comments to the regulators about some of the specifics that we would like them to just reconsider as they work toward that goal, but directionally rethinking CRA and doing it in a way that all the regulators come together is extremely helpful.

Senator SMITH. Thank you. I agree with that. I think having everybody being on the same page was an extremely important part of this as well.

Another thing that I think is true is that these updates to the CRA regs were decades overdue. So do you think that it would be helpful for regulators to update these rules more regularly to kind of have a more rapid cycle? I am not talking about changing rules all the time, but I am saying learning from our experience and your experience to make sure they are working well.

Mr. SCHARF. I mean, Senator, yes. It absolutely makes sense to relook at these things and make sure that they are having the intended consequences, and at the same time realize that all of those changes then filter through a lot of work that we have to do, and so to striking that right balance is also, I think, very important.

Senator SMITH. Great. Thank you.

Mr. Solomon, good afternoon. It is good to see you. Many of us are giving thought to how AI, artificial intelligence, is being deployed, and how we should be setting guardrails for its use, and understanding that AI has been in use for many years. I think it is true that generative AI has gotten a lot of attention over this last year, both for its capacity and also for the limitations that have been on full view.

Earlier this year, Mr. Chair, the Bing AI chatbot urged a *New York Times* reporter to leave his wife, and just last week it was reported that the Amazon chatbot experienced, and I quote, "severe hallucinations and leaked confidential data."

So my question for you, as the leader of Goldman Sachs, is how do you see using this? I know that you probably have been using

AI tools for quite a long time, but could you talk a little bit about how the generative AI projects that you are working on, how you see these being deployed internally and how you are thinking about the appropriate guardrails.

Mr. SOLOMON. Thank you for the question, Senator. Obviously it is something we are very focused on, and as you highlight there are super offensive productivity things that can be done with the technology as the technology accelerates. As you point out, we have been using artificial intelligence in our business for quite some times, but these large language models accelerate your ability to use very, very highly paid people more effectively with clients by giving them access to information and giving our clients access to information that is sorted and organized more quickly. Those are the positives.

On the negative, the defense of the technology can obviously be used to disrupt activities, to disrupt markets. It falls into our category of thinking about cyber protection and guardrails. And so we have an enormous amount of focus in thinking through how these tools can be used to attack our systems, our platforms, et cetera.

I think the acceleration of this technology is going to continue. The pace is quite robust. And I think there are opportunities, but we also certainly have to be vigilant to recognize that there are things that are going to develop that we cannot see, and we have got to make sure we have the right protections in place.

Senator SMITH. Thank you. Ms. Fraser, I just have a couple of seconds left. You and I spoke about this a little bit recently. Tell me how you think about this, from Citi's perspective.

Ms. FRASER. About 4 years ago we put some principles in place for how to use AI, topics such as fairness and transparency and how it is used, making sure that you can understand and trace the different algorithms that are in place, elements like that, and making sure there are human beings governing this, and making sure the protections are there so we get the opportunities realized from it and also use it to defend against the threats.

Senator SMITH. Thank you.

Chair BROWN. Thank you, Senator Smith.

Senator Fetterman, from Pennsylvania, is recognized.

Senator FETTERMAN. Thank you, Mr. Chairman. Thank you.

All right, Mr. Moynihan, back in 2008, the Bank of America, your bank, did not have enough capital to cushion the bad investment decisions that you made, and you had to be bailed out. And in 2023, of this year, Silicon Valley Bank did not maintain enough capital and had to cost over \$20 billion from the FDIC.

So let me ask you, should we believe you that you have the Batman, we have got this kind of an issue, or should we be able to have to have intervention to adjust this?

Mr. MOYNIHAN. Senator, I think since the financial crisis this body, along with Congress and the President passed the Dodd-Frank Act, which changed the capital rules. There was adoption of further Basel standards. On top of that there has been 13 stress tests, if I have got it right, each one of those more severe. So even in the last 5 years we probably have 10, 15 percent more capital required under those tests. So I think there has been a significant amount of regime change made.

The question for the institutions that failed earlier this year is that none of them are captured with that scrutiny, and our view was, as a group that had to go in and do two things, one, try to keep them alive long enough so it could be resolved, and second, this week, we cut a check at \$2.1 to \$2.2 billion to the FDIC to pay for the cost of the cleanup, in our company along with all of us. Our view is that these capital rules are not really going to address that, and many capital rules apply to these institutions, and the 30 stress test banks which do apply to that. And that is why you saw us be a source of strength earlier this year.

Senator FETTERMAN. Yeah. Well, if you felt that we all supported those kinds of changes after the crash, and then how can we have, you know, what happened at the Silicon Valley Bank, now some 15 years later, and if there was not the kind of intervention it would have caused another kind of a crash. So have we got it right yet? Should we have to make any more changes? Are you OK with this idea that a relatively small bank, especially compared to the size of all of you in front of us today, could cause a crash, system-wide, unless the President had to quickly intervene and make sure that we address this? Any changes, anything else, or that it is OK to worry that a small bank could actually imperil our entire financial system?

Mr. MOYNIHAN. I think 4,000 banks have failed over the course of time. That is what the FDIC was created to help. And they have been resolved, as a—

Senator FETTERMAN. But have any of them almost crashed our entire economy, or the financial system?

Mr. MOYNIHAN. In '07-'08, the system was outside the system, in addition to that, so many of the people up here were not bank holding companies at that time. And that was the invention of the broader purview of the banking regulatory net. The invention of the FSOC we have talked about. The invention of stress testing. The invention of all of these things, and Basel rules to measure, to move to an advanced methodology using models and other things to measure risk as opposed to standardized methodologies, which is what we are going back to now. All that was made to change the system.

Silicon Valley did not threaten the U.S. economy. It could have been resolved, and it was resolved.

Senator FETTERMAN. Why did the President act so swiftly if there was not such a concern? You know, that is amazing that you can get on the phone and act so quickly for that kind of money, like if it really was not such a significant risk. I mean, I wasn't read about the other 4,000 banks that crashed that required the President to react in such a swift manner.

Mr. MOYNIHAN. You would have to ask the people. We did not think that all that could have been resolved differently, many of us that got involved with the First Republic transaction, the deposits we put in. But you are going to have to ask the other people why they did what they did. It is not us.

Senator FETTERMAN. OK. But again, so no changes are necessary, despite now that we seem to have this enduring kind of a risk that bad behavior or bad investments could actually crash, you know, our whole financial systems.

Mr. DIMON. There were specific things that happened in Silicon Valley Bank that should be addressed by regulations, and the most important one is excessive interest rate risk. That has got nothing to do with Basel III, the issue here.

And I think the American public should know that banks pay for the FDIC. That is not Government money. That is a mutual company, and I would love to take it over and take it off your hands and manage it ourselves.

Senator FETTERMAN. With all due respect, Mr. Dimon, and do not think it really matters who is paying for it. But the fact that anyone has to pay because of these choices are necessary.

Now my Chairman—and actually, Mr. Dimon, was next on my questioning.

Chair BROWN. Quickly.

Senator FETTERMAN. Outstanding. So Mr. Dimon, you claim that the capital requirement, that will increase costs and reduce lending. Chase has done \$5.5 billion in share buybacks, and \$9 billion in dividends so far this year. So would it not be easier just to kind of hold on to a lot of that money and lend it out, or why would you want to give it away to the shareholders and other things like that, or buying back your own stock?

Mr. DIMON. It is the shareholders' money, and we do all the proper lending we can and should do. It will reduce the profitability to a banker doing the business, and I do not think you should be asking people to do stuff that is unprofitable for their shareholders. That is more like a charity. There is tons of that. I am happy to talk about that in more detail.

Chair BROWN. Thank you, Senator Fetterman. The Committee will take under advisement Mr. Dimon's proposal to take over the FDIC.

[Laughter.]

Senator FETTERMAN. Yeah, I would love to buy it if there was more time, because I would like to have you explain why Democrats should support Nikki Haley for President, but I do not have the time.

Chair BROWN. Thank you, Mr. Fetterman. And while I like your ideas on SSI, Mr. Dimon, I need to think more about FDIC.

Senator Warnock, from Georgia, is recognized.

Senator WARNOCK. Thank you so very much, Mr. Chair. Before I get to the question that I set out to ask I have to respond to the Senator from Ohio, not the Chair, who apparently takes great umbrage to the words or the letters sent by the leaders of these institutions responding to the voter suppression bill that was passed in Georgia.

I know a little something about voter suppression in Georgia. Today is, in fact, the 1-year anniversary of my election in Georgia. But my election should not give people the false impression that there is no voter suppression in Georgia. It should not give us any misunderstanding about how bad a law S.B. 202 actually is.

In fact, I had to sue the State of Georgia because at the beginning of my runoff a year ago they decided that folks would not be able to vote the first Saturday of the runoff, claiming that this was the clear letter of the law. You could not vote a couple of days after a holiday, that holiday being Thanksgiving, and a day they used

to honor the anniversary of confederate General Robert E. Lee. And so I had to sue them, and then appeal again and again, just so Georgia voters could vote.

So I think that people in your position do have a corporate responsibility, and I hope you will certainly feel the freedom to lean in, in the places and the spaces where it is necessary.

And in that vein I want to ask you about the SAFER Banking Act, legislation recently considered by this

Committee on cannabis banking. Many of your banks have lobbied for this bill, and the American Bankers Association, of which you all are members, supports the bill as well.

I am going to ask you to raise your hand if you support the SAFER Banking Act.

[No response.]

Senator WARNOCK. None of you support the SAFER Banking Act.

I am going to ask you a question. Raise your hand if you support the SAFER Banking Act.

[No response.]

Mr. MOYNIHAN. Senator, we all support the intent of it. The problem is it does not fix the problem. So do not take our non-assents as—

Senator WARNOCK. Let me ask my next question. Raise your hand if you believe passing the SAFER Banking Act will reduce the racial wealth gap.

[No response.]

Senator WARNOCK. So, this is interesting. We should have some conversation about this. The American Bankers Association, of which all of you are a part, writes that this legislation will provide, quote, “legal and regulatory clarity for banks, and it would help facilitate access to financial services.” My question is legal and regulatory clarity for whom, and who are we making safer.

Since the war on drugs began over 50 years ago, communities across America have been decimated. They have been hollowed out. Communities all across our country, in the wake of the explosion of mass incarceration, making us the mass incarceration capital of the world. Missing bodies and abandoned building. The war on drugs has been a war on communities of color.

I want to be clear that I am open to SAFER Banking and more regulatory clarity around cannabis, but my fear is that if pass this bill right now then your banks and other powerful voices will be missing in action when it comes time to address the broader harms of the war on drugs. And so I support SAFER Banking. You all seem reluctant to say whether you support it or not. I am concerned about equity and whether we will get that in the process.

So let me ask you this. Will each of you commit to ensuring your banks will uphold the standards, standards in the Community Reinvestment Act, that is, which we will soon have another opportunity to address, will you support standards to increase equity as we move forward, perhaps, on SAFER Banking. Mr. Scharf.

Mr. SCHARF. Yes, Senator.

Senator WARNOCK. Mr. Moynihan.

Mr. MOYNIHAN. Yes, sir.

Senator WARNOCK. Mr. Dimon.

Mr. DIMON. We support the intent, but I would have to see the actual words and the actual law.

Senator WARNOCK. Would you support efforts to be intentional about supporting equity and addressing the awful impact of 40 years of the war on drugs, which in many ways has been a war on Black and Brown communities?

Mr. DIMON. Yes, but before I agree to something I like to see the actual detail, down to the last word.

Senator WARNOCK. Ms. Fraser.

Ms. FRASER. Similar to Mr. Dimon, I absolutely support the intent. The details matter. We would look at it and work with your office if we had concerns.

Senator WARNOCK. Mr. O'Hanley.

Mr. O'HANLEY. We support the intent.

Senator WARNOCK. Mr. Vince.

Mr. VINCE. Similar to my colleagues, we would want to see the details.

Senator WARNOCK. Mr. Solomon.

Mr. SOLOMON. I would want to understand the detail more. We will continue to do things to support investment in underserved communities.

Senator WARNOCK. Mr. Gorman.

Mr. GORMAN. Exactly the same.

Senator WARNOCK. Thank you so very much. I think this is critical. There is nothing in history that suggests to me that if we leave behind these communities that are marginalized, as we make banking safer for powerful banks and people in positions who sit here and who sit there, there is nothing in history that suggests to me that we are going to go back and get those folks. And so I hope that I can continue to engage you, and that as good corporate, responsible citizens you will take an active interest in this, recognizing that it is not only the right thing to do for the future of our economy, it is the smart thing to do.

Thank you so much.

Chair BROWN. Thank you, Senator Warnock, and thank you for setting the record straight on the Georgia election law.

Senator WARNOCK. Thank you.

Chair BROWN. Senator Lummis.

Senator LUMMIS. Thank you, Mr. Chairman. Welcome. There has been a lot of talk today about Basel III. We know what it means for your banks. I would like to explore, for a little bit, what it means for small community banks. Wyoming and other rural States rely on small community banks, and while the capital requirements apply to the systemically important banks, I would like to know if there are additional impacts on smaller community banks and their customers.

So I will address the question to Mr. Dimon and then ask anybody else who wants to take a swing at this to weigh in as well.

Mr. DIMON. Thank you, Senator. I think the smaller community banks would say they are not directly affected by this, but since a lot of us up here bank those banks, we bank their retirement funds, we bank their cities, we bank other small businesses, we bank local schools, cities, States, hospitals, it will trickle down to higher costs to them in one way or the other.

It also changes the competitive landscape. It may, in some ways, make it harder for them to compete with us as opposed to less hard.

Senator LUMMIS. Would anyone else like to take a swing at that one? Thank you.

Americans interact with the financial institutions through their banks, and they save like for kids' college education with mutual funds and protect their families with insurance. Can you explain why ultimately these changes will impact families planning for the future? So my question is what are the impacts of Basel III on pensions, mutual funds, insurance companies, and other users of derivatives who hedge? Now hedging, in my industry, agriculture, is very important, so I am interested in the implications for hedging and the other entities I mentioned. Perhaps Ms. Fraser, would you address this?

Ms. FRASER. Yes. Hedging plays a very important role for protecting against risk and helping mitigate risk, particularly when we are in very volatile times at the moment, it is important for providing stability in income flows, and commodity hedging is a critical piece for any farmer in America. So the increase in capital associated with the Basel III rule will have an impact on the cost of that hedging, and potentially even the provision of that hedging. And as you say, it permeates many different parts of our economy and society. It is not just for the most sophisticated players.

Senator LUMMIS. I want anyone who is interested in responding to this question to take it. One of the things that my staff observed is that one of the most poorly thought out parts of Basel III is how public listings are used as a proxy for counterparty risk in derivatives, counterparty credit risk in derivatives. So it looks like this will harm, at a minimum, nearly 70 million households who invest in mutual funds.

I would like to know if you agree with my staff's concern, and how we might address that. And this is for anyone who wishes to take it. Yes, sir.

Mr. O'HANLEY. It is a very crude measure of risk and does not reflect the fact that some of the largest and most sophisticated companies in America are public. So it is just putting in one basket saying that, by definition, if you are not public. And if you look at the trends, in fact, fewer and fewer companies are public these days. That is a whole different kind of debate that we can get into some other time, but it is a terribly crude measure.

Senator LUMMIS. Do you know why they chose to make public versus private companies different, and treat them different in terms of using them as a proxy for counterparty credit risk in derivatives? Anyone?

Well, we do not know either, so we are all in the dark.

OK, question. Why is it—and this, again, is for anyone who wishes to weigh in—why is it so important that the United States have a regulatory framework that allows our financial institutions to compete on the global stage? As we see the rise of China asserting the influence of the yuan all over the world, help me understand why we have to stay competitive.

Ms. FRASER. I speak as an immigrant to the States. America plays a critical role around the world in terms of supporting supply

chains, in terms of the risk management tools it provides, the stability it provides to populations all over the world, the investment flows. We account for over 50 percent of all of the capital activity and investment activity in the world. That is a strategic asset for America, it is something we should be incredibly proud of, and it is something that we need to defend.

Senator LUMMIS. Anyone else?

Chair BROWN. OK. Anybody else want to answer? Sure. I think when you are next to the last people are getting kind of tired.

Senator LUMMIS. Thank you so much.

Chair BROWN. Thank you. Thank you to the patience of all of you.

Senator Butler, the newest Member of this Committee. Sorry you have to sit there.

Senator BUTLER. I am number 100. When you are number 100 you stand between the panelists and lunch. So I appreciate very much the time that you all put in to talking with me, knowing that I was going to be the last person to ask you question.

But because most of you have a significant footprint in the State of California, I thought it important, on behalf of the 40 million California residents, to sit here the entire time and to represent their interests across this industry.

I am glad our Ranking Member made his way back. As the newest Member of the Senate I am still getting to know my colleagues, and I wanted to Ranking Member to know that I do agree with him on a key point that he made in this opening remarks, and that is the majority of the American people who are watching this broadcast, particularly who are still watching, are not talking about, nor have any interest in Basel III Endgame. They are talking about fairness and fees and affordability. So that is where I want to land my two questions.

I want to—and it is, honestly, not to pick on anyone, but really in the space and intention of moving things along—I want to pick up on Senator Smith's point around algorithms and algorithmic deployment. Ms. Fraser, you and I spoke about this as it relates to customer account closures. We talked specifically about the November 5th *New York Times* article in which Citi was specifically mentioned. A customer of yours who owned a bar, and who was making bar-like deposits, end-of-day cash deposits in round amounts so that they could actually keep petty cash on hand to be able to make change at the bar, and found themselves the victim of an account closure due to what the algorithm determined was suspicious activity.

Can you talk more about the process that you have deployed across Citi to give customers confidence that when you are doing your due diligence, as a significant global investment institution, when you are doing your due diligence to provide and enhanced national security, how do those American people who are still watching, who are still listening, who will hear this back, how can they have confidence that their credit is not going to be negatively impacted, that you are going to return their whatever remaining balance that they may have on time, in a way that they can actually get their bills paid, due to no wrongdoing of their own?

Ms. FRASER. Senator, thank you very much for the question. Thank you also for sitting through the entirety of the hearing today.

You raise a really important point. I think all of us want to protect our customers. There is a tremendous amount of thought. Cyber probably keeps us awake at night. We want to do a good job for our customers. We want to look after them and enable them to live their lives and their financial lives securely.

We have money laundering requirements that are very significant, in which we are not allowed to go and then tell the customer why it is we have closed their account. And I think all of us appreciate how frustrating that is for our customers, but we must follow the law. You and I have also talked about when it is found out that a customer's account is being closed in error or for some other reason, or there has been fraud blocks, how do we then help them recover their funds quickly, and that again, I think there is no bank CEO on this table that does not want to help a customer to do that, and we are very happy to follow up with you on what are different ways that can be achieved. Thank you.

Senator BUTLER. Thank you. Thank you for extending that opportunity to continue to figure out ways that this body can act to protect not only California customers but people who are banking with your institutions around the country.

My last question, Mr. Dimon, you and I also talked about this. As the representative from California, it is critical that I represent those voices on affordability and home affordability. In particular, your institution has done an incredible amount on this issue, and I want to applaud and recognize you for that.

On the other hand, the other issue that I raised with you is just a concern of this intersection of both a declaration and a support for investing in affordable housing and making mortgages more affordable for low- and middle-income families, and the practice of financial institutions in buying real estate development purely for the purposes of putting it up for rent. Those two things seem to be in opposite and in contrast to me.

And there is a report of JP, specifically in California, about this behavior, and I would love to give you the opportunity to talk to Californians about how you are meeting both of those obligations, the obligation to provide more affordable housing, help to create more access to the American Dream, and, at the same time, buying more and more single family residential properties where they are going to be only available for renting.

Mr. DIMON. Thank you for the question.

Chair BROWN. Be brief, if you would.

Mr. DIMON. Thank you for the question, Senator. We love affordable housing. We do a lot of it, as do a lot of the banks up here. We can make mortgages much lower cost for lower-sized mortgages. I have been dying to work on that for 10 years now.

I think you are referring to an instance where we financed a company which is building homes, and I think it is 200 homes, for rental. Remember, rental is appropriate for some people. And so I understand your concern, and I will look into the specifics. But building more homes is good for affordable housing.

Chair BROWN. Thank you, Mr. Dimon. Senator Butler, thank you. Thanks to the eight of you for joining us today.

For Senators who wish to submit questions for the hearing record, those questions are due 1 week from today, Wednesday, December 13. To the banks, please submit your responses to these questions for the record no more than 45 days from the day you receive them.

Thank you again. The hearing is adjourned.

[Whereupon, at 12:36 p.m., the hearing was adjourned.]

[Prepared statements, responses to written questions, and additional material supplied for the record follow:]

PREPARED STATEMENT OF CHAIR SHERROD BROWN

This hearing will come to order.

The eight bank CEOs appearing before us today lead the biggest global, systemically important banks in the United States.

Your banks hold nearly \$15 trillion in assets, manage trillions of dollars of investments and retirement accounts, and fund the biggest companies in the country. You hold nearly half of the Nation's deposits and more than \$80 trillion in client assets.

Your banks touch almost every aspect of our financial system and working Americans' money—even if they are not your customers.

All of that makes you eight of the most powerful people in the country.

The banks you run are so large, so complex, and so interconnected, that their distress or failure could pose a threat to our entire global financial system.

You may be private companies, but the risks you take and the mistakes you make don't just affect you. They don't even just affect your customers, or not even just your shareholders, or not even just your workers—mistakes you make affect the whole economy, and—as we all remember from 2008 and 2009—they can certainly affect American taxpayers.

That amount of enormous power should also come with enormous responsibility.

And a big part of that responsibility is to make sure that investors—not taxpayers—are on the hook when risks at your bank don't pay off.

That's why we need strong capital requirements at the biggest banks. Because of this Committee, we finally have financial watchdogs in place who are getting serious about the need for these protections.

These are commonsense rules to ensure that banks can withstand losses from the riskiest financial shenanigans that create no value to the real economy.

These rules protect against risky trading and derivative activities on Wall Street—the same activities that led to the 2008 financial crisis. They would close a loophole that allowed banks like SVB to hide behind an accounting fiction that lowered capital requirements and contributed to its failure.

And anyone who had any doubt about whether Wall Street could be trusted to use its power responsibly need only look at the current lobbying fight on this.

If you've watched the local news in Washington, if you've waited at a bus stop in Washington, if you've flown out of Washington National Airport, you've probably seen ads urging people to, quote, "Stop Basel Endgame."

The eight of you surely know your audience.

And you haven't stopped there—you've even gone national, pouring money into ads for Sunday night football.

It's a campaign waged by your lobbyists to prevent financial watchdogs from putting in place these stronger capital requirements to protect our banking system and our economy.

Listening to these ads, you hear all kinds of claims about how stronger rules will raise the cost of mortgages and stop small businesses from getting loans.

Wall Street banks are actually saying that cracking down on them will, quote, "hurt working families."

Really? You're saying that cracking down on Wall Street is going to hurt working families? You're going to claim that?

The economic devastation of 2008 hurt working families.

The uncertainty and turmoil from the failure of Silicon Valley Bank hurt working families—when small businesses and their employees in Ohio and Utah and across the country didn't know if they could get access to their money and make payroll.

And of course, the claims in this ad campaign aren't true.

Your game is to try to confuse people. Most Americans probably think of a bank's capital—if you force people to think about it at all—as money stashed away in a vault.

But that's not what it means. Capital is just a way to fund loans and investments and risky activities in a way that can absorb losses if things go south. It means shareholders and investors are on the hook—not taxpayers.

And what those glossy ads don't tell you is that your banks have been reducing your lending to small businesses and veterans and homebuyers for years now—since long before the new capital requirement proposals.

Remember that—these are just proposals at this point, they haven't even been implemented.

Let's be clear: Absolutely nothing in these rules would stop your banks from making loans to working families and small businesses.

Absolutely nothing.

The reason banks might make fewer of these good loans in the future is the same reason we've been seeing less and less productive banking activity for years: it

doesn't make your banks as much money as the risky stuff. You would rather fund risky trading and derivatives bets than boring, bread-and-butter small business lending.

So even with this rule, you can still lend to small businesses and homeowners. You just might not increase your profits quarter-over-quarter by quite as much as you increased them last year.

But I think most Americans would agree that's a fair trade-off for society:

More small business lending. More first-time homebuyers. Less chance of taxpayer bank bailouts. And in exchange, maybe, smaller executive bonuses and a teeny tiny bit less profits for multitrillion-dollar Wall Street banks.

We know the banking industry isn't giving up without a well-funded fight.

Wall Street pours money into high-priced lobbyists to fight any effort to put the most basic guardrails on your ability to do whatever you want.

And what your banks want is to maximize quarterly profits—the cost to everything and everyone else be damned.

We've seen over and over what a problem that is, and the harm that the current system does in places like Ohio.

Earlier this year, when I first heard about SVB's collapse, my mind immediately went to another crisis in my State, in East Palestine, Ohio.

They have one thing in common: corporate lobbyists pushed for weaker rules, less oversight.

Companies cut costs, didn't care about safety if it got in the way of increasing profits.

And working people paid the price.

This is why people hate Wall Street.

And it's why people hate Washington—because these lobbying campaigns usually work.

We see it over and over.

We saw it during the fight to pass Dodd-Frank, after the financial crisis. Many of us remember the quote from an industry lobbyist after we passed that law—"now it's halftime."

This time, Wall Street was true to its word.

The executives whose banks failed this spring had lobbied for watered-down rules to make it easier to chase profits at all costs. They knew risks were building at their banks, but they chose to ignore those risks because it meant a bigger pay out for executives at the top.

So we should be concerned when the executives of even bigger banks are doing the same thing against capital requirements.

Working Americans are tired of arrogant executives gambling with other people's money, then riding off into the sunset without any consequences.

That's why we need to pass the bipartisan RECOUP Act, to hold failed bank executives accountable for driving their banks into the ground.

And it's why we need strong capital rules.

Before you protest—I know, of course, that it wasn't your banks that failed.

But after those failures earlier this year, we were reminded about how fragile our banking system could be. And as a result, your banks only got even more powerful.

So it's fair to take stock of how you're using that power.

I appreciate the long overdue increases in wages and benefits for many of your frontline employees. At least one of your banks has made real efforts to get rid of overdraft fees.

But your banks need to do far better when it comes to meeting your customers where they are and recognizing the dignity of work. You should be cutting prices for consumers, increasing opportunity for your employees, increasing diversity within your executive ranks, and supporting your workers' efforts to unionize.

And you should stop pouring money into lobbying against efforts to protect the taxpayers who subsidize your entire industry.

The reason for this hearing every year is to hold the biggest banks in this country accountable to the American people. We want to hear from you: What will you do to support workers, to invest in the real economy, and to finally put Wall Street to work for Main Street?

PREPARED STATEMENT OF SENATOR TIM SCOTT

Thank you, Chairman, and thank you to a very long list of CEOs who have come to talk with us about how the impacts of our regulatory environment will impact everyday consumers.

And I hope that you all, some of the things I will say will be redundant because some of it's unprepared based on what the Chairman just said, but I hope you all will really answer the question [of whether] nothing in these proposals will stop your banks from lending to small businesses or first-time homebuyers. Because if the proposals, Basel III Endgame—who in America knows of Basel III Endgame really is—let's translate that for the average American sitting at home watching this because they have nothing else on TV to watch.

It is simply requiring more capital on the sidelines, which then means fewer dollars to lend to small businesses, first-time homebuyers, car loans. So the actual impact of a higher regulatory standard is fewer dollars to lend to Americans who need desperately to be engaged in the process of achieving the American Dream that is typically defined by having access to capital.

If you work really hard and keep your life in order, you can have a good quality middle-class life. But if you want to actually experience wealth in America, you have to experience the benefits of profit or equity. Equity comes from having capital—having capital typically means you either have it because you are born with it or you have access to it because you have an idea or a vision that will make your community or this Nation better.

When that happens, you go to a lending facility called a bank or outside of the market and you find that capital that allows you to start your business. And as you start your business and it appreciates it, it creates a profit, and that profit allows you to experience the upper echelon of the American Dream. If you have a home, look at the differences between African Americans and majority population and net worth—tenfold difference. Much of that difference is found in the profit or the equity in a home.

So, when we think about the proposals, not of good regulation, but of a nightmare proposal called Basel III Endgame that will put so much more capital on the sidelines, we should ask ourselves, how does that translate for the average American living and working paycheck to paycheck? My thought is that it has a devastating impact on access to capital that makes the American Dream harder to achieve and [makes] access to capital, for some folks who started where I started, virtually impossible.

I think if you if you think about today's hearing from my perspective, I want to talk about three things. Number one is certainly Basel III Endgame, number two is the burdensome regulations and guidance that will ultimately hamper consumer choice, and number three, the job our regulators are doing, or frankly should be doing, and the work and the workplaces our regulators cultivate.

I'll start as I just did with Basel III Endgame. The fact of the matter is that this one proposal could have a devastating impact on small businesses and I would like for you all to address that either now or during the questions.

Last month, I led a letter to the FDIC, Fed, and OCC calling on them to withdraw this misguided proposal because American families, the folks who will bear the burden of [these] burdensome regulations, simply can't afford it. The letter was signed by nearly 80 percent of my Republican colleagues that really span the entire ideological spectrum and the country. Nearly every single person who has signed the letter did so because they all agreed that costly, harmful impacts on our constituents, our businesses, and their families is something that could be avoided if, simply, the banking regulators would listen to common sense and withdraw the proposal.

And frankly, last month when the regulators spoke, even some of my Democrat colleagues agreed with our concerns on the negative impacts brought to us by a burdensome regulatory environment.

Let me be clear, this proposal could limit, and frankly I think will limit, the following: availability of credit for housing for those who need it most, severely restrict lending for small businesses that are still rebounding from the pandemic, and cut into the retirement savings for hardworking Americans, like teachers, police officers, firefighters, when they're dealing with higher prices and runaway inflation and brought by the radical Left. These are very, very serious and real concerns.

But Americans shouldn't just hear about the concerns from those of us who are senators, we should hear from those who actually run the institutions that they have and trust in and have confidence in. As a former business owner myself, I believe that you all, as the day-to-day operators of these businesses, not elected officials, have a better sense of what the communities are facing, the challenges brought upon the communities by these higher standards.

Vice Chair Barr last month said that the new Basel Endgame will only impact about 40 of the banks in our country.

Said differently: two-thirds of all the loans processed will be negatively impacted by the Endgame proposal. That's \$60 billion in small business loans in 2021.

If regulations continue to increase the costs of providing a loan, I fear that banks will decrease lending, not only in my home State, but across the country. The increased lending means increased financial hardship, and increased financial hardship means a reduction in opportunity.

That's my ultimate concern, reducing opportunity for everyday Americans. At the end of the day, these consequences will create a ceiling for low-income Americans, and it won't be a ceiling made of glass, instead it will be made of concrete.

We simply can't let that happen.

The second item I want to discuss with you all today concerns the onslaught of rules and proposals targeting your institutions and the banking system writ large. For instance, in recent months, we have seen proposals or final rules all the way from climate risk management to the Community Reinvestment Act.

None of these proposals exist in a vacuum, and it is vital that this committee hear from each of you about the overall impact on the health of our economy. In particular, I'm deeply concerned by the continued partisan attempts of this Administration to advance their climate goals by any means possible, including through our banking system, with the recent climate risk management guidance.

Banks have been considering weather risks for decades—and you should—it's called common sense. And it remains incumbent upon each of you to base your lending decisions on risks you can reasonably assess, like weather or credit risk, not however, perceived political, rhetorical, or reputational risk.

Beyond the explicit cost of these proposals, which ultimately are passed on to consumers, I fear that the only real accomplishments of the regulators will be to push more activity outside of the regulated financial system where we have less insight into the impacts on consumers.

And finally, number three, we must emphasize and turn our attention to the performance of our regulators and their core mission—the supervision of your banks and the stability of our financial economy.

This past spring, we saw the failures of several banks, which shook consumer confidence. Since then, there has been nonstop fingerpointing by our regulators. In the aftermath of the failures, I was critical of the failed bank executives because that's where the dollar should stop. The buck stops with the executives.

But you can't see that in a vacuum—you have to ask yourself the question—what was the role of the regulators? What did they do? What did they see? How do they respond to that?

Your institutions have teams of examiners from the regulatory agencies in your offices every day—and I can tell by your faces—you're really excited to see them when they show up.

But the truth is that we, the American people, deserve to understand the complexity of the web that exists that makes the headwinds real for lending money to would be entrepreneurs, or first-time homebuyers.

Let me close with this: we're not on the same page on a lot of issues. I think there are times when banks go too far in getting involved in politics. But when it comes to your objective of creating access to credit, to resources, for the American people and the American Dream—that's where I hope we find our attention today—focused on an environment that is easier for the average American to experience the American Dream, or it's made harder because of the challenges brought to them by this Government.

PREPARED STATEMENT OF CHARLES W. SCHARF
CEO AND PRESIDENT, WELLS FARGO & COMPANY
DECEMBER 6, 2023

HEARING BEFORE THE UNITED STATES SENATE
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

Testimony of Charles W. Scharf
Chief Executive Officer and President, Wells Fargo & Company

December 6, 2023

Chairman Brown, Ranking Member Scott, Members of the Committee: thank you for the opportunity to be here today on behalf of Wells Fargo & Company. I look forward to today's discussion with you and my peers about the work we are doing to manage strong, resilient organizations that help to promote the long-term vitality of our financial system.

In March of this year, we all saw how market events rapidly impacted the banking sector. In response to this crisis, Wells Fargo and many of the other institutions represented here today served as a source of strength and stability against a backdrop of volatility and uncertainty. I am proud that Wells Fargo was able to lend support to our economy during that difficult period, and I believe our steadiness in the face of such unease is a testament to our company's soundness.

As we look forward, we continue to build out a risk and control framework that is appropriate for our company's size and complexity. I am pleased to report that we are continuing to make significant progress and that we remain committed to providing all resources necessary to meet our risk and control obligations.

In addition to this important work, we continue to invest in our customers, our employees, and the communities we serve. Among other things, we are offering new products to help customers meet short-term cash needs; providing enhanced benefits to our employees more than ever before, including increased wages for many; and partnering with local nonprofits and other groups to drive economic vitality and inclusivity in communities across America.

I am excited about Wells Fargo's future, and I appreciate the chance to discuss with you today the numerous important initiatives underway at our company.

Our Strengthened and Simplified Organization

Since 1852, Wells Fargo has dedicated itself to helping customers build businesses and manage money in a rapidly changing world. Today, we are a leading financial services company with approximately \$1.9 trillion in assets, and we remain in a strong capital position for continuing to meet the needs of our customers, reflecting the value of our franchise and the benefits of our operating model.^{1 2}

¹ Wells Fargo Issues Statement Regarding the Federal Reserve's Stress Test Results, Wells Fargo (June 30, 2023), <https://newsroom.wf.com/English/news-releases/news-release-details/2023/Wells-Fargo-Issues-Statement-Regarding-the-Federal-Reserves-Stress-Test-Results/default.aspx>.

² Information regarding Wells Fargo's 2022 year-end and 2023 third quarter capital and leverage ratios, net income, and value of dividends and stock buybacks can be found in Appendix A.

In the United States, we proudly serve one in three households and more than 10% of small businesses, and we are also a leading middle-market banking provider. We have approximately 227,000 employees, who work hard every day to serve our more than 69 million customers. We provide a diversified set of banking, investment, and mortgage products and services, as well as consumer and commercial finance services, through our four reportable operating segments: Consumer Banking and Lending, Commercial Banking, Corporate and Investment Banking, and Wealth and Investment Management.³

We maintain one of the largest branch networks in the nation, with locations in 24 of the 30 largest markets, and we cover more rural markets than many large banks. At the close of the third quarter of this year, we had 4,355 branches, of which nearly 30% are in low- or moderate-income (“LMI”) census tracts.

Our physical branches are bolstered by our growing digital presence throughout the country. As of the end of October 2023, we had more than 34.6 million digital active customers and 29.75 million mobile active users, up 3.4% and 5.0% from last year, respectively.

We continue to focus on providing first-rate products and services core to our business, while taking a closer look at areas that may not fit well within our model. In 2020, we completed a strategic review of our businesses that resulted in the sale or reduction of several of them, including institutional retirement and trust, student lending, asset management, corporate trust services, and a real estate brokerage and advisory. Our simplification efforts also included cutting certain product offerings and investments that were not core to our business model.

Additionally, at the beginning of this year, we announced plans to simplify our home lending business and will primarily serve bank customers and borrowers in underserved communities. As part of this shift, we announced our plans to exit the correspondent business, reduce the size of our servicing portfolio, and optimize our retail team so that it aligns with our narrower customer focus. These actions will allow us to reduce risk in the home lending business while continuing to make homeownership possible to thousands of Americans. As a result of all of these and other changes, we are a simpler organization today than we were when I became CEO four years ago, and our risk profile is lower.

We are primarily a U.S. domestic bank, and we do not have the many complexities that running large-scale international businesses brings. Our legal entity structure, extent of international regulatory oversight, and physical footprint are far simpler than many of our competitors. Approximately 90% of our revenues come from U.S. clients or activities of non-U.S. clients in the U.S. Our businesses outside the U.S. primarily support our U.S. customer base. We are very happy with our existing footprint and are not looking beyond for growth opportunities.

³ In February 2021, we announced the sale of Wells Fargo Asset Management (“WFAM”). The sale, which was completed in November 2021, included our business of acting as trustee to collective investment trusts and all related WFAM legal entities. See Wells Fargo Enters Agreement with GTCR and Reverence Capital Partners to Sell Wells Fargo Asset Management, Wells Fargo (Feb. 23, 2021), <https://newsroom.wf.com/English/news-releases/news-release-details/2021/Wells-Fargo-Enters-Agreement-with-GTCR-and-Reverence-Capital-Partners-to-Sell-Wells-Fargo-Asset-Management/default.aspx>. Custody management services are not a significant part of our business.

Similarly, our products are not complex compared with those offered by other banks and are similar to those offered by smaller institutions. We take deposits, provide financing, move money, and provide financial advice for our customers. Our trading activities and the size of our market risk are relatively small compared to other large banks.⁴

Our Risk, Control, and Regulatory Agenda

We continue to pursue and execute on our risk, control, and regulatory agenda with a sense of urgency. This multiyear journey continues to be about setting clear priorities, cultural change, and operational execution. I have been clear and consistently reinforce that this foundational work is our top priority.

Last year, we spoke about the tremendous amount of change we are implementing, and I am glad to report that we continue to make progress simplifying and strengthening our organization while also working to meet the high expectations of our regulators, customers, and employees. Since I became CEO, our regulators have closed out five consent orders, and we have provided billions of dollars in relief to customers impacted by practices that largely predated my tenure. We are executing on our plans to resolve outstanding matters as expeditiously as possible.

The reality is that, while I wish the task before us were merely to complete work that was well underway when I joined the company, that is unfortunately not the case. Simply said, the work to build the appropriate risk and control infrastructure and close consent orders takes years when managed effectively, and the company was not as far along as I had expected when I arrived. Our historical practices were inadequate, and it has taken time to build what is necessary to address those inadequacies. Much work was needed to develop the required tools to properly accomplish the work. When I arrived, we did not have the culture, effective processes, or appropriate management oversight in place to remediate weaknesses on a timely basis. Today, we approach these issues very differently.

I am very confident that our new management team has the skills and experience necessary to address all of our risk, control, and regulatory issues, including what is necessary for our regulators to consider closing our open consent orders. The specifics of our regulatory remediation plans are confidential, but I can tell you that, while we are not where we need to be, I strongly believe that our position is significantly improved since I arrived four years ago and even since I appeared before you last year, and I am confident that we will reach our goals.

⁴ Publicly available aggregate data about other aspects of our business can be found in our regulatory filings. *See, e.g.,* Wells Fargo 2022 SEC Form 10-K (Feb. 21, 2023), <https://www.wellsfargo.com/assets/pdf/about/investor-relations/sec-filings/2022/10k.pdf> (Table 18a: Financials Except Banks Industry Category (disclosures of lending to funds); p. 47 (discussion of derivatives used for hedging of residential mortgage servicing rights); Table 36: Short-Term Borrowings (includes balances for repo transactions); pp. 93, 167-168 (includes information related to repo); pp. 98-100 (includes information on derivatives and hedging activities); Note 14: Derivatives (includes information on derivatives)).

We have changed and implemented much to put ourselves in this position. To name just a few examples:

- We have refreshed our teams at the highest levels of the company. Since I joined the company in 2019, all of our Operating Committee members are new to their roles, and 12 of 16 of them are new to Wells Fargo.
 - We further continue to refresh our management ranks more broadly. As of year-end 2022, over 80% of our senior executive leaders—a group of approximately 150 people, most of whom report to Operating Committee members—are new to their roles since 2019, and nearly 60% are new to the company over the same period.
 - Our current Board of Directors represents many fresh perspectives, with six of our 12 current independent directors joining during my tenure. All these new leaders who have joined over the past several years bring important experience that is necessary for our success.
- We have added close to 10,000 people across numerous risk- and control-related groups, in 2022, we spent approximately \$2 billion more than in 2018 in these areas, as of year-end.
- Our Operating Committee reviews risk and regulatory progress and escalations on a weekly basis. We provide detailed reporting to our Board of Directors and appropriate Board committees. These reviews are systematic and detailed, and they are helping us enable the appropriate oversight and involvement to accomplish the work.
- As described above, we have taken numerous steps to simplify our business.
- We have been putting as many legacy issues as we can behind us. Late last year, we entered into a broad agreement with the Consumer Financial Protection Bureau, bringing closure to multiple matters, the majority of which had been outstanding for several years. The required actions related to many matters in the agreement are already substantially complete.

These are examples, not an exhaustive catalogue, of the work we are doing to strengthen our risk and control infrastructure. We take this responsibility incredibly seriously and will continue to devote whatever is needed to achieve full compliance with our regulatory obligations, meet our regulators' and our own high expectations, and strengthen our risk and control frameworks to be and remain appropriate for our company's size and scale now and in the future.

Our Dedication to Our Customers

Each of our businesses is working to transform how we serve Wells Fargo's customers by offering focused, innovative products and solutions.

Since 2019, we have taken numerous steps to reduce and simplify our fees, which, as of year-end 2022, have resulted in the average deposit account paying approximately 25% less in fees per

year. In particular, last year we announced a number of changes designed to help millions of customers avoid overdraft fees and meet short-term cash needs. These include elimination of non-sufficient funds and transfer fees for customers enrolled in overdraft protection; Early Pay Day, making eligible direct deposits available up to two days early; and Extra Day Grace, giving eligible customers an extra business day to make deposits to avoid overdraft fees. And we launched Flex Loan, a new digital-only small-dollar loan that provides eligible customers convenient and affordable access to funds.

These new initiatives are showing great signs of success. For example, more than 5.6 million customers have benefited from Extra Day Grace since its launch, avoiding more than \$875 million in overdraft fees. Similarly, we are seeing growing adoption of Clear Access Banking, our consumer banking account with no overdraft fees. We now have over three million of these accounts.

Homeownership is another area of focus. We are supporting our customers through our mortgage lending and continued investment in providing easier access to homeownership. We launched a special purpose credit program (“SPCP”) in 2022, committing \$150 million to advance racial equity in homeownership, with an additional \$100 million investment toward racial equity efforts announced this year. Through this SPCP, eligible customers can refinance into below-market rate loans with reduced closing costs. In 2023, we also launched a second SPCP, offering down payment grants to help bridge the homeownership gap. This program, called the Homebuyer Access Grant, provides \$10,000 to be applied toward the down payment for eligible homebuyers who currently live, or are purchasing homes in, select areas within certain metropolitan areas. Through the end of October 2023, more than 5,100 customers have taken advantage of these offers, representing \$120 million of the \$150 million commitment made in 2022.

We continue to address issues around rental housing and housing affordability as well. We have provided over \$21 billion in capital for the development and rehabilitation of more than 72,000 quality, affordable rental apartments over the last five years. And we awarded \$15 million to six innovative and scalable solutions to increase housing affordability.

Additional information regarding our housing business, including details on our residential mortgage loan portfolio, can be found in our annual reports.⁵

We are also committed to providing the benefits and protections required by the Servicemembers Civil Relief Act (“SCRA”) and providing other support for current and former servicemembers and their families. We appreciate and applaud the service of America’s military personnel, and we have dedicated teams to assist them with the many benefits and types of support we provide. For example, we offer our servicemembers:

- A 4% interest rate cap on first mortgage consumer real estate loans owned by Wells Fargo that qualify for an interest rate reduction;

⁵ See, e.g., 2022 Annual Report, Wells Fargo (Mar. 3, 2023), <https://www.wellsfargo.com/assets/pdf/about/investor-relations/annual-reports/2022-annual-report.pdf>.

- A 367-day grace period following a servicemember's return from active duty during which the interest rate cap will continue to apply to a servicemember's obligations;
- A 367-day grace period for repossession protections for personal-property-secured loans eligible for SCRA protections;
- Extension of interest rate benefits and foreclosure and repossession protections to obligations of an eligible servicemember's spouse, civil union partner, or registered domestic partner, where recognized by state law;
- Protection from repossession/foreclosure of property securing an obligation (regardless of whether the obligation is eligible for SCRA protections) while the servicemember is deployed internationally in readiness for military action or to a location eligible for Hostile Fire Pay and Imminent Danger Pay;

And we have provided significant support for active, former, or retired servicemembers in other ways. Over the past five years (2018-2022), Wells Fargo and the Wells Fargo Foundation have awarded over \$145 million in grants to nonprofit organizations serving servicemembers or veterans, which support housing, career transition, financial health, and small business. Over the past 10 years, Wells Fargo has donated more than 400 homes worth \$60 million to servicemembers in all 50 states. We have also sponsored the donation of over 95 vehicles, as well as financial mentoring valued at over \$3 million, for nonprofit organizations, veterans, and Gold Star families, who have made the ultimate sacrifice for our country. And we are proud to support Warrior Rising, including by recently collaborating with them on a small business event with women veteran entrepreneurs.

For our approximately 3.3 million small business customers located throughout the country, we offer easy-to-use products, tools, and resources to help simplify their financial lives. These include including checking, savings, credit card, line of credit, merchant services, treasury management, and commercial real estate financing solutions. We also lend to small businesses through the U.S. Small Business Administration's 7(a) and 504 lending programs.

The vast majority of our small business customers have annual sales of less than \$500,000. Nearly 40% are in majority-minority census tracts, and approximately 22% are in LMI census tracts. We provide these small business owners with personalized options by working with them to develop deep, long-term understanding of their businesses. We also support them in other ways; for example, our Open for Business fund is a national small business recovery effort with a focus on racially and ethnically diverse small business owners, who were disproportionately affected by the pandemic. Through this effort, Wells Fargo has donated roughly \$420 million to enable nonprofits to deliver urgent capital and expertise to entrepreneurs, helping thousands of local businesses stay open, maintain jobs, and plan for the future.

Our Investments in Our Employees

Our employees are our greatest asset, and we value their contributions to our company and our customers. I am thankful for their dedication, talent, and all that they do to move our company forward.

In 2022, we raised our minimum hourly pay to \$18-22 depending on role, location, and market condition.⁶ As part of the process, over 40,000 employees received base pay increases, representing an investment of \$180 million beyond the annual merit increases.

We provide eligible regular and part-time U.S. employees (and their eligible dependents, as applicable) with benefits designed to protect their physical and financial health and to help them make the most of their financial future. We also provide U.S. employees with a variety of competitive employer-paid financial protection benefits, including life insurance, critical illness insurance, short-term and long-term disability coverage, and business travel accident insurance. Noted below are a few examples of the key benefits programs we offer to our employees:

- Up to 87% medical insurance subsidy depending on compensation levels. We continue to increase the company subsidy for branch-based employees;
- Up to \$1,000 in contributions annually to assist with out-of-pocket medical costs for employees earning up to \$100,000 and enrolled in a health savings account plan;
- Concierge service and expert opinion services to help employees better navigate the healthcare system;
- Up to \$1,200 annually for wellness activities for employees and covered spouses or domestic partners;
- \$1 billion in annual 401(k) contributions, including an automatic contribution of 1% of pay for those earning less than \$75,000, in addition to a 6% match for all eligible participants;
- Flexible time off work for volunteering in the community, personal matters (e.g., religious, cultural, patriotic, community, or diversity observances), caring for loved ones, bereavement, and military service; and
- Support for family life, including fertility services, surrogacy and adoption, gender-neutral parental leave for birth and adoption of children, maternity access to experts and resources, breast milk shipment for traveling mothers, and backup care for children.

In addition to compensation and benefits, we also provide employees with skill and capability development and career growth opportunities.

- We invest approximately \$200 million annually in employee development, including skill training, regulatory compliance, leadership and manager development, and early talent development programs.
- In 2022, we launched our career development framework, which provides a holistic experience that enables our employees to better manage their careers within our company. We are proud of the many programs that the company offers, for example:

⁶ As reported in Wells Fargo's 2023 proxy statement, for 2022, the ratio of CEO annualized total compensation to median employee estimated annual total compensation was approximately 324 to 1.

- 110 structured new-hire learning programs supporting approximately 28,000 new-to-role employees last year;
- \$11 million in annual tuition reimbursement providing up to \$5,000 annually for employees to pursue higher education;
- Training curriculums, including, but not limited to, critical skill and capability areas such as digital, technology, data, risk management, project management, credit, sales, customer support, etc.;
- A global mentoring program that has enrolled approximately 15,000 employees;
- In 2023, we launched the Manager Essentials program to support managers in their first few years of managing employees. The key focus of this program is to build the foundational skills of our managers; and
- A dedicated manager advisory support function supporting front line leaders and managers.

Veteran inclusion is another strategic imperative at all levels of the company. As of October 2023, 6,839 employees have self-identified as veterans. Wells Fargo has hired more than 9,000 veterans since 2018, hiring 2,200 in 2022 alone. And we hired 787 military spouses in 2022. In May 2022, Wells Fargo announced its Homefront Heroes Hiring Program for military spouses, offering mid- to high-level remote, hybrid, and in-office career opportunities, with a focus on portability for spouses of those actively serving. This new program aims to onboard 500 military spouses through 2027.

As a result of the many investments that have been made over the years, our employees continue to develop their skills and capabilities, and grow their careers at Wells Fargo. In 2022, approximately 32,000 employees moved into new roles, representing 40.2% of our total hiring volume. In addition, over 15,000 employees were promoted due to their strong performance and commitment.

We will continue to make investments in our employees so that Wells Fargo is a preferred career destination.

Our Commitment to Diversity, Equity, and Inclusion (“DE&I”)

As a company, we know that achieving enduring results in DE&I requires a long-term commitment, and we are proud of the work we are doing to increase diverse representation and make our organization more inclusive. We are committed to creating a company that has diverse representation, perspectives, equity, and inclusion across the bank.

As described in our Diversity, Equity, and Inclusion Report,⁷ we have set three strategic priorities to foster diversity, equity, and inclusion within our company and the communities in which we operate:

- **Increasing diverse representation at all levels of the company through an inclusive culture and workplace environment.** As indicated in our second DE&I report, as of December 2022, our overall workforce is 52% female and 48% male, with our U.S. workforce being 55% female and 45% male. In the U.S. 46% of our employees are racially or ethnically diverse. Our Board of Directors is 38% female and 23% racially or ethnically diverse. Our Operating Committee is 25% female and 31% racially or ethnically diverse.

We believe it is important for our employees and leadership to reflect the communities we serve. We developed DE&I goals, which are informed by affirmative action and equal employment opportunity principles, for our Operating Committee members and other leaders to measure our progress in increasing gender, racial, and ethnic representation in our areas of business. Performance against these goals is factored into their performance evaluation and compensation. Additionally, leaders actively engage and champion DE&I through coaching, mentoring, developing people, and embedding DE&I into the business and our work in the community. Our Operating Committee members and/or executive delegates sponsor 18 DE&I Councils and 10 Employee Resource Networks across different business groups and regions. They are accountable for outcomes. This model ensures leader visibility and support for our DE&I efforts.

We are continually working to develop new ways to source and hire talented candidates, including participating in national diversity events. We also host our own annual internal recruiting events and job forums to bring high-potential talent into our pipeline.

In 2022, we recommitted to our diverse candidate slate guidelines with enhancements focusing on simplicity of process and improving the experience of all candidates, internal and external. We've provided updated training for recruiters and managers on the diverse candidate slate guidelines, including how they should be applied throughout the recruiting and hiring process. For most senior posted U.S.-based professional and manager job levels, Wells Fargo expects a 50% diverse candidate slate and at least one diverse interviewer on interview panels in first-round interviews.

Also in 2022, we launched our Career Development Framework which provides a holistic framework for employees to manage their careers, including skills assessment, development action plans, training/skills development, and manager support. Additionally, we are providing manager development that includes resources for managers to support employee career development.

⁷ Diversity, Equity, and Inclusion at Wells Fargo, Wells Fargo (Oct. 2023), <https://www08.wellsfargomedia.com/assets/pdf/about/corporate/diversity-equity-inclusion-report.pdf>.

- **Better serving and growing our diverse customer segments in each of our business groups.** Wells Fargo offers opportunities for customers from underserved communities to build financial health. For example, our Banking Inclusion Initiative, which launched in 2021, is a 10-year commitment to accelerate the access of unbanked communities to affordable mainstream accounts and to provide easier access to low-cost banking. The program focuses on reaching the unbanked, including Black, African American, Hispanic, Latino, American Indian, and Alaska Native individuals and families. Together, these groups make up more than half of the over 5.9 million unbanked households in the U.S.

Similarly, we are committed to making homeownership possible in the diverse communities we serve. Last year, and over the last decade, we were the largest bank mortgage originator of home loans to people of color. Our commitment to increase the homeownership rate for Black/African American and Hispanic/Latino families and close the gap between these groups and white homeowners is long-standing.

In addition, we established Wealth Opportunities Restored Through Homeownership, or WORTH, a \$60 million national effort to address barriers to homeownership for people of color. We also announced an expansion of our Dream.Plan.HomeSM closing cost credit, which provides eligible borrowers with an income at or below 80% of the area median income where the property is located with up to \$5,000 to use toward closing costs. And we partnered with the National Urban League to fund a \$5 million grant to create the Urban Appraiser Initiative, a new program that aims to increase diversity and reduce barriers to entry in the home appraisal industry.

- **Supporting and increasing our spend with diverse suppliers companywide.** We are establishing relationships with diverse suppliers who reflect our employees and the customers and communities we serve. Our supplier diversity strategy expands across regional and national organizations that share our commitment to support programs and services for diverse communities. We have increased our annual spending with diverse suppliers from \$732 million in 2012 to \$1.3 billion in 2022, representing 13% of our total controllable procurement spending.

Additionally, we commissioned a third-party racial equity assessment, which is well underway and includes input from both internal and external stakeholders. The assessment is focused on elements of the company's efforts to serve diverse communities and promote a diverse workforce. This assessment is a critical next step in understanding opportunities to improve as we advance our commitment to racial equity and work to close the wealth gap in the U.S. The assessment is being conducted by a nationally recognized law firm with deep experience leading civil rights and racial equity assessments across various industries. The assessment is nearing completion, and we intend to publish the results of the assessment by the end of the year.

We also recently provided a \$50 million grant to the NAACP in support of its efforts to advance racial equity in America. Wells Fargo's grant will both strengthen the NAACP's local units and support the organization's plans to develop a new national headquarters. The grant will assist NAACP local units and branches across America by increasing essential staff to implement and sustain meaningful programming and will support their work to grow strategic partnerships with key businesses in communities across the country. In addition, at the national level, the grant will

support the NAACP's work on policy solutions used to address the needs of the communities it serves.

Our Support for the Communities We Serve

Wells Fargo is committed to building an inclusive, sustainable future for all through a focus on opening pathways to economic advancement, championing quality, affordable homes, empowering small businesses to thrive, and driving an equity-focused transition to a low-carbon economy. We aspire to have a positive impact on the communities we serve by using our financial and volunteer resources and business expertise in collaboration with community organizations to help solve complex societal problems. We provide grants to nonprofit organizations working to strengthen the resiliency of our communities and our planet with a focus on supporting nonprofits that strategically align with our funding priorities: financial health, housing affordability, small business growth, and sustainability and environmental justice. We prioritize funding to activities and programs that have a broad reach and support the needs of underserved communities and advancing racial equity.

Earlier this year, we announced a strategic partnership with T.D. Jakes Group to drive economic vitality and inclusivity in communities across America. Over the next 10 years, the partnership could result in up to \$1 billion in capital and financing from Wells Fargo, as well as grants from the Wells Fargo Foundation, with the goal of revitalizing neighborhoods, fostering economic opportunity, and creating long-term change in communities most in need.

We also continue to support our Native American communities. In January, we announced a \$20 million commitment to advance economic opportunities in Native American communities working with Native-led organizations. The Invest Native initiative aims to address housing, small business, financial health, and sustainability in Native American communities. Additionally, just last month, we shared that we are working with Allspring Global Investments, a global asset management firm, to launch a Tribal Inclusion share class for the Allspring Government Money Market Fund, which will be offered exclusively to Wells Fargo corporate clients. The Tribal Inclusion share class is the first money market product with a charitable donation feature focused on benefiting tribal communities in the U. S.

In further support of building vibrant, successful communities, we have provided more than \$50 million in grant funding to national nonprofit housing and legal assistance organizations in support of housing counseling, renter stabilization, and eviction avoidance, benefiting nearly 400,000 renters and homeowners through the effort since March 2020.

Additionally, we recognize that small businesses are the backbone of our communities, and we are committed to making meaningful investments to help them succeed. That is why we donated roughly \$420 million through our Open for Business Fund, which has provided more than 200 Community Development Financial Institutions and other nonprofits with resources to help diverse small business owners thrive. Through June 2023, Open for Business Fund grant recipients have helped more than 203,000 small businesses and preserved or created nearly 254,000 jobs. Of these businesses served, 79% were owned by racially or ethnically diverse individuals, 72% of owners identified as being low- to moderate income, and 53% were women-owned.

We also collaborated with Community Reinvestment Fund, USA in 2022 to launch the Small Business Resource Navigator, an online portal helping connect small business owners to potential financing options and technical assistance through CDFIs across the U.S. In 2022, the SBRN introduced nearly 1,200 small business owners, a majority of which self-identified as diverse, to potential credit opportunities and technical assistance services provided by CDFIs.

Our Approach to Risk Management and Environmental Sustainability

Our top priority is to strengthen our company by building an appropriate risk and control infrastructure. Wells Fargo manages a variety of risks that can significantly affect our financial performance and our ability to meet the expectations of our customers, shareholders, regulators, and other stakeholders. Our risk management framework sets forth the company's core principles for managing and governing its risk. It is approved by the Board's Risk Committee and reviewed and updated annually. Senior management sets the tone at the top by supporting a strong culture that guides how employees conduct themselves and make decisions. The Board holds senior management accountable for establishing and maintaining this culture and for effectively managing risk. Oversight of management's approach to climate-related risks and opportunities is part of the Board's role. Our governance structure also allows for robust Board oversight and senior management leadership over environmental sustainability. The Board carries out its sustainability oversight responsibilities directly and through the work of its standing Committees.

A detailed discussion of our approach to managing various types of risk can be found in our annual report.⁸

As a large financial institution serving commercial clients in many sectors, including some that may be associated with elevated environmental and/or social impacts, we recognize the importance of understanding the environmental and social implications of our business decisions. Our Risk Management Framework sets forth Wells Fargo's core principles for managing and governing risk. Our approach recognizes that environmental and social issues have the potential to impact various risk types covered by our Risk Management Framework, including reputation risk, credit risk, and strategic risk.

We expect that climate change will increasingly impact the risk types we manage and are continuing to integrate climate considerations into our risk management framework as our understanding of climate change and risks driven by climate change evolve. We maintain six initiatives designed to identify and incorporate climate-related risks into routine risk management activities: risk identification and assessment, risk appetite and measurement, climate scenario analysis, risk reporting, policies, framework and governance and risk data and technology.

⁸ See 2022 Annual Report, Wells Fargo (Feb. 21, 2023), <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2022-annual-report.pdf>.

More broadly, we understand that climate change is one of the most urgent environmental and social issues of our time, and we recognize the important role that we play in addressing it. We support the goals of the Paris Agreement and a transition to a net-zero carbon economy. By 2050, our goal is to achieve net-zero greenhouse gas emissions, including our financed emissions. To meet our net zero goal, we are taking a comprehensive view of how to address climate change, looking across our business and financial portfolios and reducing the impact of our operations. As we do so, we know we cannot do this alone. The path to net-zero emissions is complex and will require action from governments, businesses, communities, and individuals; it will also require policy measures, technological advancements, and behavioral changes. We also understand that the transition to a low-carbon economy must be balanced with current energy needs, which represents a business opportunity for both clients and the company.

We are helping power the energy needs of today and the transition to the energy sources of tomorrow. As a bank, we are focused on working with clients in a broad range of sectors of the U.S. economy, including the Oil & Gas sector, to provide the financial services needed to support an orderly energy transition.

At the same time, we are a leading capital provider for the clean energy economy, supporting manufacturing and deployment of key technologies like solar and wind power. Our finance and tax equity teams support projects ranging from residential rooftop solar to community projects to large utility-scale developments. In 2022, our Renewable Energy & Environmental Finance team had its largest year ever, investing \$2.7 billion of tax equity in renewable energy and battery storage projects, bringing its total lifetime investment to \$15.9 billion.

Relatedly, our goal to deploy \$500 billion in sustainable finance by 2030 is well underway. In the first two years of tracking, we have originated, committed, advised, or facilitated approximately \$129 billion, funding a growing demand for products and services that are building the low-carbon economy and strengthening community resilience. In 2022, we published our first sustainable finance progress report to track our efforts against our \$500 billion goal, and that report is available on our website.⁹

In August of last year, we issued our second Inclusive Communities and Climate Bond, a \$2 billion bond that will finance projects and programs supporting housing affordability, economic opportunity, renewable energy, and clean transportation.

Additionally, we are working to minimize our own use of energy, water, and other resources, and reduce greenhouse gas emissions across our operations. We have achieved more than a 20% reduction in our own emissions over the last three years, and this year we updated our operational sustainability goals to try to make that a 70% reduction of our Scope 1 and 2 greenhouse gas emission by 2030 compared to a 2019 baseline. We also updated our operational sustainability goals for 2030 for energy, waste, and water reduction and for renewable energy use to meet purchased electricity needs.

⁹ See Wells Fargo's Sustainable Finance Progress: 2021, Wells Fargo (Sept. 2022), <https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/sustainable-finance-progress.pdf>.

Finally, when we announced our net-zero goal in March 2021, we committed to measuring and disclosing financed emissions for select carbon-intensive portfolios and to setting and disclosing interim, emission-based portfolio targets. In May 2022, we published CO2eMission¹⁰, our methodology for aligning our financial portfolios with pathways to net-zero by 2050 and for setting interim emissions-based targets to track that alignment. CO2eMission also included our 2030 portfolio targets for the Oil & Gas and Power sectors. We reported in our July 2023 TCFD report that, from the 2019 baseline year through December 31, 2021, the attributable emissions of our Oil & Gas portfolio decreased by 17%. More information about our targets and our target-setting methodology is available on Wells Fargo's website.¹¹

Our Views on Data Privacy and Emerging Technologies

We prioritize personal data privacy and support transparency in our information collection and use practices. We have safeguards in place to protect the information that customers share with us. We clearly disclose how we use customer information in our U.S. Consumer Privacy Notice,¹² and we offer a Security Center¹³ on our website that allows customers to explore security options, view information on spotting common scams, and report fraud.

We also encourage customers to protect their accounts and information by offering security options like two-factor authentication and biometrics. We provide educational materials that encourage customers to create strong passwords, avoid suspicious links, keep their software updated, limit the personal information they share online, and use a screen lock on mobile devices. Our Wells Fargo online security center provides customers with resources to explore security options, spot scams, report fraud, and more to help keep their accounts and information secure.

With respect to emerging technologies, we believe that, when thoughtfully and responsibly designed and used, tools like artificial intelligence have the potential to offer deep insight into our customers' financial needs and goals, which could help an organization like ours to personalize services to customers and increase digital engagement at scale, ultimately providing more customers with the tools for financial success. We are carefully exploring opportunities in this space. Overall, our initiatives aim to reliably enhance customer experiences, accelerate the efficiency of our operations, make banking more secure, and streamline services, while guarding against biased and discriminatory decisions.

Thank you, and I welcome your questions.

¹⁰ CO2eMission, Wells Fargo (May 2022), https://sites.wf.com/co2emission/CO2eMission_Methodology.pdf.

¹¹ See Advancing Environmental Sustainability, Wells Fargo, <https://www.wellsfargo.com/about/corporate-responsibility/environment/>.

¹² U.S. Consumer Privacy Notice, Wells Fargo (Rev. Oct. 2022), https://www.wellsfargo.com/assets/pdf/personal/privacy-security/us_consumer_privacy_notice_english.pdf.

¹³ See Security Center, Wells Fargo, <https://www.wellsfargo.com/privacy-security/fraud/>.

Appendix A
Wells Fargo Capital & Leverage Ratio, Net Income, Dividend, and Stock Repurchase Data 2022 & Q3 2023

	Q3 2023	2022
Common Equity Tier 1 Capital Ratio	11.0%	10.6%
Tier 1 Capital Ratio	12.6%	12.11%
Total Capital Ratio	15.3%	14.82%
Tier 1 Leverage Ratio	8.3%	8.26%
Supplementary Leverage Ratio ¹⁴	6.9%	6.85%
Common Stock Dividends	\$0.35 / share	\$4.3 b
Common Stock Repurchased	\$1.5 b	\$6.0 b
Net Income	\$5.77 b	\$13.2 b

¹⁴ In April 2014, federal banking regulators finalized a rule that enhances the supplemental leverage ratio requirements for bank holding companies, like Wells Fargo, and their insured depository institutions. Wells Fargo began reporting its SLR calculations in its 2015 annual report.

PREPARED STATEMENT OF BRIAN THOMAS MOYNIHAN
CHAIRMAN AND CEO, BANK OF AMERICA
DECEMBER 6, 2023

WRITTEN STATEMENT
OF
BRIAN MOYNIHAN
CHAIRMAN AND CEO
BANK OF AMERICA

BEFORE
THE
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
UNITED STATES SENATE

DECEMBER 6, 2023

Chairman Brown, Ranking Member Scott, and members of the Committee, I appreciate the opportunity to testify before you today.

At Bank of America, we have a common purpose: to make financial lives better. To best achieve that outcome, in 2014 our company adopted the four tenets of what we call Responsible Growth:

- We must grow and win in the market.
- We must grow with a customer focus.
- We must grow within our risk framework.
- We must grow in a sustainable manner.

This longstanding common focus on driving Responsible Growth has helped us be well-positioned to be a source of strength and stability when our customers, employees, communities, and shareholders need us most.

Over the past decade, we have seen Responsible Growth work in the relative calm of 2015 to 2019, the pandemic tumult of 2020 and 2021, the inflationary period that began in 2022, and the challenging economic and geopolitical environment that continues in 2023.

In each of these periods, our company benefited from the long-term consistency provided by our adherence to Responsible Growth. This has helped make Bank of America one of only four U.S. companies that have earned more than \$15 billion in GAAP after-tax income in each of the past eight years.

Here's a closer look at how Bank of America has delivered strength, stability, and progress by driving Responsible Growth.

Grow and win in the market

Bank of America serves three groups of customers—people, companies of all sizes, and institutional investors—through eight lines of business that work together to drive Responsible Growth:

- Consumer Banking: Retail Banking and Preferred Banking
- Global Wealth & Investment Management: Merrill and The Private Bank
- Global Banking: Business Banking, Global Commercial Banking, and Global Corporate & Investment Banking
- Global Markets

Our client teams deliver the unique capabilities and offerings of each business to each client. We also focus in each market on bringing the entire company to every client. We track how well we deliver these integrated capabilities by the number of client referrals between our lines of business in our local markets. In 2022, we saw more than 7.5 million total referrals among our operating units. In addition, we helped consumer clients open a record one million net new checking accounts.

Small business owners benefited from Bank of America's products, scale, and expertise at our retail financial centers across the U.S.—including Business Advantage specialists in more than 2,600 financial centers, as well as our expansive ATM network and access to local client professionals available to discuss their business priorities. We also are available to serve our Small Business clients digitally with the latest videoconferencing, chat, and phone technology.

Thanks to all of this and more, we continue to maintain our position among the nation's largest small business lenders, ending 2022 with \$36 billion in total outstanding loans under \$1 million and a 5% increase in Small Business checking accounts. And these Small Business clients have entrusted us with managing approximately \$175 billion of deposits to pay their employees and build their businesses.

Preferred Banking provides personalized solutions, valuable rewards, and advice and guidance for clients with more complex banking, borrowing, and investing needs, as well as for entrepreneurs and small businesses with revenues of up to \$5 million.

In our wealth management businesses, Merrill serves high net worth and ultra-high net worth clients. Our personal advisor relationships help to ensure that we're assisting each individual investor to plan for and achieve their unique financial goals. The Private Bank provides comprehensive investment, wealth management, and philanthropic solutions to ultra-high net worth clients with investable assets of more than \$3 million.

For commercial and corporate clients, Business Banking client relationship teams deliver integrated financial advice and solutions—including credit, treasury, trade, foreign exchange, equipment finance, and merchant services—to small and mid-sized U.S. companies with annual revenues of \$5 million to \$50 million. For larger clients, Global Commercial Banking offers treasury, lending, leasing, advisory, and debt and equity underwriting services to middle market companies with revenues of \$50 million to \$2 billion across all major industries. It brings clients

the full capabilities of the company paired with local service. Our largest corporate clients are served by Global Corporate & Investment Banking, which provides clients around the world and across all major industries with solutions for treasury services, lending, leasing, advisory, and debt and equity underwriting. This business serves corporate clients with more than \$2 billion in revenues, financial institutions, and government agencies.

And finally, our Global Markets business provides services across the world's debt, equity, commodity, and foreign exchange markets. This includes liquidity, hedging strategies, industry-leading insights, analytics, and competitive pricing to clients consisting of hedge funds, asset managers, pensions, and other financial institutions.

Grow with a customer focus

Responsible Growth means growing with a focus on our customers and clients—and that means that our products and services must evolve in line with our clients' unique financial needs.

Consumer customers across all of the communities we serve continue to tell us they value our digital capabilities, as we added three million active digital banking users in 2022, improving upon a record performance in 2021. Our wealth clients also expect digital innovation, and we are providing it. In 2022, Merrill clients were 82% digitally active while our Private Bank clients were 86% digitally active—new highs for both.

Erica[®], our artificial intelligence (AI)-based virtual financial assistant, also continues to attract increased client engagement as it has proven to be a critical channel to help us deliver important information to clients and address their questions and concerns in real-time. Erica handled roughly 145 million interactions in the fourth quarter and recently passed a billion interactions since its introduction.

Among the most significant digital-driven changes in banking is how our clients want to send and receive money. In the fourth quarter, the number of consumer clients who are active Zelle[®] users increased 15% to 18.2 million. These active users sent and received 273 million transfers worth \$81 billion, up 25% and 24% year-over-year, respectively. Zelle-sent transactions exceed checks written by our consumers. This shows our customers' preference for digital convenience.

Our clients also continue to adopt our easy-to-use CashPro App, and, along with that use, we're seeing an increasing percentage of credit documents uploaded digitally, saving clients time. As of late 2022, 75% of clients were digitally active on our platforms across commercial, corporate, and business and small banking, CashPro and our Small Business Online Banking platform, Business Advantage 360.

The fourth quarter of 2022 saw record quarterly CashPro App engagement, with active users increasing 25% and sign-ins increasing 50%, in turn driving a record 40% increase in quarterly

CashPro App payment approvals with a value of \$186 billion. We know we can increase these award-winning capabilities even more, driven by client demand.

The case for continued development of our digital platforms is simple: clients tell us they clearly appreciate the value and convenience they provide—so we will continue to provide and expand them.

We continue to take the steps necessary to fully digitally enable all products to drive growth and maximize the client experience. That's why we invested \$3.6 billion in 2022 for new technology initiatives, to build a powerful, more secure, and scalable technology platform with market-leading capabilities. That sum is up several hundred million dollars from 2021, and we plan to increase it by 10% in 2023. And through continuous investment we have spent more than \$30 billion over the past decade on new technology initiatives. *Page 9 in the Appendix provides additional detail regarding our consumer data privacy practices.*

At the same time, we also continued to focus on delivering expert support and guidance across our high-touch physical network, opening 58 new financial centers and renovating 784 more in 2022. We ended the year with 3,900 financial centers and 15,500 ATMs. This network also includes our phone, offices, and chat capabilities. We are pleased by the results in our new markets, where in just a few years we are growing from no financial centers to become top 10 or above in deposit market share in nearly all markets.

Over the next four years, we'll also expand into Omaha, Louisville, Boise, Birmingham, Madison, New Orleans, Milwaukee, Dayton, and Huntsville. By expanding our capabilities in these markets, we are able to better serve our clients and help drive local community growth and development.

Together, our combined high-tech and high-touch approach to serving clients has led to record-high levels of customer satisfaction for Bank of America in 2022 and, in turn, contributed to our growth.

Another recent example of our customer focus is the continued evolution of our overdraft services and solutions—work that had been underway for more than a dozen years to reduce clients' reliance on overdrafts and provide alternatives to help clients manage their deposit accounts and avoid fees. To strengthen sound financial habits, in 2022 we eliminated non-sufficient funds (NSF) fees, reduced overdraft fees from \$35 to \$10, and eliminated the transfer fee associated with our overdraft protection service, Balance Connect™. Collectively these efforts have resulted in a decrease of more than 90% in overdraft fees since 2009. *Page 9 in the Appendix provides additional detail regarding how Bank of America NSF fees and overdrafts data compares to the top 15 banks.*

In addition, with SafeBalance there are no overdraft fees, and the monthly maintenance fee is waived for eligible students under the age of 25 as well as for clients enrolled in our Preferred Rewards program with qualifying balances.

By eliminating these fees, we are able to increase satisfaction and deepen relationships to create a more stable source of revenues, while reducing our costs.

We also deployed our strength to low- to moderate-income (LMI) customers. For example, we extended approximately \$9 billion in LMI loans to small businesses in 2022. In addition, Bank of America Community Development Banking provides financing for affordable housing and economic development across the U.S. In 2022, we provided nearly \$8 billion in debt and equity financing, creating more than 10,000 units of affordable housing.

We've also committed \$15 billion to our affordable homeownership program to help 60,000 individuals and families purchase a home. Since our Community Homeownership Commitment® launched in 2019, we have helped more than 39,000 individuals and families with more than \$10 billion in affordable lending purchase a home and provided nearly \$383 million in down payment and closing cost grants. *Page 11 in the Appendix provides additional detail regarding our consumer mortgage products.*

Over the last few years, we have also invested in 23 minority depository institutions (MDIs). We also have helped seed more than 130 private equity funds run by women and diverse private equity entrepreneurs. These funds have funded more than 1,000 operating companies owned by like cohorts. We also recognize the value to our business—and to society—of supply chain diversity. In 2022, approximately \$2 billion of our nearly \$19 billion in annual spend was with diverse suppliers. *Page 12 in the Appendix provides additional detail regarding our investment in MDIs and CDFIs.*

Much of this work benefitted from the important insights and guidance from our National Community Advisory Council (NCAC), a group of external advisors, analysts, and consumer advocates that we established 17 years ago. The NCAC provides important external perspective to help us understand, design, and deliver products to help meet the needs of our communities—particularly those in the low- to moderate-income sphere.

Grow within our risk framework

The third tenet of Responsible Growth is to grow within our well-managed risk framework—a framework that allowed us to be a source of strength to clients during the pandemic and that has continued to allow us to grow during the current volatile market environment.

Recognizing and managing risk is integral to how we drive Responsible Growth every day. That applies to the 8,000-plus teammates in our Risk, Compliance, and Audit functions, as well as all of my teammates worldwide. It is core to who we are.

We continue to promote a culture of risk management at every level of the company and mitigate operational risk through our focus on operational excellence. *Page 12 in the Appendix*

provides additional detail regarding our compliance with all applicable laws, including fair lending and other anti-discrimination laws, and current public enforcement actions.

Our discipline around risk has us well-prepared for a severe economic stress scenario, as illustrated by Bank of America having the lowest stressed credit loss rates among peers on 11 out of the past 12 Federal Reserve Board stress tests. At the end of 2022, credit quality continued to be better than 2019, which was the last year before the pandemic and represented a very strong year for credit at banks.

In addition to being effective, our risk management is also agile. When regulatory capital ratio requirements for banks changed in 2022, we moved quickly so that we had a buffer for those requirements. Importantly, we did that as we continued to support clients, return capital to shareholders, and strengthen our strong balance sheet.

Overall, our balance sheet continues to be supported by high levels of capital and liquidity, enabling us to continue to grow our business with customers, while meeting additional regulatory requirements and repurchasing shares. *Page 13 in the Appendix provides additional detail regarding 2022 year-end and 2023 third-quarter capital and leverage ratios, profits, and annual dollar value of dividends, stock buybacks, and other capital distributions.*

Grow in a sustainable manner

Responsible Growth requires us to grow in a sustainable manner. This has three components.

Driving Operational Excellence (OpEx)

OpEx is how we create the means to reduce costs by striving to eliminate inefficiencies in our processes across our platform and reinvest savings into the things that are important to us: our team; our capabilities; our client experience; our communities; and our shareholders.

By pursuing OpEx, we drive continuous improvement, reduce risk, and identify faster, simpler, and more efficient ways of working and serving our clients.

Making our company a Great Place to Work

Central to driving Responsible Growth is being a Great Place to Work for our more than 210,000 teammates. We continue this long-standing commitment, including by delivering a range of some of the best benefits in corporate America, supporting the development of our employees, and maintaining a workplace where every individual can thrive.

Highlights include:

- This year we increased our U.S. minimum hourly wage to \$23 in our next step toward a \$25 minimum hourly wage by 2025. This means that any employee who works full-time

makes at least ~\$48,000 per year and receives some of the most comprehensive benefits available.

- In addition to normal merit increases, in 2022 we increased annual salaries for all U.S. employees who received annual total compensation below \$100,000 and had been employed with the company since 2021 or earlier. The percentage increase for eligible employees ranged from 3% to 7%, based on years of service.
- We also launched a new sabbatical program for employees celebrating milestones of 15 years or more beginning in 2023 and doubled the number of confidential, face-to-face counseling sessions available through our Employee Assistance Program.
- We increased our childcare benefit, which provides eligible employees making less than \$100,000 per year a reimbursement of up to \$275 a month per child for the cost of childcare.
- In 2022, we also continued to have no, or below our cost, increases in health benefits for most of our teammates to help them care for their families.

We continue to recruit, develop, and retain a diverse and inclusive workplace. We know that when our workforce reflects the communities we serve, we can better serve our clients while also creating an environment where people want to perform their best.

Our diversity and inclusion (D&I) policies drive transparency, accountability, and continued progress while encouraging all teammates to bring their full and authentic selves to work each day. Third parties validate our equal-pay-for-equal-work efforts, and we continue to survey our teammates annually on how we are doing in the D&I space. As in recent years, the 2022 employee survey D&I index scores remained high.

You can learn more about how we are making Bank of America a Great Place to Work in the Human Capital Management Update provided in our 2022 Annual Report. This includes our latest measures in how we are improving diversity of our leadership, management, and global workforce.

Sharing our success

At Bank of America, sharing our success includes giving and volunteering, as well as helping to address issues affecting clients and communities. When our communities fare well, we fare well, and our brand reflects it.

In 2022, we made nearly \$360 million in philanthropic investments to strengthen our communities. Our teammates also donated their money and time to share success. Charitable giving by our teammates in 2022, combined with matching gifts from Bank of America, totaled

more than \$65 million. Our teammates also reported nearly two million volunteer hours for the year. I am proud to share this proof of their commitment to our communities with you.

We also create opportunity in our communities through employment. We are in our second commitment to hire 10,000 teammates from low- and moderate-income communities, having completed the first commitment in only three years, two years earlier than the five years pledged. Similarly, to recognize our service men and women, we hired over 15,000 veterans in the eight years leading up to 2022. We work with other companies to expand the principles of skills-based hiring to large companies. This gives an employee a great start with great benefits. *Page 14 in the Appendix provides additional detail regarding our compliance with the Servicemembers Civil Relief Act.*

Bank of America continues to help drive sustainability through our work with clients to help them transition to a secure, low-carbon economy. We are committed to helping facilitate that energy transition, with clean energy that is affordable, sustainable, and secure.

Helping our clients make the transition they seek is great business *and* great for society. That's why in 2020 we set a goal to mobilize and deploy \$1.5 trillion by 2030 to advance the sustainable development goals to which 193 countries agreed in 2015, with \$1 trillion of that focused on helping our clients transition to a low-carbon future. In 2021 and 2022, we mobilized and deployed a cumulative total of \$410 billion in sustainable finance, with more than \$235 billion focused on helping drive affordable clean energy. At the same time, we are helping catalyze efforts globally by playing a lead role in multiple global organizations to give private companies from all sectors the opportunity to exchange ideas and consider transactions and investments that can help accelerate the transition.

A successful company must be able to operate in any environment, for the betterment of clients, teammates, communities, and shareholders. And I am proud to say Bank of America has done that.

Our continued focus on Responsible Growth has allowed us to serve as a source of strength and stability, despite the volatility and uncertainty in the economy.

APPENDIX

Consumer data privacy practices

We use information security and cybersecurity technology and tools in combination with comprehensive training and education programs to ensure consumer personal information is secure, accurate, and available to customers when needed. Our U.S. Consumer Privacy Notice explains how we collect, use, and share customer information, and available options to limit such sharing. Under the Gramm-Leach-Bliley Act and other federal regulations, we can share customer information with third parties when required.

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 we have collected in the normal course of business. If any of our vendors receive personally identifiable customer data in performing a function for us, we require that the vendor meet our privacy and data protection standards and that the data be protected by our strict information security controls. No further use of that data can be made without Bank of America's express approval.

Bank of America non-sufficient fund / overdraft (NSFOD) fee data

Bank of America has consistently had a lower mix of NSFOD fees as a percentage of total Consumer service charges.

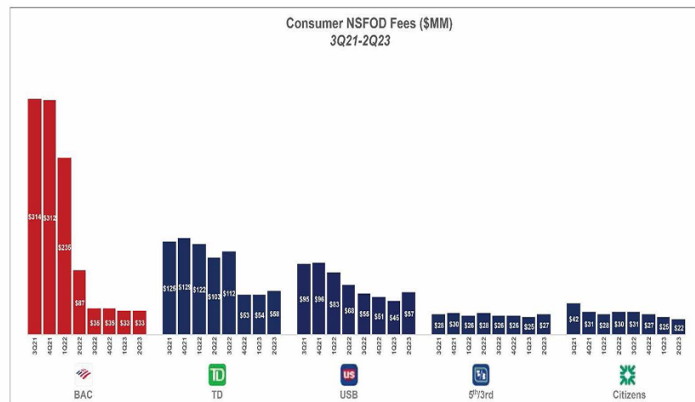
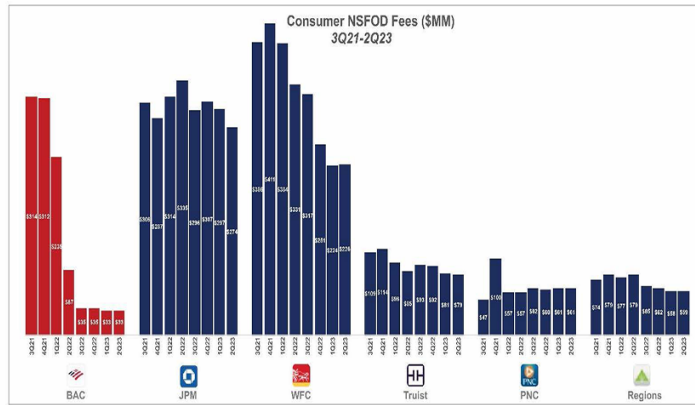
Below are the NSFOD fee volumes for the top 15 banks.

Bank Name ^a	2023		1Q23		2Q23		3Q23		2022		1Q22		FY21		FY20		FY19	
	Fees	%	Fees	%	Fees	%	Fees	%	Fees	%	Fees	%	Fees	%	Fees	%	Fees	%
J.P. Morgan	274,000	50%	297,000	52%	307,000	52%	296,000	51%	335,000	56%	314,000	55%	1,211,000	56%	1,463,000	63%	2,061,000	69%
Wells	226,000	52%	224,000	51%	251,000	53%	317,000	58%	331,000	62%	384,000	62%	1,424,000	67%	2,283,000	64%	3,696,000	66%
Truist Bank	79,000	61%	81,000	62%	83,000	68%	93,000	66%	85,000	63%	96,000	70%	415,000	71%	422,000	74%	322,000	72%
PNC Bank	61,118	49%	61,161	49%	59,918	49%	62,220	52%	57,489	49%	56,838	48%	268,820	58%	272,633	64%	411,891	70%
Regions Bank	59,000	69%	58,000	69%	62,000	70%	65,000	71%	79,000	75%	77,000	72%	300,000	70%	306,000	76%	373,000	78%
TD Bank	57,982	40%	53,941	39%	53,186	38%	111,504	56%	102,875	55%	121,579	61%	476,559	62%	418,966	61%	565,237	65%
USF	57,188	55%	45,816	50%	50,711	53%	54,935	51%	67,972	56%	82,346	61%	338,366	60%	339,961	65%	476,426	69%
Bank of America	33,000	9%	33,000	9%	35,000	9%	35,000	9%	87,000	21%	235,000	41%	1,135,000	46%	1,113,000	46%	1,563,000	52%
Woodforest	30,757	65%	29,666	64%	31,322	65%	32,370	65%	37,510	67%	34,794	66%	144,572	65%	142,362	67%	155,399	68%
Fifth Third Bank	27,000	68%	25,000	69%	25,884	69%	25,519	68%	28,477	71%	25,725	69%	107,473	68%	98,000	65%	126,612	66%
Huntington	22,356	57%	18,865	54%	21,604	57%	24,465	58%	38,700	71%	30,564	67%	114,031	71%	97,643	74%	145,182	76%
Citizens Bank	21,571	52%	24,676	57%	27,193	57%	31,073	59%	30,124	59%	28,092	60%	145,106	66%	150,416	68%	214,337	71%
KeyBank	18,503	60%	14,933	58%	15,649	59%	34,361	74%	37,274	76%	34,797	76%	116,323	72%	101,695	70%	148,600	77%
USA	1,000	100%	1,000	100%	1,000	100%	1,000	100%	1,000	100%	1,000	100%	1,000	100%	1,000	100%	1,000	100%
Citi Bank	-	0%	1,000	3%	-	0%	1,000	3%	25,000	42%	29,000	43%	101,000	42%	92,000	38%	154,130	39%
^a Order based on 2023 NSFOD Fees																		
Bank of America	33,000	9%	33,000	9%	35,000	9%	35,000	9%	87,000	21%	235,000	41%	1,135,000	46%	1,113,000	46%	1,563,000	52%

Source: Federal Financial Institutions Examination Council (FFIEC) Call Reports.

Consumer overdraft transformation

Bank of America overdraft (OD) program and policy changes have led to a 2Q23 NSFOD fee decrease of 90%. Over the past four quarters, our OD fees were \$90 million - \$1 billion lower than large peer banks.



Source: Federal Financial Institutions Examination Council (FFIEC) Call Reports.

Even with a significantly larger deposit client base, our overdraft transformation has led to lower consumer OD fee levels than most Regionals.

Consumer mortgage products

Bank of America provides consumer mortgages through our Retail Banking channel. As of October 2023, we serviced approximately 1.7 million first mortgage and HELOC accounts, representing \$300 billion in outstanding balances.

We offer five mortgage categories:

1. Conforming, which includes our proprietary affordable product line
2. Non-conforming
3. Government loans
4. Neighborhood Assistance Corporation of America (NACA)
5. Home equity lines of credit

We offer several mortgage product offerings to assist low-income and historically marginalized consumers to overcome barriers and achieve homeownership. We developed affordable products and programs that provide down payment and closing cost assistance to expand access to homeownership. We also accept alternative credit documentations, such as evidence of on-time rent and utilities payments, to help people achieve homeownership. We have developed many programs over the years to ensure underserved communities have financial education, credit counseling, and a path to homeownership.

We also established a \$5 billion Community Homeownership Commitment (CHC) in 2019, and we tripled our CHC commitment to \$15 billion in 2021. Key features include up to \$10,000 in down payment grants and up to \$7,500 in closing costs credits. Through October 2023, we have achieved 77% toward our commitment, which we are on track to fulfill on schedule at the end of 2025. The program has resulted in \$444 million in down payments and grants, with 86% going to first-time homebuyers. The average grant amount is nearly \$14,700 for those accessing both grants. The CHC has resulted in \$11.5 billion in loans to 44,000 homebuyers.

We have created other valuable resources to assist future homebuyers, including Down Payment Center, Real Estate Center, First-Time Homebuyer Online Edu-Series, Connect to Own counseling, Better Money Habits, and Home Resource Center.

Investment in minority depository institutions (MDIs) and community development financial institutions (CDFIs)

Bank of America continues to be the largest private sector investor in CDFIs, which 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 we might otherwise not reach through direct lending.

Our portfolio exceeds \$2 billion in loans, deposits, capital grants, and equity investments in more than 250 CDFI partners in the U.S. Of our CDFI financing, 40% is for affordable housing activities, 30% funds community facilities (e.g., health clinics, charter schools, child-care facilities), 25% funds small business loans, and 5% is for other miscellaneous uses.

We often partner with peer banks, and 90% of our portfolio is loans to CDFIs that are nonprofit loan funds; 10% of our portfolio is deposits in CDFI-certified banks, including MDIs.

In 2022, we doubled our low-cost deposit program in MDIs to \$203 million to expand their capacity and facilitate lending, housing, neighborhood revitalization, and other banking services in minority and low- to moderate-income communities. We also have completed \$44 million in equity investments to 24 MDIs and CDFIs.

We invest equity in minority- and women-led funds that, in turn, invest in diverse entrepreneurs to grow their businesses and drive economic opportunity in their communities. As of June 2023, we committed more than \$500 million in equity investments to more than 150 minority- and women-led funds, more than doubling our initial \$200 million commitment.

Compliance with fair lending and other anti-discrimination laws

Bank of America is committed to fairly and responsibly meeting the credit needs of our customers and to complying fully with the letter and spirit of fair lending laws, regulations, and principles. We have many policies, procedures, controls, and feedback channels to prevent discrimination in the provision of its products, services, and employment.

Bank of America serves more than 11 million small business owners, of which more than 40% are women-owned. We are the market share leader for both Hispanic and African American small business owners, ranking No. 1 in small business lending with aggregate ending balances of \$24.4 billion (excluding PPP) as of second-quarter 2023, up 14% from 2022.

We support underserved small business owners, including low- to moderate-income and racial and ethnic minorities by offering financial education, access to capital via community engagement events, networking, and conferences, including through strategic partnerships with third-party organizations.

Our Small Business Community Officers are specialized to support business in underserved communities with access to capital, education, and resources. Our Supplier Diversity program, which celebrated its 30-year anniversary in 2020, supports growth of minority, women, veteran, disabled, LGBTQ+, and other diverse-owned suppliers.

As referenced in our 2022 Annual Report, since June 2020 we have committed \$760 million against our incremental \$1.25 billion commitment to advance racial equality and economic opportunity in the focus areas of jobs, affordable housing, small business success, and health. Additionally, we have issued three \$2 billion Equality Progress Sustainability Bonds, the proceeds of which are designed to advance racial and gender equality, and economic opportunity along with environmental sustainability.

Public enforcement actions

Since the hearing in September 2022, Bank of America entities entered into nine settlements with federal government regulators involving penalties greater than \$1 million. In some cases, the same fact allegations were resolved with two regulators. In September 2022, Bank of America entered into settlements with the US Securities and Exchange Commission (SEC) and the Commodities Futures Trading Commission (CFTC) to resolve allegations related to recordkeeping and related supervision obligations for ensuring completeness of books and records. In April 2023, MLPFS agreed to pay the SEC a \$4.8 million penalty to resolve allegations related to disclosures to clients regarding foreign exchange conversion and wire fees. In July 2023, Bank of America entered into consent orders with the Consumer Financial Protection Bureau (CFPB) and Office of the Controller of the Currency (OCC) to resolve allegations related to nonsufficient funds (NSF) fees, a consent order with the CFPB to resolve allegations concerning credit card practices, and a settlement with the SEC to resolve allegations that the Bank applied an incorrect monetary threshold to determine whether to file certain Suspicious Activity Reports with the Financial Crimes Enforcement Network. In September 2023, the Bank settled with the CFTC concerning its requirements regarding swap reporting and supervision. In November 2023, Bank of America entered into a settlement with the CFPB to resolve allegations that it had inaccurately reported data required by the federal Home Mortgage Disclosure Act.

2022 year-end and 2023 third-quarter capital and leverage ratios, profits, and annual dollar value of dividends, stock buybacks, and other capital distributions

Capital and Leverage Ratios

End-of-Year (2022)	Third Quarter (09/30/23)
Common equity tier 1 capital: 11.2%	Common equity tier 1 capital: 11.9%
Tier 1 capital: 13.0%	Tier 1 capital: 13.6%
Total capital: 14.9%	Total capital: 15.4%

Tier 1 leverage: 7.0%	Tier 1 leverage: 7.3%
Supplementary leverage ratio: 5.9%	Supplementary leverage ratio: 6.2%
Tangible equity: 6.8%	Tangible equity: 7.0%
Tangible common equity: 5.9%	Tangible common equity: 6.1%

Profits

Full-year 2022 net income	\$27.5B
YTD net income as of 9/30/23	\$23.4B

Amount of Share Buybacks and Common Dividend Payments

Q3 (09/30/23)	Dividends: \$5.5B	Repurchases: \$3.8B	Gross Capital Returns: \$9.3B
2022	Dividends: \$7.0B	Repurchases: \$5.0B	Gross Capital Returns: \$12.0B

Compliance with the Servicemembers Civil Relief Act (SCRA)

While less than 1% of our entire portfolio qualifies for benefits under the Servicemembers Civil Relief Act (SCRA), we consider it an important segment that we are proud to service, consisting of roughly 100,000 relationships each year (2023 YTD: 97,799; 2022: 103,535; 2021: 123,496). We also go beyond SCRA to support our employees, clients, and communities affiliated with the military in a variety of ways.

In 2012, we created our Military Affairs Team to coordinate efforts across the enterprise—including hiring; offering financial products, philanthropic, and public policy involvement; and helping veterans reintegrate into the civilian workforce. Since 2014, we have hired over 17,000 servicemembers.

Our Military Support & Assistance Group (MSAG) employee network provides development opportunities for military employees through networking, mentoring, and volunteering. It has more than 19,000 members across 44 chapters. Our Military Talent Acquisition Team partners with strategic organizations and conferences to identify and recruit veterans.

We provide all military employees with paid time-off for military reserve or National Guard annual training and continued coverage of their health and insurance benefits. Our Job Transition Assistance Program helps military spouses access a personalized program should they need help connecting in a new state or city. Our Life Event Services (LES) supports employees facing deployment or a permanent Change of Station move and helps employees connect to community resources, confidential counseling, childcare, and other programs. Since 2012, we have donated more than 2,600 residential properties to military and veteran support organizations.

We support veteran-owned businesses through our CDFIs, and we have donated a total of \$10.7 million through our military philanthropic giving, including \$3.26 million in 2023.

In November, we announced that we will double our two-year Veteran Loan Fund (VLF) commitment with an additional \$10 million toward our \$25 million goal for funding the VLF, a CDFI collaborative to support our nation's veterans by narrowing the financial and training gap underserved veterans face when building small businesses.

PREPARED STATEMENT OF JAMIE DIMON
CHAIRMAN AND CEO, JPMORGAN CHASE & CO.
DECEMBER 6, 2023

Senate Committee on Banking, Housing, and Urban Affairs

Written Statement of Jamie Dimon
Chairman and Chief Executive Officer
JPMorgan Chase & Co.

December 6, 2023

Chairman Brown, Ranking Member Scott and members of the Committee, I appreciate the opportunity to talk about JPMorgan Chase and the role of America's largest banks as guardians of the financial system, and indispensable to American competitiveness.

The United States has the best financial system in the world, encompassing retail banks, investment banks, asset managers, investors, hedge funds, pension plans and non-bank financial service providers. Consumers and small businesses are served by a uniquely American tapestry of thousands of banks and credit unions of all sizes covering all corners of our country. It is protected and enhanced by the rule of law (including banking regulations), transparency regarding governance and accounting, and complete and free access to global investors.

We must also acknowledge that in our American financial system – and the world's markets – there are some things that **can only be done by large, complex banks** – things that are **essential to a thriving U.S. economy and American competitiveness**. Large banks on this panel serve America's interests overseas and serve America's multinational corporations around the world. Large banks meet the funding needs of other financial institutions such as mortgage finance companies, insurance companies and community banks. Large banks provide critical financing to every sector of the U.S. economy, fueling job creation and new business development. Large American banks support the deepest and most liquid capital markets in the world. We underwrite initial public offerings, corporate bonds and municipal bonds, which provide federal, state and local governments financing for roads and bridges, schools, libraries and other public works projects.

In good times, large banks help America save, invest and grow. America's large banks underwrite stocks and bonds to create investments for retirees and other savers, and raise money for companies, institutions and governments. We collectively make up a liquid, transparent marketplace where these stocks and bonds trade easily and efficiently. JPMorgan Chase has extended \$1.7 trillion in credit to consumers and corporations in 2023, moves over \$10 trillion in 120 currencies across 160 countries daily and safeguards more than \$29 trillion in assets.

In troubled times, large banks support orderly capital markets to protect Americans. As demonstrated recently during the spring 2023 regional bank turmoil – and previously during COVID – large banks stepped in to provide market liquidity and support trading, which protected consumers, retirement savers and employers. During COVID, we also saw America's large banks provide significant support throughout the COVID pandemic, extending tens of billions of dollars of credit and capital to struggling large and small businesses, local governments, universities and hospitals – at a time when they needed it the most. Banks waived hundreds of millions in fees and postponed debt repayments for consumers struggling to make ends meet.

THE WORK WE DO MATTERS AND HAS IMPACT

JPMorgan Chase helps people and institutions finance and achieve their aspirations, lifting up individuals, homeowners, small businesses, larger corporations, schools, hospitals, cities and countries in all regions of the world. We are the bank to corporations large and small, institutions and governments. We serve the global needs of multinational American companies, overseas and at home. We help unlock opportunities, uplift dreams, and help people and organizations around the world build for the future.

To give you a sense of JPMorgan Chase's relevance in the global markets and the role we play throughout the economy, here are a few stats:

- We've extended credit and raised more than **\$1.7 trillion for corporations, governments and consumers** this year, including **\$27 billion of credit to American small businesses** and **\$700 billion for U.S. companies** through the capital markets.
- We've provided **\$4 billion to hospitals and the healthcare sector**; **\$3 billion to schools and educational institutions**; and **\$17 billion** for state and local governments.
- For much of our history, we've also been known as the Bank to banks. This year alone, we've helped **raise \$140 billion for financial institutions**. That support complements the extraordinary support you saw from us when we stepped in this past spring and took multiple steps to support the banking system.
- We will handle **over 42 billion client orders** in 2023 and help investors buy and sell more than **\$11 trillion** in over **12,000 stocks**.
- We move **approximately \$10 trillion dollars** in 120 currencies, across 160 countries each day for American businesses and global companies.
- As one of the world's largest custodian banks, we **safekeep more than \$29 trillion in client assets** for asset managers, pension funds and insurance companies, much of which goes to personal investments and retirement accounts.
- In the United States, we **serve over 81 million U.S. consumers and 6.3 million small businesses**. Our **more than 4,800 branches in 48 states and Washington, DC**, cover about 60% of the U.S. population (within a 10-minute drive).

WE MUST STRIVE TO MAINTAIN THE BEST FINANCIAL SYSTEM IN THE WORLD

Sound regulations are critical to maintaining a healthy and strong financial system that can help our economy grow, help businesses of all sizes grow and create jobs, and help Americans achieve their dreams. Our regulators have an immense responsibility to develop these regulations with care, precision and thoughtful analytic rigor, with a focus on stated objections – what do we need the regulation to achieve; what negative consequences should we try to avoid; and how will this regulation work with existing and other proposed rules.

I am concerned with a number of proposed rules issued over the last year that appear to be lacking the sort of thoughtful economic analysis required for success. Here are a few of the most prominent examples that I believe could cause serious harm to the American economy – including historically-underserved communities – if they are not rethought.

The proposed Basel III Endgame Rule will harm everyday Americans.

Strong and resilient banks that can support the American economy through prosperous and challenging times are key to American growth and competitiveness, and the importance of sound bank regulation cannot be overstated. Since the 2008 Financial Crisis, the largest banks (GSIBs) have dramatically increased both the quality and quantity of capital – nearly tripling Common Equity Tier 1 capital to an astounding \$900 billion (which is about 7x the average combined projected losses of GSIBs through government stress tests). There have also been substantial improvements in resiliency through improved liquidity – from roughly \$500 billion to nearly \$3 trillion¹.

We all can inherently appreciate the importance of ensuring systemically important banks have enough capital and liquidity on hand to ensure resiliency through a crisis. In fact, several leaders from the Federal Reserve and other policymakers in Washington over the last few years have declared – following both government-run stress tests and “real-life” stress events – that our nation’s largest banks are strong and resilient. But more is not “more” in this case. Ironically, a proposal to mitigate risk will create even more risk in the financial system.

Despite zero evidence that large U.S. banks are undercapitalized today, the proposed Basel III Endgame rule, if enacted, would unjustifiably and unnecessarily increase capital requirements by 20-25% for the largest banks. Banks would be limited in their ability to deploy capital in the times we’re most needed, and the rule will have a harmful ripple effect on the economy, markets, businesses of all sizes and American households.

This rule will make services so uneconomical, you will likely see two outcomes: many banks will simply stop offering certain products and services, and those that do will have to charge more for them just to make it worth the service.

Policymakers should be concerned with a resulting *shift away from regulated entities* to less-regulated and less-transparent markets and institutions. The *activity will be out of sight of regulators*, unable to see the next brewing crisis. And unlike large banks who value broader, holistic client relationships – willing to work through distressed situations – private market players are more likely to act transactionally as counterparties, not partners, during those events.

When new restrictions on leveraged lending were placed on large banks following the financial crisis, large banks pulled back from extending credit in this space, and non-banks stepped in. Since 2012, the private credit market has tripled to become a roughly \$1.5 trillion market, and nearly all of the largest providers in this space are not banks. And it is not just the amount of lending being done by private market participants, but the size as well – in just the last few years, we have seen at least 50 loans of \$1 billion or more go to the private markets, versus what would have historically been done by large banks. As this lending activity moves away from regulated markets, the likelihood increases that risks go unseen.

These are not threats. These are economic facts.

If enacted as drafted, this proposal will fundamentally alter the U.S. economy in ways that **the Federal Reserve has not studied or contemplated:**

- **Mortgages and small business loans will be more expensive.** Mortgages for consumers – including first-time homebuyers and historically-underserved, low- to moderate-income borrowers with smaller downpayments – will face higher interest rates, or will have a tougher time accessing a mortgage. This will occur because the cost

¹ [Financial Services Forum, September 14, 2023](#)

of originating and holding these loans is higher, but also because the cost of securitizing them will rise for banks, non-banks and government agencies. This activity has already largely shifted to non-banks, out of sight from the regulators. This rule would further push these remaining bank borrowers into less-regulated non-banks. The same can be said for small business loans, which will become more expensive and less accessible.

- **Saving for retirement or college will be harder.** Asset managers, money market funds and pension funds all buy, sell and safekeep securities and other financial instruments for American investors. Under the proposed rules, the costs of banking products they use on behalf of their clients each day – including brokerage, advisory, clearing and custody services – will go up and feed through to customers. That will lead to lower returns on retirement accounts, college funds and other long-term savings.
- **Consumer prices will rise.** When a beverage company needs to hedge their currency or aluminum costs, and those costs are higher, consumers will likely pay more for their can of soda, as all costs pass through to the price of goods. Similarly, the tools companies use to manage risk and keep prices low and stable for consumers will become more expensive. That translates to higher prices when Americans go to the grocery store, fly to visit family and friends, or purchase any manufactured or retail good.
- **Government infrastructure projects and corporate development will become more expensive.** Federal, state and local governments, as well as corporations and other institutions, rely on large banks for access to U.S. capital markets to fund development. By the Agencies' own estimates, the proposal would more than double capital requirements for capital markets activities, which will translate into higher costs for companies and governments who use their access to the capital markets to hire Americans workers, invest in research and development and help build hospitals, roads and bridges, including the planned infrastructure projects from the Inflation Reduction Act.

The lack of economic analysis for consumer regulations is alarming.

We also have seen a number of proposals in the retail space that appear to lack the rigorous economic analysis required to understand the impact of these rules on the real economy. In fact, I am concerned with the collective impact of all of these regulatory and legislative proposals that will touch the consumer – such as caps on late fees, cuts to debit interchange fees, mandated routing of credit transactions on cheaper networks and the Basel III Endgame, to name a few. I urge lawmakers take the time to understand what these collectively would do to consumers, small businesses and the economy should they all become policy.

A few examples:

Reg II / Debit Interchange Fee Caps: The Federal Reserve is poised to repeat mistakes made 12 years ago, following implementation of the Durbin Amendment, which cut debit interchange fees roughly in half. Megastores reaped the benefits while consumers lost. Without the full support of debit interchange, “free checking” largely vanished across the industry as consumers with checking accounts faced higher fees and minimum balance requirements. Debit rewards programs virtually disappeared. Congress told consumers that these savings would be passed on from merchants through lower prices. That isn't what happened. An analysis by the Federal Reserve Bank of Richmond found **most merchants (77%) did not adjust prices at all, and 22% actually raised them.**²

² [Federal Reserve Bank of Richmond Economic Quarterly, “The Impact of the Durbin Amendment on Merchants: A Survey Study,” Zu Wang, Scarlett Schwartz, and Neil Mitchell, Third Quarter 2014.](#)

Nonetheless, the Federal Reserve has a new proposal – backed by megaretailers who profited from the first version – to further slash these fees. Despite evidence of harm from the original rule, the Federal Reserve performed no new economic impact analysis to determine possible harm to consumers or to the economy. Instead, it proposes to set debit interchange at only the average cost of a “swipe,” ignoring the other banking product services today’s banking customers enjoy and expect:

- **Easy access to cash, at no extra cost:** Chase customers access their cash through their debit cards and can do so with no fees at more than 15,000 Chase ATMs and over 4,700 Chase branches.
- **Access to digital wallets:** Customers can load their debit card into popular mobile wallets and use their phones to pay or use mobile-enabled ATMs to access cash.
- **Mobile and online banking:** Customers love our online banking and mobile app, where they can schedule automated payments for bills, lock and unlock their debit card if lost or stolen, request a replacement card, and set up alerts that help them monitor transactions and keep their money safe.
- **Access to free financial tools:** Customers have free access to their credit score, access to their credit report and personalized plans to help improve their credit health, free budgeting and spending tools, and free auto savings tools.
- **Fraud protection and security:** Our experts monitor accounts 24/7 to prevent fraud on their debit card and alert customers when we notice suspicious activity so we can help resolve any issues in real time.
- **Zero liability:** Our zero liability protection gives customers peace of mind, knowing they won’t be on the hook for unauthorized transactions when reported promptly. We also have cybersecurity and fraud experts working around the clock to prevent fraud from happening – and alert our customers in real time when we suspect a problem.
- **First-class customer service:** Chase customers can seek service in our branches in 48 states and the District of Columbia through the phone, online, and through social media servicing.

When government micromanages one aspect of revenue on a product, it fundamentally changes our ability to deliver the value customers have come to expect from that product. The revenue delivered by a bank account is primarily from two sources – debit interchange fees and customer account fees. By limiting debit interchange, banks will be forced to either increase consumer fees or limit what components can be included for “free,” *making banking accounts more expensive, once again.*

Low- to moderate-income banking customers stand to lose the most. Of significant concern is the devastating impact this proposed rule will have on lower income and underbanked customers. These consumers have historically relied on expensive alternatives to meet their payment needs – prepaid cards, money orders and check cashing services, which lack protections and account for \$10 billion in fees paid annually³.

In recent years, the number of unbanked consumers has dropped – a very positive development. Millions of these customers across the industry have opened “Bank On” certified accounts – the low-cost, no-minimum balance, no-overdraft accounts specifically designed for the unique needs of lower-income and historically-underbanked consumers.

³ [Financial Health Network Spend Report 2023](#)

Debit interchange is the largest contributor to the revenue that supports Bank On accounts, which have a higher cost to serve, driven by higher fraud rates, account charge offs and servicing costs – but lower revenue streams. Without a sustainable source of revenue, **fewer banks will offer these accounts, and the ones that do will need to increase monthly maintenance fees or scale back services – or both.** Lawmakers should be concerned that this could result in a shift back into these exorbitantly priced alternative financial options for the unbanked.

- CFPB Late Fee Proposal: Using untested and unsubstantiated assumptions about the impact of late fees on consumers' propensity to pay on time, as well as credit card market dynamics, the CFPB has put forward a proposal that will ultimately harm all cardholders – whether they pay late, on time or carry a balance. Here is one example, which the CFPB acknowledges. The CFPB admits that more cardholders are likely to pay late when doing so costs only \$8 – that's in addition to extra finance charges due to larger revolving balances. Paradoxically, there will be more late fees paid and more consumers paying them. The CFPB did not adequately consider these impacts, which will of course harm cardholders' perceived creditworthiness and ultimately raise their cost of credit. Late-paying consumers will have more difficulty obtaining credit cards, cars and homes at a reasonable cost – if at all – in the future.

The CFPB also acknowledges that its proposal may increase rates for all customers. Said differently, the CFPB rule would make cards more expensive and harder to obtain for all consumers, hitting those who otherwise would pay on time but have lower credit scores especially hard.

The debate should not always be about *more or less* regulation but about what *mix of regulations will keep America's banking system the best in the world.* I urge lawmakers and regulators to be thoughtful about the effect of arbitrary and unstudied regulatory proposals and their cumulative impact on access to affordable credit and traditional banking products, capital markets and market liquidity, and the economy overall.

Good regulations, and good regulators, are critical to maintaining our banking system. Our nation should give thanks to Chairman Powell and Secretary Yellen for their tremendous work through some complicated economic times. They should be commended for their leadership in developing and implementing complex sanctions against Russia following its invasion of Ukraine. And they worked tirelessly during the regional banking turmoil this spring – entirely focused on bringing stability to protect the economy and its people.

ABOUT JPMORGAN CHASE

For more than two centuries, JPMorgan Chase has worked to help our customers, employees and communities turn their aspirations into realities. For our customers and clients, our work is impactful in good times – and is particularly important through challenging times. To that end, it is imperative that we run a healthy, vibrant and responsible company, so that we can make dreams possible for everyone, everywhere, every day.

JPMorgan Chase is a global financial services firm based in the United States, with more than 308,000 employees in 65 countries worldwide (180,000 U.S. employees in 49 states and the District of Columbia) and \$3.8 trillion in assets (as of September 30, 2023). The Firm is a leader in investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing and asset management. Under the J.P. Morgan and Chase brands, we serve millions of customers, predominantly in the U.S., and many of the world's most prominent corporate, institutional and government clients. We underwrite IPOs and provide federal, state and local governments financing for schools, bridges, hospitals, universities and transit. We move nearly \$10 trillion in payments every day. We finance

Americans' dreams with loans for homes, autos and starting or growing a small business. We provide critical financing to nearly every sector, providing trillions each year in new and renewed credit and capital to large and small businesses, including in manufacturing, service, real estate, energy, transportation, non-profits and the government.

With assets under management of \$2.8 trillion (as of September 30, 2023) J.P. Morgan is also a leader in investment management, serving institutions, retail investors and high net worth individuals in every major market throughout the world. We offer global investment management in equities, fixed income, real estate, hedge funds, private equity and liquidity.

More information about our company, including any financial information requested, can be found in our [2023 Third Quarter Earnings](#), our [2023 Annual Proxy Statement](#) and in [previous annual filings](#).

We serve American consumers.

Last year, nearly 40 million customers walked into our more than 4,800 branches in 48 states and Washington, DC, where employees who specialize in banking, savings and investments, small business and mortgages serve our customers. This puts a Chase branch within a 10-minute drive for 60% of Americans. Twenty-four percent of our branches are in low- to moderate-income neighborhoods today. Among these include our "Community Center Branches," which help us build stronger ties to those communities, including with local nonprofit organizations. Being part of the community fabric gives us an excellent opportunity to provide banking services and financial education to those who might not otherwise have access – one account, one loan, one customer at a time. We have plans to hire additional Community Managers and host more financial health workshops and community events to reach more people across the country.

Our customers also deeply value our digital and mobile services. **Every day, we have about 20 million active users**, logging in an average of two times a day. Our digital assistant has about 1.2 million engaged customers each month and effectively responds to ~75% of their inquiries.

We serve customers over the phone from our modern and efficient call centers, where we **receive an average of 32 million calls each month**. Most are resolved through automated prompts, which allows us to focus our workforce more intensely on the remaining 10 million calls each month that require more specialized customer service. We are proud to say that our **customers get through to a human in 38 seconds on average** – with nine out of ten of those calls answered in under two minutes. Each servicing group has an escalation unit of highly experienced employees. We have a dedicated fraud and dispute call center, which receives about 3.5 million callers per month. These employees investigate all claims made by our customers based on the information they provide and other data available to us.

We recently launched new "virtual call centers," creating work-from-home new jobs in parts of our communities where talent exists, but jobs may not. Since piloting this program in Detroit in 2022, we've extended employment opportunities to more than 115 Detroiters and have launched our second virtual call center in Baltimore, where we've hired 40 local residents. Internal data shows that these virtual call centers receive some of the highest customer satisfaction scores. We're learning from this pilot and will look for opportunities to expand it.

We are the top bank for small businesses.

Chase is the **top primary bank for small business owners in the U.S.**⁴ We serve more than six million small businesses across our banking and credit card products, helping clients safely store and move their money, process payments, access credit to expand and grow, pay their employees and manage their daily cash flows. With **more than 15,500 specially-trained bankers across 48 states and the District of Columbia** – a number that will grow by 1,000 by 2025 – we work with small business owners through our branches and at the businesses themselves.

In 2020, we began a free small business mentoring program to provide advice and counsel to business owners in historically-underserved communities on everything from boosting creditworthiness to managing cash flow to effective marketing. We have since mentored more than 6,000 business owners, working with them hand-in-hand at every business stage. We have now expanded this one-on-one coaching through 51 trained senior business consultants in 21 U.S. cities.

Recognizing that access to capital remains one of the biggest challenges for business owners, we continue to invest in expanding access to business credit for all customers, including businesses in historically-underserved areas and through products, programming and coaching at every stage of growth. Additionally, in 2022, we launched a Special Purpose Credit Program (“SPCP”) for small businesses in historically-underserved areas. Since the program’s launch, we have helped more than 10,000 small businesses responsibly access credit or access it on more favorable terms.

We serve America’s Heartland.

JPMorgan is a top lender in every rural state through our commercial and investment bank, serving medium and large companies, financing exports, local governments, hospitals, universities and more. We are active with lending and investments to rural areas and small towns across America to support local farms, agribusiness and manufacturing facilities and to open and expand local grocery stores, healthcare facilities and schools. In 2022, JPMorgan Chase provided over **\$94.6 billion in credit and capital to over 3,300 clients located in rural and small-town communities.**

Specific to farming and agriculture businesses, as of December 2022, JPMorgan Chase:

- Supported nearly 600 farming and agriculture small business customers with over \$30 million in loan balances.
- Supported over 700 food manufacturing small business customers with over \$130 million in loan balances.
- Provided \$33.4 billion in credit and capital to over 300 farming, agriculture and food manufacturing clients in the U.S.
- Raised \$4.2 billion in capital for the Federal Farm Credit Banks funding corporation via debt issuance in which JPMorgan Chase took part.

Since 2017, we have opened branches in 25 new states, many of which had large rural populations, including Idaho, Alabama, Wyoming, Montana, North Dakota and South Dakota. Today, 300 branches across our network are in rural areas and small towns, but we know our reach extends far beyond that – more than one-third of Americans living in these communities are within 12 miles of a Chase branch. We remain focused on how to extend our impact in rural areas and small towns, including continuing to build new branches in the medium term, and further extending our coverage of rural Americans within a 12-mile drive.

⁴ [Barlow Research 2023](#)

JPMorgan Chase is also one of the most prominent banks for community banks and other smaller financial institutions. By the end of 2022, JPMorgan Chase banked over 160 Community Banks and Institutions located in rural and small-town communities with 3,700 branches.

We provide excellent jobs – and careers – for Americans.

JPMorgan Chase employs over 180,000 Americans with competitive compensation and excellent benefits. For our entry-level employees – often a first job or first step on a career ladder – we pay a good living wage with full benefits, paid time off and with meaningful career growth opportunities. In the last six years, we have more than doubled our average minimum pay with steady increases for entry-level employees. We've increased starting pay to at least \$20 to \$25 per hour, depending on location, with a starting benefits package worth more than \$15,000 a year. Employees who started at JPMorgan Chase before 2017 with a salary of less than \$40,000 and are still at the company have experienced an average increase of 75%.

We're proud of our track record of building careers, and not just a point-in-time job. For example, within our Consumer Banking business – our business that oversees our branches – nearly 90% of our most senior leaders have been with the Firm for over 10 years, many of whom started with Chase in an entry-level role.

We serve entire communities with the full force of JPMorgan Chase.

When JPMorgan Chase does business in a community, we do more than just open branches – we grow communities. We lend to small, midsized and big businesses; we hire, pay well and provide great benefits; and we finance hospitals, schools, grocery stores, homes, automobiles and governments.

A closer look at JPMorgan Chase in Ohio is illustrative of the kind of community impact we have, repeated throughout America.

How JPMorgan Chase is investing in Ohio's future

When JPMorgan Chase does business in a community, we work with government and community leaders to help drive sustainable impact. We provide local expertise and support through our branches; we lend to small, midsized and big businesses; we hire and provide market-competitive compensation and benefits; and we finance hospitals, schools, grocery stores, homes, automobiles and governments. For more than 200 years, this approach has enabled us to make an impact on local economies, families and neighborhoods while also supporting them in good and challenging times.

Ohio is home to JPMorgan Chase's largest office worldwide and is one of the state's largest private employers. We are proud to be a second chance employer, to pay twice the federal minimum wage to our entry-level employees, and to provide our more than 20,000 Ohioan employees with best-in-class training and education.



Since 1812, we've been helping to make opportunity happen in Ohio, creating jobs and growing the local economy—and we're just getting started.

Our support to investment and middle market banking clients:

~\$140B IN CREDIT AND CAPITAL provided for local clients, such as retail and industrial businesses, for nearly five years.

4,900+ LARGE AND MIDSIZED CLIENTS in Ohio, including doctors' and dentist offices, hotels, restaurants and beauty salons.

Our support to government, higher education, healthcare and nonprofit organizations:

\$11B+ IN CREDIT AND CAPITAL in total provided to more than 80 government, higher education, healthcare and nonprofit clients throughout the state over the last five years.



We have been working steadily to grow our footprint across the state by establishing credit and commercial card relationships with vital institutions, such as The Ohio State University.

Our support to local financial firms:

~\$20B IN CREDIT AND CAPITAL provided over the last five years for financial institutions, such as local banks, insurance companies, asset managers and securities firms.



We bank 26 of Ohio's regional, midsized and community banks, helping them serve local communities.

Our philanthropic contributions:

\$44M+ in philanthropic support provided since 2019.

Our support to consumer banking needs:

225+ BRANCHES OPERATED across the state, along with over 530 ATMs.

2M+ CUSTOMERS supported with mortgages, auto loans and savings, checking and credit card accounts, enabling local customers to gain access to resources such as free financial health services.



In 2023, we've supported more than 2 million checking and savings accounts including certificates of deposits (CDs), more than \$46 billion in customer deposits and more than \$23 billion in investment and annuity assets for clients—giving us the fifth largest consumer banking market share in the state.

Our support to small businesses:



This year alone, we've helped more than 5,000 small businesses through capital and networks. We offered more than 100,000 hours of advice and support to small businesses.

Our support as a local employer:



We employ more than 20,000 residents throughout the state, including veterans and more than 500 people with criminal backgrounds who deserve a second chance.

\$95,000 AVERAGE SALARY IN OHIO not including benefits. Our lowest starting wage is \$41,600 (plus a comprehensive annual benefits package worth more than \$15,000), compared with the per capita income of nearly \$38,000.

OTHER TOPICS OF INTEREST TO THE COMMITTEE

We provide access to affordable products and services.

Unbanked and underbanked customers meet their banking and payment needs in several ways – but not all methods are created equal. These consumers may use alternative financial services like check cashers, payday lenders and bill pay services that charge high fees and lack protections. Some use non-bank fintechs or online banks that help customers hold and move money but offer little protection and limited customer service to help with things like fraud and scams.

We are very proud of Secure Banking, our low-cost, Bank On certified account (referenced earlier in this testimony) that was designed for the specific needs of lower-income consumers who have unique financial needs dictated by lower incomes and inconsistent cashflows. Secure Banking's features such as no minimum balance requirements, a low "all-inclusive" fee, no overdraft services or fees, unlimited no-fee cashier's checks and money orders and faster access to their cash via early direct deposit so they can pay their bills on time, are designed to meet the unique needs of these consumers.

Bank On-certified accounts like Secure have shown positive momentum in creating access for customers across the industry. Worth repeating from earlier – lawmakers should be concerned with the sustainability of these critically important types of products, which have higher costs to serve and lower revenues, creating very narrow profit margins. Costs to serve these customers are driven by higher fraud, higher account charge off and higher servicing costs. It is critical that these Bank On products maintain standalone profitability for long-term sustainability to ensure continued industry growth in access for underbanked customers. Any regulations that reduce the viability of these accounts will certainly drive these customers back into alternative financial services as banks either increase fees or discontinue the products altogether.

Our efforts are increasing affordable rental housing and homeownership.

We continue our efforts to help increase homeownership and expand affordable rental housing and, in doing so, help to stabilize and revitalize communities across the country. We're enhancing our products and programs to expand access to credit and participating in policy reform to drive more inclusive growth.

- **Affordable Rental Housing:** In 2022, we financed \$12 billion to create or incentivize the preservation of more than 95,000 affordable units to help thousands of families access stable housing. In addition to financing new affordable developments, the preservation program offers multifamily owners a pricing incentive to maintain rental units in their buildings at an affordable level to combat declining supply.
- **Helping homebuyers achieve sustainable homeownership:** We expanded our \$5,000 homebuyer grant program, which is a Special Purpose Credit Program now available in 15,000 communities nationwide. This grant is stackable with state and local housing finance assistance programs, bringing potential borrowers one step closer to homeownership. Other grants include a \$2,000 Chase VA Purchase Closing Cost Benefit for service members, veterans and members of the National Guard or Reserves, and a \$2,500 grant available on eligible properties located within select low-to-moderate-income census tracts.
- **Philanthropic Capital:** Since 2021, as part of our commitment to improve housing affordability and stability for underserved households, we have deployed more than \$224 million in low-cost loans, equity investments and grants to 153 organizations across the U.S. to help close the housing affordability gap. This work has helped

preserve or create more than 12,500 housing units, serve more than 46,000 households and leverage an additional \$680 million in capital.

- **Appraiser Diversity:** We committed \$3 million to the Appraiser Diversity Initiative aimed at attracting diverse new entrants into the residential appraisal field, helping them overcome barriers to entry and providing support for professional success. Thus far, we have awarded 488 scholarships, and 112 professionals have completed the program and are now looking for supervisors in places like: Birmingham, AL, Wilmington, DE, Greenville, SC, Paris, TX, Beaumont, TX and Charles Town, WV.

Affordable housing is a national challenge requiring collaboration among businesses, government and communities. To encourage greater participation by financial institutions in increasing affordable homeownership, the Federal Housing Administration must move forward with reform efforts to both rationalize and modernize its rules around originating and servicing loans to be able to serve the needs of consumers most in need of these products. Regulators should also advance reforms to increase mortgage market liquidity and improve access that better serves low-income customers. To increase the supply of affordable housing, we encourage the government to preserve and expand the low-income housing tax credit program, promote secondary market liquidity for high quality manufactured housing, create incentives to preserve and rehabilitate older housing stock, and reduce permitting burdens and overly burdensome zoning restrictions – all of which suppress supply and increase costs.

We support our military, veterans and their families.

Established in 2011, JPMorgan Chase's Military & Veterans Affairs provides programs and initiatives that are aimed at positioning military members, veterans and their families for long-term success. Our always-on approach focuses on attracting and developing diverse veteran and military spouse talent, supporting veteran- and military spouse-owned businesses and entrepreneurs, improving the financial health of veterans and military families, and supporting the military community through philanthropic efforts.

Since 2011, we have hired more than 18,000 veterans (and currently employs more than 3,000 military spouses); facilitated more than 900,000 veteran and military spouse hires through the Veteran Jobs Mission⁵ (a coalition of more than 300 companies, co-founded by JPMorgan Chase); awarded more than 1,080 mortgage-free homes to military families through the Firm's Military Home Awards Program; and helped over 73,000 participants enroll in Onward to Opportunity, a free career training program of the D'Aniello Institute for Veterans and Military Families, which was co-founded and is supported by JPMorgan Chase and Syracuse University. Learn more at our [website](#).

We also have made meaningful philanthropic investments that support veterans' workforce initiatives:

- **NPower:** JPMorgan Chase invested in the workforce development organization NPower, which provides digital skills training and job placement services to veterans. NPower will prepare local veterans with the skills they need for in-demand technology jobs – such as cybersecurity and coding – where most will experience a 70 to 200 percent increase in salary. The investment is a \$2.3 million, two-year commitment to NPower to provide technology-focused job training in California, New Jersey and Dallas-Fort Worth.
- **Blue Star Families:** JPMorgan Chase supports a variety of programs for this organization, including, most recently, the DEPLOY Fellowship program with a \$250,000 philanthropic grant, as well as internship opportunities through the Military and Veterans Affairs team. The DEPLOY Fellowship program is a

⁵ [Veteran Jobs Mission website](#)

[fellowship for military connected people of color](#) that trains them as leaders to better provide representation for military families of color throughout the field.

The government should do more to support banks in preventing fraud and scams.

The digitization of cash has been an indisputably positive evolution of payments – it's more secure than paper currency, more profitable for merchants, and safer and more convenient for consumers. And when banks are behind this payments innovation, it's safer, cheaper and better for everyone. But not all payment methods were created equally when it comes to security and customer protections.

With exceedingly low fraud rates, Zelle is the safest way to pay another person. Unauthorized transactions reported to us promptly are reimbursed. Only one-tenth of one percent of transactions are disputed, a percentage that is dropping despite increasing volume on the platform. Some of the other major platforms, like PayPal and CashApp, experience 3-6 times the number of disputes. And – it's free for Chase banking customers.

Criminals have fully embraced technology, social media networks, and even AI, to scale their efforts to steal money from consumers, businesses and governments. Each year, we proactively identify nation-state and cybercriminal threats to protect the Firm and its suppliers, while also stopping more than \$14 billion in fraud attempts. In 2022, Chase reimbursed nearly \$18 million in Zelle transactions our customers did not authorize.

In addition to working to prevent fraud (or unauthorized transactions, as defined by law), we also invest significantly in helping our customers avoid falling victim to "scams." This is a heartbreaking, centuries-old form of crime preying upon people of all ages and backgrounds – and frequently the most vulnerable Americans – stealing their money through cash, checks, wire transfers, cryptocurrencies, gift cards and person-to-person payment platforms. At Chase, we have taken steps that have helped customers avoid scams when sending money through Zelle:

- In our app and website, we include multiple warnings that customers see before making a Zelle transaction, warning them of common scams to help them pause before making a transaction to someone they don't know.
- Our financial crimes experts work to identify patterns and other markers where fraud and scams are more likely to occur, and we work to flag those transactions as suspicious for the customer.
- Our machine learning risk models flag hundreds of thousands of transactions each year to fraud experts who manually review them and contact customers to educate them about scams and confirm that they want to proceed with a high-risk transaction.
- Through our "Know Your Customer" account opening processes and other risk mitigation measures, we prevent hundreds of thousands of fraudulent accounts from being opened.
- When scams (or fraud) are identified, Zelle's participant institutions report the bad activity to the network for banks to place restrictions on the accounts of the bad actors.
- Our risk rules trigger dynamic transaction limits for higher-risk transactions and prevent misleading emails from being used to receive Zelle payments.
- Chase has significantly invested in education campaigns – in paid media, social media and customer communications – to raise awareness of these crimes. We have also worked with groups like AARP to develop targeted education programs for its members on the topic.

Unfortunately, criminals will always find new ways to prey on vulnerable customers. It is unreasonable and unrealistic to expect banks alone to prevent people from falling victim to these crimes. **The government must do more – including law enforcement – to prevent, identify and prosecute these criminals** rather than merely suggest that banks subsidize (and perversely incentivize) this criminality. We need our government to invest in national education to raise the American consciousness on these crimes. It should also provide law enforcement with more resources – including a formalized public-private partnership between financial institutions, government and law enforcement – to better support law enforcement’s ability to investigate and stop these crimes and bring justice for their victims.

We protect our customers’ privacy – and give them control over what data to share.

Just as our customers trust us to protect their money, they also trust us to protect their personal information. Building the best products and services relies on our collection, use and sharing of all manner of personal information and financial data every day, and we have processes to manage that data in accordance with the laws, rules and regulations. But legal compliance is just the foundation – our multi-faceted approach to addressing privacy and data protection risks includes maintaining and evolving our internal controls, establishing policies covering all stages of the data lifecycle and deploying appropriate technology. Our internal policy on personal information applies globally to our legal entities, as well as third parties that handle personal information on our behalf.

We provide a wealth of information to our customers about [privacy and security](#). In addition to traditional privacy notices, we often publish related materials, such as frequently asked questions and tips for keeping personal financial information safe and how to [set their privacy preferences](#). We have a wide range of technological, administrative, organizational and physical security measures designed to safeguard the confidentiality, integrity and availability of personal information.

Of note, we are proud of our leadership in helping customers safely connect their Chase account information to the third-party apps they choose. We developed secure Application Programming Interfaces (APIs) that give our customers control and visibility in sharing specific account information from only the accounts they select. Customers can access a “Control Center” from their mobile app or Chase.com and can easily see and choose what data they’re sharing and with whom. Our APIs eliminate the need for our customers to share their Chase username and password with aggregators and third parties, effectively ending the practice of “screen scraping” Chase accounts. We also tokenize any account numbers that are shared, ensuring that our customers are protected and have limited impact in the event of a breach at a third party.

Artificial Intelligence and Machine Learning can improve risk management.

Artificial Intelligence (AI) has great potential to transform how we work. JPMorgan Chase invests significantly in AI and, as with any new technology, proceeds in a controlled manner. We already use AI successfully across our business around fraud and risk, marketing, prospecting, idea generation, operations, trading and, more recently, for credit. There is a continuum of complexity within the AI world. In our consumer applications, we operate on the lower-complexity side to ensure that we can meet our regulatory requirements for customer-level disclosures and “explainability” for things like credit decisions.

While we do have use cases in test stages, we are still at the beginning of the journey when it comes to generative AI. AI and Machine Learning in credit can bring potential benefits, including better risk management through more informed credit decisions, lower costs, and greater access where appropriate. As with any models impacting consumers, AI models for credit are subject to sound controls around data use, model risk governance, and independent fair lending

review and testing to identify and mitigate potential bias risk. Fortunately, AI risk management is well-established and is already aligned with existing banking regulation and practice. The regulatory framework for banks is largely fit for purpose and adequately addresses the risks of AI. We are supportive of a coordinated and sectoral approach with oversight by our existing agencies who are best placed to oversee the specific contexts in which AI may be used.

We process millions of transactions on overdrawn accounts with no overdraft fees.

Our customers have told us they want convenient access to funds to help them when they are short on money in their accounts. These “overdraft services” help customers make critical payments, like covering a rent check, or automatic withdrawals by third parties, like utilities, which may help customers avoid a late fee or negative impact on their credit report. For those customers who need to buy gas and groceries and are short on funds, they can opt into “debit card coverage” to cover these important purchases. This service can be more affordable than many nonbank services, like payday loans or check cashing services, and can also be more affordable than the late fee the customer avoids – like an unpaid parking ticket in Washington, D.C., which after only 30 days is assessed a “penalty equal to the fine” – doubling the cost of the ticket, for example.⁶

Today, more than 70 percent of transactions that we cover via overdraft incur no overdraft fee at all. The design of our overdraft services program, which includes a -\$50 balance cushion and an extra business day for customers to bring their account balance to -\$50 or less, has helped more than 100 million transactions avoid being charged a fee when the account is overdrawn. As a result, Chase has covered millions of transactions for billions of dollars, helping customers manage unexpected expenses. Overall, our overdraft fee revenue has declined by ~50% since before the pandemic.⁷

We give our customers tools to make informed choices and help them manage their accounts and avoid overdrawing, such as alerts – a feature used by most of our customers. For those customers who prefer not to have access to overdraft at all, we offer an account called “Secure Banking,” which is our Bank On certified product that has no overdraft services, and therefore no overdraft fees.

We remain focused on our \$30 billion commitment to advancing racial equity.

We believe our business is stronger when our economy is more inclusive, which is why in 2020, JPMorgan Chase announced our \$30 billion Racial Equity Commitment to help close the racial wealth gap and advance economic inclusion among historically-underserved communities in the U.S., including Black, Hispanic, Latino and underserved customers and communities. The commitment includes incremental lending and equity investments, as well as philanthropic capital, products and services.

As of December 31, 2022, we are reporting nearly [\\$29 billion of progress](#) toward our five-year Racial Equity Commitment, which focuses on the following key areas:

- Increasing homeownership
- Preserving and expanding designated affordable housing and support for vital community institutions
- Growing small businesses

⁶ [District of Columbia Department of Motor Vehicles, Ticket Services](#)

⁷ 3Q19 to 3Q23

- Spending more with Black, Hispanic and Latino suppliers
- Improving financial health and access to banking
- Investing in Minority Depository Institutions and Community Development Financial Institutions
- Accelerating investment in employees and building a more diverse and inclusive workforce. Please see the Diversity Equity & Inclusion section on page 38 of our [2023 ESG Report](#) for updates on our hiring goals.

We're making good progress and, as we look ahead, will continue to focus on the long-term impacts and outcomes of this commitment, holding ourselves accountable to achieving our immediate goals but also producing sustainable results. To that end, we have established a robust reporting and governance process to track our progress. For detailed information on the progress of the 18 individual commitments that comprise our Racial Equity Commitment, please see our [website](#).

RUNNING OUR BUSINESS REGARDLESS OF POLITICAL OR SOCIAL ENVIRONMENT

JPMorgan Chase provides financial services for individuals and industries across geographies—regardless of political, social or religious viewpoints. We deal in facts and do not describe our policies, procedures or progress differently based on who is asking. Our ambition is to work with shareholders, clients, customers and communities around the world to fulfill banking's essential purpose of helping people, businesses of all sizes and vital institutions—like schools, hospitals and governments—achieve their goals.

- **We make independent business decisions for the Firm.** We make business decisions to advance the long-term interests of our Firm and its shareholders, including serving our clients, supporting our employees and helping our communities. We work with a broad array of organizations that advance those interests, even if we don't support every position taken. Firm decisions are always made independently and based on business principles.
- **We don't "boycott."** We support clients around the globe and in every state in the U.S., across industries, religions and political affiliations. We proudly serve more than 81 million households in the U.S., more than 6.3 million small businesses and hundreds of thousands of companies in critical economic sectors. We do not make decisions based on political or social agendas.
- **We manage risk.** Managing risk is critical to the long-term success of our business and required by our regulators. We make risk-based assessments, including legal, credit, market, reputational and regulatory, to drive decisions and advance the interests of our constituencies.
- **We want to compete.** Our ability to compete in both established and new markets is critical to the long-term success of our business. We decide where and how we choose to compete by assessing risk and opportunity, not to further political or social agendas.
- **We believe in free enterprise.** Markets and economies of all sizes benefit when free and fair enterprise thrives—creating innovation, competition and maximizing value for shareholders, clients, customers and communities. Government intervention in free market principles, for political reasons in the short term, sets a dangerous precedent that's hard to reverse.
- **We value engagement.** We believe the best answers reside in engagement and discourse. When policymakers seek input to tackle challenges, we want to help. We know that our success requires working closely with government on sound public policy that grows the economy and lifts up communities. Throughout our history,

we have engaged with officials from all parties to address the world's most pressing needs, and we look forward to continuing to do so.

OPERATING WITH INTEGRITY

At JPMorgan Chase, we are committed to behaving ethically and honestly in everything we do – from how we do business to how we treat each other. Maintaining the highest standards of integrity is fundamental to who we are as a company and a fundamental part of our culture. I am very proud to say that all but a relatively small number of JPMorgan Chase employees show up to work every week right-minded and ready to help our customers and clients and make our communities better.

Over the years, when we have faced legal and regulatory issues, we have acknowledged our mistakes, often self-identified them, and improved our controls where necessary. Where inappropriate behaviors have been identified, we have taken action to address them – including terminating employment, cancelling significant amounts in compensation, and, in some instances, clawing back compensation.

For more information on litigation and regulatory enforcement matters, please see the Legal Proceedings section and associated Litigation Note of JPMorgan's most recent and past Annual and Quarterly Report filings with the U.S. Securities and Exchange Commission. The most recent Annual Report filing can be found [here](#).

SUPPORTING AMERICA

The work we do at JPMorgan Chase matters – for the countries, companies, customers and communities we support. The last volatile few years have brought disruption and stress for so many as the world grapples with war, economic volatility and inflation, immigration challenges, natural disasters, and food and energy insecurity. It has also shown what great companies with the size and scale of JPMorgan Chase can do as a source of strength for the economy. Because of the investments we have made over the years to build a strong and healthy company, we can consistently serve and finance American households, businesses and governments, while building our communities and protecting America and the American economy.

- **Investing in American communities.** In addition to the business of banking, we also support and invest in the communities in which we operate, which, in turn, provides the foundation for increased opportunity and prosperity for all. We work to advance economic opportunities and the long-term health of communities across the world, through our skilled global workforce, expertise, resources, unique data and collaboration with expert local partners. We have made large-scale investments in locations across the country – including Detroit, Chicago, San Francisco, Dallas, Columbus, OH, and the Greater Washington, D.C. Region – where conditions are right for success and broader, deeper investments are needed to drive inclusive growth. Such local programs include investments in job training and placement programs, small business capital and technical assistance, financial health and affordable housing – made more powerful when we pair these investments with new or modernized branch locations and increased consumer and small business lending.
- **Contributing billions in taxes.** In the last 10 years, we paid over \$43 billion in federal, state and local taxes in the U.S. – up more than \$1 billion since last year – and nearly \$21 billion in taxes outside of the U.S. We also paid the Federal Deposit Insurance Corporation more than \$10 billion so that it has the resources to cover the failure of any bank.

- **Lowering barriers to employment for Americans with criminal records.** Millions of working-age adults face significant barriers to employment because of a criminal record, which represents a large talent pool companies could be tapping to fill job openings across the country. JPMorgan Chase has worked to remove barriers to employment and create opportunities for people with records, and now 10% of our new hires in the U.S. over the last three years have been individuals with criminal records. Since 2021, over 10,000 people with arrest or conviction records that pose no risk to safety and soundness joined JPMorgan Chase. We have worked with Congress to advance commonsense reforms that remove employment, financial and legal barriers to create greater economic opportunity for this population. We supported the Fair Hiring in Banking Act, which became law last year, to reform industry hiring rules that allow firms to consider a wider range of applicants who otherwise might not have had the chance for employment in financial services. We also host Legal pro-bono record expungement clinics at community branches and with community partners, which has helped hundreds of residents begin the expungement process.
- **Providing energy security and a transition to clean energy.** Ongoing sanctions and supply chain disruptions reinforce the global need for providing energy that is secure, reliable and affordable. There is also a need to accelerate progress in addressing climate change. These objectives are not mutually exclusive. We can and must do both. JPMorgan is among the largest financers of both traditional and clean energy. Working with clients and private and public sector partners, we are helping promote energy affordability and security, and remain fully committed to reducing emissions and scaling investments in new green technologies that create more supply. That said, capital allocation and investments alone are not enough. We need action by a range of stakeholders – policymakers, thought leaders and all corners of the private sector – to advance necessary changes to incentivize low-carbon investments, develop technological advancements, increase the resilience of supply chains, and ensure a strong, skilled workforce.
- **Supporting law enforcement in deterring financial crime.** We continue to devote considerable resources to support law enforcement and national security efforts to help detect and stop money laundering, terrorism financing, human trafficking, drug trafficking and other financial crimes, with thousands of employees and hundreds of millions of dollars devoted to this national and global priority. For example, beyond filing Suspicious Activity Reports (SARs) with the Financial Crimes and Enforcement Network (FinCEN), it is a regular practice for our team members to contact law enforcement directly when we identify possible human trafficking (or other serious crime) to ensure the SAR receives the right level of attention and awareness to help them prioritize as appropriate. We also led the development of a public/private partnership with a number of other large banks and law enforcement to co-investigate financial crimes.
- **Protecting critical infrastructure from cyberattacks.** Cyber threats pose extreme hazards to our company and our country. This has become more evident as the cost of ransomware has increased dramatically, and it is evident to everyone that grave damage could be inflicted if cyber is widely used as a tool of war. We have made significant investments in cybersecurity and believe our company has some of the best cyber protections in place along with the best talent to monitor and guard our information. With that said, we cannot be complacent. JPMorgan proudly partners with the financial services industry, designated critical infrastructure, and U.S. government agencies to help build national resilience and protect the country.
- **Creating greater economic opportunity for Americans with disabilities.** JPMorgan Chase wants to attract and retain the very best qualified people of all abilities, and that includes making our workplace the best it can be for people with disabilities — which, in turn, helps us best serve our diverse clients and customers. We are working to create inclusive workplaces and supporting public policy proposals like the *SSI Savings Penalty Elimination Act*, bipartisan legislation sponsored by Chairman Sherrod Brown, that would help more people with disabilities to fully participate in the economy. Outdated asset and income limits on federal Supplemental Security Income (SSI) benefits for people with disabilities have created barriers to labor force participation and accumulating

savings for decades. This bill would increase extremely low and outdated asset limits and index the new levels to inflation moving forward. Our employees with disabilities worry that receiving a bonus or a raise or even participating in the company's retirement plan could put them over the cap on earnings. These proposed reforms would enable people with disabilities receiving SSI to have more savings for both emergencies and life essentials without risking critical benefits.

THANK YOU

To close, I would like to take a moment to express my sincere gratitude and appreciation for the employees of JPMorgan Chase. You put your customers and clients first. You bring your expertise, curiosity **and your heart** to solve some of the toughest challenges in the world. You hold yourselves accountable to the highest standards of integrity. You should be very proud, because **the work you do matters** – to our customers and clients, to the economy, to the world and to the United States of America.

PREPARED STATEMENT OF JANE FRASER
CEO, CITIGROUP
DECEMBER 6, 2023

**HEARING BEFORE THE UNITED STATES SENATE COMMITTEE ON BANKING, HOUSING,
AND URBAN AFFAIRS**

**TESTIMONY OF JANE FRASER,
CHIEF EXECUTIVE OFFICER, CITI**

December 6, 2023

Chairman Brown, Ranking Member Scott and Members of the Committee: Thank you for the opportunity to represent Citi today. As CEO, I have the opportunity to lead a 211-year-old institution and benefit from the global perspective of our work in nearly 160 markets.

Through decades of geopolitical shifts and technological advances, we have seen how the U.S. banking system is truly unmatched. The isolated bank failures of the spring may have tested some of the confidence that people have in our industry.

But I am proud of the swift and collaborative response by our government and industry, which affirmed the underlying strength and stability of our financial system. As we chart a path forward, we need to make sure we don't inadvertently upend the unique system we have.

Our financial system is the envy of others because it's underpinned by the most competitive banking sector and the deepest capital markets. We're home to banks of all sizes, each with an important role to play.

Collectively, our banks serve as engines of growth, supporting businesses and households and promoting access to financial services in hard-to-reach communities.

For American multinationals, global banks such as ours offer the size and scale to compete in a rapidly changing world without having to rely on a mix of foreign banks. We finance supply chains and partner with America's top companies to bring products and services to American consumers at affordable prices. We also lend our robust balance sheets to fund transformational projects. Last year alone, Citi worked with state and local governments to raise or refinance nearly \$31 billion in infrastructure investment in the U.S.

The strength of our financial system becomes most critical when the outlook for our economy weakens. Although we don't see a drastic downturn on the horizon, we do expect a recession as the result of a range of macroeconomic factors. This includes persistent inflation in services, rising debt, a slowdown in global growth and two major conflicts in Europe and the Middle East.

Consumers appear to be taking a more cautious approach to spending in recent months, reflected in moderating sales growth, a shift in spend choices and segment differentiation. We are seeing borrowing levels increasing across all FICO bands with the lower FICO score segment of our customers increasing the most since 2019. This is unfortunately the same group that feels any tightening of credit conditions first.

At Citi, we understand the vital role our institution plays in both the U.S. and global economy. My colleagues and I embrace this responsibility and remain committed to our mission of enabling economic growth and progress.

Citi Today and Tomorrow

Our vision for Citi is to be the preeminent banking partner for institutions with cross-border needs, a global leader in wealth management and a valued personal bank in our home market. It has led us to focus on five core interconnected businesses: Services, Markets, Banking, Global Wealth Management and U.S. Personal Banking.

In September of this year, we announced significant changes to our bank's organizational model. These changes will help align our structure with our strategy as we build our bank for the future. We believe our new structure will enhance our focus on clients, make it easier to execute and create greater accountability across the firm.

The simpler operating model elevates the leaders of our five businesses and eliminates layers of management and activities that detract from our competitiveness or add unnecessary complexity. This will make us faster to respond to our clients' needs, make decisions, execute our strategy and modernize our risk management and infrastructure. Going forward, geographic management responsibilities will focus on client coverage, delivery on the ground and legal entity management, as well as strengthening risk and controls in each country.

In 2021, as part of our efforts to make Citi simpler, we announced an effort to exit our international consumer businesses. We have completed the sales of nine of those businesses, including all of our sales in Asia, and we have made significant progress winding down our consumer businesses in China and Korea and our overall presence in Russia.

U.S. Personal Banking, which includes retail banking, retail services and branded cards, serves more than 70 million customers in the U.S., where we operate 647 retail branches concentrated in the six metropolitan areas of New York, Washington, D.C., Miami, Chicago, San Francisco and Los Angeles. Roughly 25 percent of our branches are in low- and moderate-income census tracts. Through investments in our digital capabilities, new and expanded partnerships and our role as the nation's second largest credit card issuer, we have been able to extend our reach beyond our core, physical footprint to serve communities across the country and deepen customer relationships.

Regarding our talent, we firmly believe that diversity makes us stronger and is good for business. Assuring opportunities for all our employees is a top priority for me as CEO. We value the contributions of every Citi employee and want them to build careers with us. Our U.S. workforce include 76,393 employees and 1,029 contractors. The median pay of our U.S. employees was \$107,685 in 2022. We provide a minimum hourly wage of at least \$18 for all U.S. employees. Our CEO pay ratio to median employee in the U.S. improved to 205 to 1.

Meeting Housing and Small Business Demand

We are proud to have been the largest lender of affordable multifamily housing in the U.S. for the past 13 consecutive years. During that time, we have helped create or preserve over 425,000 affordable housing units across the U.S. These partnerships are good for customers and communities, and they benefit us as a bank.

In 2022 alone, we worked with state and local governments across the country to lend more than \$6 billion supporting 35,000 new or preserved affordable housing units in 32 states. These are more than just numbers. They represent safety and stability for families. Housing enables economic mobility and stronger communities.

That's why I'm particularly proud of the impact we're having across the country in affordable housing. We have more than \$5 billion in the pipeline for housing projects in the states represented by members of this committee today. In Ohio, for example, I can report we recently financed the construction and permanent loan in the amount of \$10.5 million for a 107-unit apartment in Cleveland, and we are currently working on the financing of five projects in 2024. In South Carolina we financed 11 projects over the last three years, including an 80-unit affordable housing project in Spartanburg, costing \$10.4 million.

Over the past two years, Citi has intensified efforts to promote sustainable homeownership in historically underserved communities. For example, we expanded our HomeRun low downpayment and Lender Paid Assistance programs, enhanced marketing efforts and hired a group of Community Loan Officers charged with deepening our reach.

We also recognize the important role small businesses play in our economy and we are working hard to provide them the banking products and services they need. In 2022, we provided small businesses with more than \$12.4 billion in funding, with supply chain financing and credit card products accounting for a significant share of that total.

We offer a number of products, including Small Business Administration (SBA) loans, term loans, commercial mortgage loans and credit card lending through our Branded and Retail Services cards portfolios. The lending we provide as the nation's second-largest credit card issuer translates into essential liquidity for consumers and small businesses. Citi's supply chain financing provides critical early financing for small- and medium-sized enterprises that supply large companies around the globe.

We are also proud of our efforts to support underserved small businesses. Recently, Citi began participation in a Special Purpose Credit Program in collaboration with LA Project REACH, and sponsored by the OCC. This program launched in 20 metropolitan branches in Los Angeles. Citi intends to offer this program to applicants throughout its branch network shortly.

Expanding Economic Opportunity

Increasing access to financial services is a priority for us. Communities of color face disproportionate challenges, and wealth gaps are real concerns.

Citi continues to focus on our work to help advance economic opportunity. Using the breadth of the firm's business capabilities, expertise and volunteers, as well as the Citi Foundation's philanthropy, we help break down barriers to drive financial inclusion, enabling growth and economic progress in underserved communities.

To that end, we are working to expand banking products and services that can help advance economic progress, especially for underbanked and unbanked communities. We eliminated

overdraft fees, and we offer low-cost checking and savings products, homebuyer down payment assistance, and last year started accepting payments made through Zelle and other peer-to-peer platforms as qualifying direct deposits to waive monthly account fees.

Three years ago, we launched our *Action for Racial Equity* initiative to help close the racial wealth gap and increase economic mobility in the U.S. We are investing more than \$1.1 billion in strategic initiatives to provide greater access to banking and credit in communities of color, increase investment in Black-owned businesses and expand access to affordable housing and homeownership among Black Americans. Through the Citi Impact Fund, we use our own balance sheet to invest in double-bottom line companies that are bringing financial inclusion and racial wealth gap solutions to market. Last year, we announced the expansion of the Fund to \$500 million, more than tripling our initial commitment.

We have partnerships with Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) to help expand access to banking and credit to underserved communities. Since 2020, Citi and Citi Foundation have provided \$1.2 billion in capital and \$115 million in grants to CDFIs and MDIs.

We continue to build upon our track record of active engagement with MDIs to help them to scale and expand into new markets. Since I last testified, the number of equity investments in MDIs increased from 11 to 13, bringing our total dollar amount of investments to \$48 million. We provided an additional \$1.8 billion in loans and syndication opportunities across the franchise with MDIs. We launched an Executive Loan Program where qualified senior Citi executives are selected as secondees and work with our MDI partners to lead high-priority projects and lines of business. We also created a learning institute that provides downloadable, on-demand and in-person financial training from Citi Subject Matter Experts.

Fair lending is a top priority for us. We are deeply sorry and apologize to the Armenian American community that we recently fell short of our fair lending expectations with respect to certain credit card applications. We found a small number of employees were not following Citi policy and have taken action to make things right and prevent any recurrence.

Commitment to Those Who Served

Citi has a great appreciation for our country's military, and we honor the sacrifices they and their families make in service. Veterans are highly valued members of our diverse culture, and they bring a unique skill set grounded in character that includes resourcefulness, teamwork, follow through and calm under pressure. Citi maintains programs to help support eligible active servicemembers with benefits and protections, in accordance with applicable law.

On Veterans Day, we announced improvements to our Veteran Affairs Loan Program to provide an even better offering for eligible military borrowers. The new features are reduced origination fees and removal of some credit overlays, including the prior cap on loans at \$1 million.

Additionally, Citi Salutes is our employee inclusion network that promotes the recruitment, retention, engagement and empowerment of Veteran and military talent, including spouses, at Citi. The network includes close to 4,000 Citi colleagues in 17 chapters across the U.S. and UK. In 2023, Citi was recognized as a top employer for Veterans by both Military Times and Forbes,

and we will continue to promote the empowerment of the Veteran community at Citi and beyond.

Data Security and Privacy

Citi respects its customers' privacy and is committed to keeping customer data confidential and secure in accordance with applicable laws, rules and regulations in the countries in which we operate. We value the trust that our customers place in us to safeguard their personal information and to use it appropriately in providing the services for which they rely on Citi. Citi's global privacy principles articulated in our policies and standards are rooted in transparency, choice, fairness and security. Those principles require that personal information only be collected and used as necessary for the performance of the services offered and for the purposes disclosed.

Citi offers customers choices about how their personal information may be collected, used and shared, including choices relating to marketing or reviewing and correcting information, consistent with applicable law. Citi maintains a globally applicable privacy program with which its businesses must comply. We require all personnel to take privacy and security training and have robust controls to identify and manage privacy and ensure that consumers remain at the center of our privacy practices. Security is integral to privacy. Recognizing the increasingly challenging cybersecurity risk landscape, Citi employs a threat-focused, data-driven strategy to protect against, detect, respond to and recover from cyberattacks.

We actively participate in industry, government and cross-sector knowledge-sharing groups to enhance our resilience and inform best practices. Led by Citi's Chief Information Security Officer and Information Security Office, Citi also devotes significant resources to implement, maintain, monitor and regularly upgrade our systems and networks.

Responsible Approach to Artificial Intelligence

Citi has been using Artificial Intelligence (AI) for years to assist in cyber protection and to help in credit scoring and other tasks. We take particular care to review and test all our AI models prior to use, in line with official guidance, including the 2011 joint Model Risk Management guidance from the FRB and OCC. Additionally, our model review process confirms that models are reviewed for potential bias and provide appropriate explainability, as required.

We were one of the first companies four years ago to create a set of AI Ethical Principles, which incorporate privacy and data rights, to guide our use of AI. We have established a dedicated, firm-wide Center of Excellence for Artificial Intelligence to develop best practices and help set standards for AI and machine learning (ML) in our products and services. In response to the evolving technological landscape and the expanded capabilities of AI, Citi continues to enhance our internal processes and further strengthen our risk and control functions, through an expanded, multi-stakeholder risk and controls structure to ensure that Citi's AI applications are safe, responsible and consistent with our AI Ethical Principles. Newer types of AI like the 'large language models' or 'generative AI' that have come to the forefront this year are expected to help us improve developer productivity and test for software vulnerabilities before putting our code in production. These newer types of AI are not currently being used for credit-scoring

or other applications that affect the products available to customers. Our AI risk and controls structure includes representatives from the Office of Fair Lending, Privacy Office, Chief Information Security Office, Legal, Enterprise Architecture and Model Risk Management, who in their totality provide a rigorous vetting process and multi-perspective review of Citi's AI/ML applications to help mitigate bias and potential discrimination risks.

Additionally, AI technologies are built into a number of cybersecurity tools used across Citi to enhance security controls and processes. Identification of malicious emails and attachments, endpoint and network anomaly detection and user-behavior analysis are all existing capabilities of cybersecurity tools based on machine learning techniques. All of these capabilities help secure Citi data. The addition of advancements in generative AI will introduce new and innovative solutions into our technology.

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Thank you for the opportunity to speak about the work we're doing to support the resilience of American consumers and businesses.

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APPENDIX

Approach to Consumer Fees

We treat our customers fairly and design fees with that principle in mind. Citi offers a wide range of financial products to a wide range of consumers. We are transparent about pricing, and regularly review fees to keep them transparent, competitive and fair.

In some cases, we've eliminated fees entirely. Citi is proud to have eliminated overdraft and non-sufficient fund fees and to have reduced more than 20 fees for our retail bank and card customers over the last two years.

In other cases, we believe fees are necessary to provide high quality products and access to as many customers as possible. A more detailed breakdown of fee revenue is included in page 18 of our most recent 10-K, which lists the revenue details in our former Personal Banking and Wealth Management (PBWM). The consumer fees are included in the PBWM chart, which includes non-interest revenue and net interest income. At the end of the day, we want our customers to be able to select the products that work best for them.

Citi Financials

The table below shows Citi's FY 2022 and 3Q 2023 balance sheet, capital and leverage ratios and annual dollar value of dividends, stock buybacks and other capital distributions.

<i>(\$ in billions)</i>	<u>FY 2022</u>	<u>Q3 YTD 2023</u>
Total Assets	\$2,417	\$2,368
Total Deposits	\$1,366	\$1,274
Total Equity	\$201	\$210
Common Equity Tier 1	\$146	\$156
Tangible Common Equity	\$158	\$166
Supplementary Leverage Ratio	5.8%	6.0%
Common Equity Tier 1 Ratio (Standardized Approach)	13.0%	13.6%
Revenue, net of interest expense	\$75.3	\$61.0
Net Income	\$14.8	\$11.1
Preferred Dividends	\$1.0	\$0.9
Value of Common Dividends	\$4.0	\$3.0
Stock Buybacks	\$3.3	\$1.5
RoTCE	8.5%	8.3%
Revenue Growth YoY	5.0%	6.0%
TBPS Growth YoY	3.1%	8.0%

Derivatives: In 3Q23, Citi had Derivative Mark-to-Market Net Receivables of \$64.8 billion and Net Payables of \$43.8 billion.

Lending to Non-Bank Financial Institutions: In 3Q23, Citi had \$93.1 billion in loans to non-bank financial institutions.

Lending to Asset Managers and Funds: In 3Q23, Citi had \$22.0 billion in total credit exposure to Asset Managers and Funds.

Leveraged Lending: Citi has had a conservative approach to the leveraged finance market. More information on our current and future approaches is available in our publicly disclosed Investor Day documents.

Repo Market Business: A description of our Repo Market Business can be found on pages 114-116 of the 3Q23 10Q at <https://www.citigroup.com/rcs/citigpa/storage/public/Citi-3Q23-10-Q-FINAL.pdf>.

Custody and Asset Management: In 3Q23, Citi's Securities Services managed \$23.0 trillion in assets under custody and administration, of which Citi provided both custody and administrative services to certain clients related to \$1.8 trillion of such assets. Securities Services provides cross-border support for clients with extensive on-the-ground local market expertise, innovative post-trade technologies, customized data solutions and a wide range of securities services solutions that can be tailored to meet clients' needs.

The activity we support in these areas plays an important role in market functioning by providing sources of liquidity for various market participants and enabling the efficient allocation of capital. Our direct clients may be other financial institutions or large corporates, but the beneficiaries of these offerings are many, including the customers and employees of these institutions that benefit from a lower cost of funding or materials. Certain markets, such as the repo market, also serve an important function in helping the Federal Reserve to conduct monetary policy that has a large and direct impact on the economy.

Approach to Climate and Energy

As a bank, we approach climate and energy from a business perspective. We believe that the transition to a low-carbon economy is important to our business and presents an opportunity to grow our business by helping our clients. As we support this transition, we continue to be mindful of energy security and affordability. These priorities are not mutually exclusive from the priorities of the transition to a low-carbon economy.

Over the past three years, Citi has financed and facilitated \$348.5 billion towards our \$1 trillion in sustainable finance by 2030. More information on that commitment can be found at <https://www.citigroup.com/global/news/perspective/2021/citi-commits-1-trillion-to-sustainable-finance-by-2030>.

This year, we set additional 2030 interim emission reduction targets in our loan portfolio. We have been engaging with our clients to understand and assess their approach to climate transition, so that we can understand where they are in their transition journey and identify advisory and financing opportunities. Our fourth Task Force on Climate-related Financial Disclosures Report can be found at [taskforce-on-climate-related-financial-disclosures-report-2022.pdf](https://www.citigroup.com/taskforce-on-climate-related-financial-disclosures-report-2022.pdf) (citigroup.com).

Approach to Compliance

We promote a culture of compliance and take seriously our duty to operate consistent with the law and the expectations of our regulators. Maintaining a strong culture of compliance does not mean we will never make mistakes. To that end we maintain a governance and compliance structure to help us identify mistakes when people make them, learn from experience, and hold ourselves accountable. We are similarly committed to addressing shortcomings identified by our regulators and, since last year, reached public agreements with the SEC, CFTC and CFPB to address their concerns and, where appropriate, provided customer remediation to make things right.

PREPARED STATEMENT OF RONALD O'HANLEY
CEO, STATE STREET
DECEMBER 6, 2023



Hearing Before the Senate Committee on Banking, Housing, and Urban Affairs
"Annual Oversight of Wall Street Firms"
December 6, 2023

Testimony of Ronald P. O'Hanley
Chairman and Chief Executive Officer, State Street Corporation

Chairman Brown, Ranking Member Scott, and members of the Committee, thank you for inviting me to testify today.

I am proud to serve as State Street's CEO since 2019, and Chairman since 2020, a position I assumed after a long career in the asset management industry.

To start, I need to be clear on what State Street is not. We are not a consumer bank, a commercial bank, a mortgage bank, or an investment bank. We do not serve individual customers directly, and we have no retail branches.

What we are is highly focused on two lines of business: investment servicing and investment management.

Our investment servicing business, which includes custody and related services, enables our clients to invest and execute investment transactions daily in markets across the globe in a safe and efficient manner. Our Global Markets division is a leading provider of liquidity, financing, and research solutions for the same institutional investor client base.

Our investment management division, State Street Global Advisors, is a pioneer in indexing and quantitative investing, creator of many of the industry's first ETFs, and the world's fourth largest asset manager. Our investment solutions span the entire risk-return spectrum, and cover all major asset classes across geographies, investment styles, and vehicles. Our low-cost, diversified investment products are the building blocks of savings and investment across the world, including for 32 million defined contribution pension participants in the United States.



Both business lines have the same corporate purpose: to create better outcomes for the world's institutional investors and the people they serve.

Our direct clients are institutions across the globe --- pension funds, mutual funds, central banks, sovereign wealth funds, endowments, foundations, and insurance companies: holders of assets for the benefit of individuals, such as retirees, savers, or students.

I would like to focus a bit today on my very strong view of the value and importance of custody banks.

Quite simply, strong, effective custody, combined with innovation in the asset management industry, is the backbone of our democratized capital market, providing investors access in a secure and cost-effective manner to the investment products they need to meet retirement and other financial goals.

The safekeeping custody banks provide ensures investor assets are held and accounted for where and how they should be. This has not always been the case.

From the collapse of investment trusts in the 1930s, to the failure of the Studebaker pension fund in 1963, to the misappropriation of the Mirror Group pension prior to Robert Maxwell's death in 1991, to the Madoff scandal uncovered in the late aughts --- investors are put at risk when there is no proper custody of assets. In contrast, proper custody regulation --- the Investment Company Act of 1940, ERISA, and the UK Pension Act of 1995 and its successors, for example --- coupled with the enormous investments in technology by today's custody banks has produced a modern-time near perfect track record of safekeeping assets.

The recent events around FTX, which did not use bank custodians, demonstrate that more remains to be done to protect investors' assets and the financial system. In the emerging digital finance space, a comprehensive, effective regulatory framework is not yet in place, and the consequences are clear.



State Street is subject to the highest levels of regulation and supervision. We are well-capitalized --- both stressed and unstressed. Our balance sheet is conservatively positioned to deliver liquidity when our clients need it. We are subject to extensive resolution and recovery plans. We are a proven source of stability for capital markets and our customers in times of stress.

Despite the challenges of COVID, and the banking stress earlier this year --- the eight GSIB banks before you have done their jobs exceedingly well --- partnering with regulators during COVID and the SVB/First Republic crises, and providing stability to our financial system. I am proud of State Street's strong performance over these stressful periods.

Going forward, I do have some concerns.

The geopolitical environment is complex and unpredictable. The U.S. and global economic recovery is uncertain as we all navigate higher interest rates and debt levels.

And the financial services regulatory environment in the U.S. is in flux, in many cases with unclear goals.

From a State Street perspective, I am most concerned with the U.S. banking regulators' capital proposal, which I fear could negatively impact the U.S. economy by limiting bank credit extension and impairing the ability of U.S. banks like State Street to continue to provide high quality custody and asset management services.

I am also concerned by the SEC's proposed "safekeeping" rule, which, with no clear rationale, challenges some of the foundational elements of custody banking and in effect destroys the low-cost, near perfect service now provided to investors.

I am hopeful these proposals can be adjusted, for if not they create risk of negative economic, market, and individual outcomes going forward.



I look forward to our dialogue today.



Appendix -- Additional Data Requested by the Committee

State Street size, capital, and related data

Total assets: \$268 billion

Capital and leverage ratios (Q3 2023)

- CET1 capital ratio: 12.2%
- Tier 1 risk-based capital ratio: 14.0%
- Total risk-based capital ratio: 15.3%
- Tier 1 leverage ratio: 5.8%

Net Income, Dividends and Capital Distributions:

- 2022 Net Income: \$2.8 billion
- Year to date 2023, State Street returned a total of \$3.928 billion of capital, including \$3.3 billion in share repurchase and \$628 million on common stock dividends.

Consumer and Small Business

State Street does not provide housing, mortgage, consumer, or small business banking services.

Our engagement with our community does include support for small businesses owners. For example, State Street is a lead sponsor and founding member of Small Business Strong, a non-profit that provides online resources and personalized consulting services to Massachusetts small businesses (particularly women and minority owned) free of charge. Since its creation, Small Business Strong has helped nearly 2,000 Massachusetts small businesses.

While we do not provide mortgages, we do make significant investments in affordable housing. For example, over the past two years, State Street has committed \$280M in new capital for affordable housing projects (and over \$1.4B since the financial crisis).

Consumer Data Privacy

State Street's Global Privacy notice can be found here: [Global Privacy Notice | State Street](#)

Size and Scope of Custody and Asset Management Activities

State Street is one of the world's largest custodial banks and asset managers, holding assets and providing investment servicing and investment management services to institutional investors, including pension funds, mutual funds, insurance companies,



foundations, endowment and investment managers, mutual funds, and other collective investment pools.

As of September 30, 2023, the bank held \$40.2 trillion in assets under custody and administration. Our asset management arm, State Street Global Advisors, held \$3.69 trillion in assets under management. State Street operates in 28 countries, serving more than 100 geographic markets.

Community Reinvestment

State Street has received “outstanding” Community Reinvestment Act ratings each year, dating back to 2003.

As a custody bank and asset manager, we do not provide the consumer and commercial lending that is often the focus of CRA activity. Instead, as a wholesale bank, State Street 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;
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.

Risk Excellence and Compliance with Laws and Regulations

State Street is committed to risk excellence and compliance with all laws and regulations.

Our commitment to risk excellence is articulated to employees in our Standard of Conduct, which can be found here: <https://investors.statestreet.com/corporate-governance/standards-of-conduct/default.aspx>

In response to the Committees’ letter, since 2021, no public enforcement actions have been initiated against State Street.

Diversity, Equity, and Inclusion

State Street is committed to developing an environment that offers equal opportunities to individuals with distinctive backgrounds and unique perspectives. Our inclusive and diverse culture defines who we are.

Our overall approach to diversity, equity, and inclusion can be found here:



<https://www.statestreet.com/us/en/individual/about/our-people/global-inclusion-diversity-equity>

An assessment of our progress towards meeting our diversity goals can be found here:
<https://www.statestreet.com/in/en/asset-manager/about/our-people/global-inclusion-diversity-equity/diversity-goals>

Workforce Data

U.S. workforce (YE 2022): 12,114

Global workforce (YE 2022): 42,000

Minimum wage paid to full time employees in the U.S.: \$20/hour or \$41,600/year.

CEO/median compensation YE 2022: 374/1

(see https://investors.statestreet.com/files/doc_financials/2023/ar/Final-2023-Proxy-Statement.pdf for further details)

PREPARED STATEMENT OF ROBIN VINCE
CEO, BNY MELLON
DECEMBER 6, 2023



Statement of Robin Vince
President and Chief Executive Officer
The Bank of New York Mellon Corporation

Before the United States Senate Committee on
Banking, Housing, and Urban Affairs
December 6, 2023

1. Introduction

Good morning, Chair Brown, Ranking Member Scott and Members of the Committee. Thank you for the opportunity to testify before the Committee; I welcome today's focus on financial stability.

My name is Robin Vince, and I have had the honor of serving as President and Chief Executive Officer of BNY Mellon for just over one year – a responsibility I take seriously given our role at the heart of the financial system. My appreciation for this position has only grown as I get to know our rich history, our clients, our people and our company's culture. BNY Mellon strives to build a strong, competitive United States banking system that serves customers, strengthens communities and preserves U.S. economic leadership.

Throughout our nearly 240-year history, we have played an integral role in U.S. and global capital markets, investing substantially in both market resiliency and innovation. I look forward to sharing more about our company and the opportunities we see to work across the private and public sectors to support an even more robust and resilient financial sector.

2. Our History

BNY Mellon is the nation's oldest bank, founded by Alexander Hamilton in 1784. Today, we are the oldest continuously operating company in the City of New York. BNY Mellon was established to help support New York's economic growth and attract foreign investment in America's earliest days as a new nation. To do so, it first had to establish its credit as a financial institution by being liquid, transparent and solvent. These tenets have guided our development and growth as an institution and remain core to our business model today.

Finding solutions has led to a number of firsts for BNY Mellon in the U.S. economy. We provided the first loan to the U.S. government after the Revolutionary War; we were the first company listed on the New York Stock Exchange; and we provided essential financing to major infrastructure projects, from the Louisiana Purchase to the Erie Canal and the transnational railroads to the New York City Subway system.

More recently, BNY Mellon was one of the first financial institutions to install computers and use an electronic system for clearing government securities. These actions – taken for granted today – were financial innovations at the time that have played a part in helping the U.S. become the world's predominant economic force.

Over time, BNY Mellon built its institutional trust and custody business and left retail consumer banking.¹ We are proud of the historic partnership that BNY Mellon has had with the U.S. financial system and aim to build upon that in our business today.

3. Our Business Today

Today, we are a global financial services company with over 50,000 employees operating in 35 countries. We partner alongside our clients, putting our expertise and platforms to work to enable them to achieve their financial goals.

Our business strategy is led by client choice. We are where our clients want to be, and we have the scale and capacity to support their goals across the investments, communities and countries they want to be in. Our global clients range across governments, pension funds, mutual funds, unions, endowments, corporations and financial services firms. These clients all have different needs and play different roles in the global economy, and we provide the services to help put their money to work – keeping it safe, moving it and managing it.² We are proud of the trust our clients place in us, and of our role in helping them achieve their financial objectives, no matter their size, scale or complexity.

We have a different business model compared to a traditional retail, commercial or investment bank.³ Our core business is to provide custody and other services to institutions – not retail consumers.⁴

BNY Mellon has three primary business segments: Securities Services, Market and Wealth Services, and Investment and Wealth Management.⁵ These segments allow us to serve the end-to-end investment lifecycle, acting as a single point of contact for clients looking to create, trade, hold, manage, service, distribute or restructure investments.

Our Securities Services segment is composed of our Asset Servicing, Corporate Trust and Depository Receipts businesses. This segment includes our core custody services: the safekeeping, recordkeeping and servicing of assets on behalf of our clients and their clients. In this role, we provide administrative functions, including the processing of payments, client reporting, fund administration and accounting services. We also offer a range of services to help our clients issue and administer securities, including trustee and reporting services.

Our Market and Wealth Services segment includes a number of industry-leading businesses. The first is Pershing, whose platform provides access to clearing, settlement and other services for broker dealers and registered investment advisors. The next is our Clearance and Collateral Management business which plays a central role in supporting U.S. Treasury markets. Our Treasury Services business includes our payments platform, which offers

clients the ability to process payments across multiple payment rails, including FedNow and Real-Time Payments networks.

Finally, our Investment and Wealth Management segment comprises our asset management business and a private bank that serves individuals, families, family offices and non-profits. BNY Mellon has a multi-firm investment management business, which gives clients choices to invest in an array of asset classes and strategies through a variety of vehicles depending on their needs.

4. Building Resiliency

We believe that the global financial system, and particularly the eight U.S.-based GSIBs, are stronger today as a result of the safeguards put in place over the past 15 years. I can confidently say that BNY Mellon is even more resilient than it was a decade ago, with strong capital⁶ and liquidity positions; cyber, technology, and data privacy protections⁷; and controls to comply with applicable laws⁸. We appreciate that our success depends on careful planning, strong risk management and prudent decision making.

While BNY Mellon has a nearly 240-year history and leading market positions, we do not take them for granted. We understand that we must be prepared to operate through different market conditions. There will be challenges, and we need to understand how to detect, prevent, defend and recover from stresses and disruptions. This is what we mean by resiliency. It is a core concept and a shared goal among our clients, regulators, and other stakeholders. It is embedded in our business strategy, our robust risk management framework and our culture at BNY Mellon.

We have a proven track record of evolving through challenging times and supporting the market through cycles – including over two centuries of conflicts, depressions and pandemics. The strength and stability of our balance sheet and infrastructure is a core component of the value that we provide to our clients and markets.

Financial Resiliency

BNY Mellon is keenly focused on financial resiliency: having enough capital and liquidity resources on hand to weather unexpected market stress. Our fee-based business model combined with our highly liquid, low credit-risk and well-capitalized balance sheet allow us to serve clients through market cycles. As such, we have a strong track record as one of the most highly rated banks,⁹ and clients consistently look to us as a dependable provider during market disruptions. The market outlook remains uncertain today. We remain in the preparedness business, managing our balance sheet conservatively with a high proportion of cash and short-duration, liquid assets to adjust for different conditions.

We ended 2022 with strong capital levels, above regulatory requirements and above our more stringent BNY Mellon-established internal management targets. Over the past two years, even amid a dynamic operating environment, we meaningfully reduced the duration and

improved the liquidity profile of our securities portfolio while keeping over 60% of the book available-for-sale to provide flexibility to meet changing conditions.

BNY Mellon takes a deliberate approach to returning capital to shareholders and aims to pay a steady, growing dividend.¹⁰ We supplement with share repurchases, which afford us the flexibility to manage through the cycle and navigate prudently in times of stress. We calibrate the amount and pace of our buybacks to maintain our more conservative capital buffers, mindful of the continued uncertainty in the operating environment.¹¹

Operational Resiliency

Another part of being prepared is operational resiliency: having the technology, people, and processes in place to respond to cyber-attacks, conflicts and other events that may disrupt operations.

This starts with strong governance. At the corporate level, we have a well-established Crisis Management Team and Crisis Management Board for when decisions require immediate escalation. In addition, BNY Mellon established BNY Mellon Government Securities Services with its own independent board to oversee enhanced resiliency of the U.S. Government securities settlement and tri-party repo business.

It also requires investments, preparations and practice. BNY Mellon takes an all-hazards approach to recover from different types of disruptions, from cyber to pandemic to human error. We regularly test our business continuity and cyber response plans to practice and improve, often in coordination with industry and government partners. We invest heavily in our cyber, technology, data privacy and resiliency infrastructure to provide a strong and secure foundation, enabling us to provide continuity of service through a range of market conditions. In the past five years alone, BNY Mellon has invested over \$1 billion in technology designed to provide critical operations through disruption, and we project to spend about \$3.7 billion on technology this year.

The past few years were real-life stress tests of these capabilities. We managed through record deposit increases, payment volumes and volatile markets, and helped administer several U.S. Government crisis programs, all the while adjusting to a work from home environment globally in March 2020. This is a testament of our “always on” business model.

Workforce Resiliency

We could not do any of this without our people. I want to commend our more than 50,000 employees who do the hard, day-to-day work to keep our company and global markets working.

This is why our leadership team has taken steps to foster a spirit of ownership and well-being. Equity ownership in our company is an important way to make these connections real. Earlier this year, we granted ten shares of BNY Mellon stock to employees who otherwise would not receive stock as part of their compensation.

This program has benefitted more than 45,000 employees and allowed many of them to become first-time participants in the capital markets that we helped pioneer, and they help serve. This reflects our effort to ensure BNY Mellon remains a top destination for talent and our commitment to invest in our collective long-term success.

We have also made several changes to our pay and benefits. Last year our median employee pay was over \$70,000 globally and over \$100,000 in the United States.¹² Our minimum wage will increase to \$22.50 from \$20 per hour, effective in early 2024. This recognizes the higher costs of living and builds on prior increases. We expanded our healthcare benefits to include a zero-premium plan for employees earning less than \$75,000 annually, in addition to policies like caregiver leave and 16 weeks of paid parental leave. We also launched a new Wellbeing Support Program to provide more targeted, personalized and quicker access to mental health services.

5. Looking Forward

Still, we know we are not done. We must continuously adapt to new needs and address new risks as we plan and prepare for the future.

The global market outlook remains uncertain with persistent inflation, dynamic rates, and geopolitical challenges around the world. Against this backdrop, we continue to see confidence in the U.S. capital markets from clients around the world – in no small part due to the strength and stability of our financial institutions.

As we look ahead to the next few decades, the U.S. has an opportunity to set the standard for the rest of the world on the development and deployment of technologies set to transform our economy, namely AI and blockchain and distributed ledger technology. We are encouraged by recent focus on these topics and will continue to work with policymakers to build safety, security and trust into emerging technology solutions to maintain U.S. economic and technological leadership.

6. Finding Solutions

Clients have long trusted us to solve problems and drive the industry forward in a safe and responsible way. Deeply embedded in our culture and business capabilities is a commitment to the innovative spirit of our founder. That remains the driving force behind our legacy of industry firsts and continues to propel us into the future.

Looking forward and preparing, we need to continue to find solutions to emerging problems facing our clients and markets.

One area where we have consistently been a leader is the payments space. In our view, the goal of providing individuals and businesses of varying sizes across the U.S. with access to faster payments is mission critical and aligns with the future of the global financial markets.

BNY Mellon brought real-time payments to the U.S. market in 2017 and continues to expand upon these efforts in payments innovation, including as one of the first FedNow participants. We are proud to be a part of these efforts to increase efficiency and provide access to more choices for individuals and businesses. This provides more control over when and how payments are transmitted, adding transparency to transactions for both businesses and customers and reducing fraud by eliminating paper checks.

Another is in Treasury markets, the heart of the U.S. and global financial system. Treasury markets face a dynamic environment given quantitative tightening, rising rates, debt ceiling and government funding events, and significant regulatory changes.

Through it all, BNY Mellon is working on solutions to keep the market strong, safe and liquid. We have a unique vantage point to see across this ecosystem as the leader in U.S. Treasury securities settlement and collateral management. BNY Mellon provides settlement services for U.S. Treasury auctions, secondary trading and repo markets. Our collateral management services bring together market participants in the funding market to convert Treasury securities into cash every day. BNY Mellon is working with market participants on liquidity and risk management solutions to make this market more resilient. One is the use of AI and machine learning to analyze historical settlement flows and trade data. These tools allow BNY Mellon to identify anomalies, operational problems and potential settlement fails. By identifying these early signs, clients can then take steps to prevent errors and fails from happening in the first place.

7. Community Impact

Given our role and position in markets, we have a unique opportunity and obligation to leverage our platforms and expertise to expand access to capital, markets and technology for more people and communities. We continually look for ways to help build more resilient economies by collaborating and aligning with our clients and partners.¹³

Earlier this year we were the first GSIB to organize a debt issuance led entirely by minority-, woman- and veteran-owned financial institutions. This built upon groundwork we laid the prior year when eight veteran-owned broker-dealers participated in a \$750 million offering of senior bank notes. In working with our clients, we understood their expertise and capability, and they delivered on the opportunity.

In June 2023, we formed a strategic alliance with MoCaFi, a mission-driven fintech providing access to FDIC-insured bank accounts to un- and under-banked communities in the U.S. For BNY Mellon clients facilitating payments, this collaboration means giving these communities more and faster payment options at lower costs.

We are also working to leverage our position and leadership on FedNow to help connect more institutions and communities to the benefits of real-time payments. This will provide individuals with more control over the timing and method of their payments – a meaningful development especially for individuals living paycheck to paycheck. To help achieve this, we

are working to provide this service to MDIs like Optus Bank, a South Carolina minority depository institution and our protégé bank under the U.S. Treasury Department program. We have long worked with Optus to expand its capacity to serve its community through access to our payment platforms and services, including fraud protection.

This year, we launched SPARKSM shares, which empowers clients to align their investment objectives with philanthropic goals, whereby we contribute a portion of our revenue to an eligible non-profit of their choice.

Within our company, we strongly encourage employees to devote their time and expertise to community-focused work like pro bono volunteerism. To support these efforts, BNY Mellon has a robust employee giving and volunteer program with a variety of benefits like company matching for employees' donations to the charities of their choice and Paid Volunteer Time. We see these initiatives as benefiting the long-term health of our company and our employees.

Today, our philanthropic strategy is focused on building the workforce of the future, equipping young people from underserved communities with the skills and education needed to excel in careers in business, technology and STEM. We continue to work with educational and community partners to build diverse talent pipelines for the next generation of workers in technology and financial services. To support this effort financially, we funded 100% of a \$20 million multi-year commitment which provides, among other things, scholarships for first-generation students at institutions like the City University of New York and the Community College of Allegheny County.

8. Closing

We recognize our integral role in supporting a broad client set and global economies and will continue to use our businesses to provide value for our clients, shareholders, employees and communities.

We remain committed to empowering inclusive economies, a resilient financial system, and ultimately advancing the future of finance. I appreciate the opportunity to testify today, and I am happy to answer any questions you may have.

¹ [BNY Mellon About Us website](#).

² BNY Mellon's total assets under custody and/or administration was \$45.7 trillion as of September 30, 2023, \$44.3 trillion at the end of 2022 and \$46.7 trillion at the end of 2021. BNY Mellon's assets under management was \$1.8 trillion as of September 30, 2023, \$1.8 trillion at the end of 2022 and \$2.4 trillion at the end of 2021. BNY Mellon's total assets were \$405.2 billion on September 30, 2023, \$405.7 billion in total assets at the end of 2022 and \$444.4 billion in total assets at the end of 2021. [BNY Mellon 3Q 2023 10-Q Report](#), [BNY Mellon 2022 Annual Report](#).

³ Information regarding our derivatives obligations, leveraged lending, lending to private equity, credit and hedge funds and repo market business is publicly available in our regulatory filings, including [BNY Mellon 3Q 2023 10-Q Report](#) and [BNY Mellon 2022 Annual Report](#).

⁴ We do not have retail branches or online retail banking presence, charge consumer overdraft fees or issue credit cards. We are evaluated as a "wholesale" or "limited purpose bank" under the Community Reinvestment Act by the [Federal Reserve](#) and the [Office of the Comptroller of the Currency](#).

⁵ Additional information regarding our business segments is publicly available in the [BNY Mellon 2022 Annual Report](#).

⁶ As of September 30, 2023, BNY Mellon's Common Equity Tier 1 ("CET1") capital ratio was 11.4%; its Tier 1 capital ratio was 14.4%; its total capital ratio was 15.2%; its Tier 1 leverage ratio was 6.1%; and its supplementary leverage ratio was 7.2%. As of year-end 2022, BNY Mellon's CET1 capital ratio was 11.2%; its Tier 1 capital ratio was 14.1%; its total capital ratio was 14.9%; its Tier 1 leverage ratio was 5.8%; and its supplementary leverage ratio was 6.8%. As of year-end 2021, BNY Mellon's CET1 capital ratio was 11.2%; its Tier 1 capital ratio was 14.0%; its total capital ratio was 14.9%; its Tier 1 leverage ratio was 5.5%; and its supplementary leverage ratio was 6.6%. [BNY Mellon 3Q 2023 Form 10-Q Report](#), [BNY Mellon 2022 Annual Report](#).

⁷ Information related to BNY Mellon's data privacy standards and practices can be found at [BNY Mellon's website](#).

⁸ Since 2021, we have resolved two matters with the SEC. One regarding the sale of certain municipal bonds, the other concerning disclosures relating to certain ESG-related funds.

⁹ BNY Mellon's ratings are publicly available at [BNY Mellon Investor Relations website](#).

¹⁰ In 3Q 2023, BNY Mellon earned \$1.3 billion in pre-tax income and paid a total of \$333 million in cash dividends. In the first nine months of 2023, BNY Mellon repurchased 45.8 million common shares for a total of \$2.2 billion. In 2022, BNY Mellon earned \$3.3 billion in pre-tax income, paid \$1.42 in cash dividends per common share and repurchased 2.0 million common shares for a total cost of \$124 million. In 2021, BNY Mellon earned \$4.6 billion in pre-tax income and paid a total of \$1.1 billion in cash dividends. [BNY Mellon 3Q23 Financial Highlights](#), [BNY Mellon 3Q 2023 10-Q](#), [BNY Mellon 2022 Annual Report](#).

¹¹ In 2020, BNY Mellon and our GSIB peers voluntarily paused buybacks during the pandemic to conserve capital and support the economy. This year, we expect to return 100% of earnings or more over the full-year 2023 through dividends and buybacks.

¹² For 2022, the ratio of CEO annualized total compensation to median employee estimated annual total compensation was approximately 159 to 1. [2023 Proxy Statement](#).

¹³ Information regarding BNY Mellon's public commitments may be found in the [BNY Mellon 2022 ESG Report](#).

BNY Mellon Supplemental Financial Data

	3Q 2023	2022 Year End	2021 Year End
Common Equity Tier 1 Capital Ratio	11.4%	11.2%	11.2%
Tier 1 Capital Ratio	14.4%	14.1%	14.0%
Total Capital Ratio	15.2%	14.9%	14.9%
Tier 1 Leverage Ratio	6.1%	5.8%	5.5%
Supplementary Leverage Ratio	7.2%	6.8%	6.6%
Pre-Tax Income	\$1.3 B	\$3.3 B	\$4.6 B
Dollar Value of Cash Common Stock Dividends Paid	\$333 M	\$1.1 B	\$1.1 B
Dollar Value of Common Stock Repurchases	\$450 M	\$124 M	\$ 4.6 B

Source: [BNY Mellon 3Q 2023 Form 10-Q](#), [BNY Mellon 2022 Annual Report](#)

PREPARED STATEMENT OF DAVID SOLOMON
CEO, GOLDMAN SACHS
DECEMBER 6, 2023

Testimony of David M. Solomon
Chairman and Chief Executive Officer of Goldman Sachs
Before the U.S. Senate Committee on Banking, Housing, and Urban Affairs

Chairman Brown, Ranking Member Scott and members of the Committee, I appreciate the opportunity to testify before you today.

Overview of Goldman Sachs

Goldman Sachs is a leading global financial institution that delivers a broad range of financial services to a large and diversified client base. Our clients include pension plans and retirement funds, endowments and foundations, large and small businesses, financial institutions, governments, start-ups, charities, nonprofits and individuals. Founded in 1869, we are headquartered in New York and maintain offices in all major financial centers around the world. Over the course of more than 150 years we have evolved considerably from a small enterprise to a global leader in investment banking, securities and trading and investment management.

We have offices in over 50 cities in the United States and in over 35 countries around the world. Our primary bank subsidiary, GS Bank USA, is headquartered 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.

Goldman Sachs sits at the center of the U.S. capital markets, which form the bedrock of our financial system and underpin America's innovation and economic dynamism. These markets are the engine that drive investment, facilitate capital flows and fuel economic expansion. In fact, 75% of debt financing for U.S. businesses and state and local governments is conducted through our capital markets.¹

Specifically, at Goldman Sachs, we advise companies on buying and selling businesses, raising capital (including through initial public offerings) and managing risks, which enables them to innovate and grow through acquisitions or divestitures. We help local, state and national governments finance their operations so they can invest in infrastructure such as schools, hospitals and roads. Additionally, in a complex and interconnected global economy, businesses face numerous financial risks ranging from currency fluctuations and commodity price volatility to interest rate variations and credit risk. With our global reach, we help our corporate or institutional clients (such as pension funds and other asset managers) manage risk in all key financial markets, including equities, bonds, currencies and commodities so that capital flows, jobs are created and economies can grow.

Moreover, we help ensure our capital markets remain efficient and liquid, so investors and companies can meet their needs, whether to invest, raise capital or manage risk. Specifically, through our activities within the capital markets, we facilitate the buying and selling of financial instruments, ensuring fair prices and efficient market functioning. The liquidity we provide allows investors to enter and exit positions with ease, which simultaneously attracts more participants, thereby deepening the cycle of capital markets and enhancing general investor confidence.

We also preserve and grow assets for institutions, including mutual funds, pension funds and foundations, as well as individuals. We invest our capital in private companies to help them grow their business and increase employment. We provide advisory solutions, including financial planning and counseling, and manage assets for individuals. We provide transaction banking and other services, including cash management services such as deposit-taking and payment solutions for corporate and institutional clients. And we accept consumer deposits and issue credit cards through partnership arrangements.

¹ SIFMA, 2023 Capital Markets Fact Book 6 (July 2023), available at <https://www.sifma.org/wp-content/uploads/2022/07/2023-SIFMA-Capital-Markets-Factbook.pdf>.

A detailed description of our global banking business, asset & wealth management business and consumer and small business portfolios is below.

Global Banking & Capital Markets Activities

As a general matter, our capital markets activities include underwriting, client transactions, market making and client financing. Goldman Sachs underwrites public offerings and private placements, including local and cross-border transactions, and provides acquisition financing of a wide range of securities and other financial instruments to a diverse group of corporations, financial institutions, investment funds and governments. We provide strategic advice with respect to mergers and acquisitions, divestitures, corporate defense activities, restructurings and spin-offs and equity and debt underwriting of public offerings and private placements. We also facilitate client transactions and make markets in fixed income, equity, currency and commodity products with institutional clients, such as corporations, financial institutions, investment funds and governments. In addition, we make markets in and clear institutional client transactions on major stock, options and futures exchanges worldwide and provide prime financing (including securities lending, margin lending and swaps), portfolio financing and other types of equity financing. We also provide various forms of financing to corporate clients globally.²

Asset & Wealth Management Activities

In our Asset & Wealth Management business, we manage assets and offer investment products across all major asset classes to a diverse set of clients, both institutional and individual. We also provide investing and wealth advisory solutions, including financial planning and counseling, and executing brokerage transactions for wealth management clients. We also make equity investments, which include investing activities related to public and private equity investments in corporate, real estate and infrastructure assets, as well as investments through consolidated investment entities, substantially all of which are engaged in real estate investment activities. In general, we do not make investments in rental housing, with the exception of a few single-family rental investments in the United States.

Consumer and Small Business Portfolios

Over the last year, we have significantly narrowed our ambitions for our consumer strategy. We currently provide consumer products through our digital banking platform, *Marcus by Goldman Sachs* (Marcus), and through partnerships with Apple and General Motors. Through Marcus, we offer a high-yield savings account and certificates of deposit. Through our partnerships, we offer consumer credit cards such as the Apple Card, and we accept deposits through a savings account offered to Apple Card users. Across the majority of our products, we do not charge fees. With regard to active-duty military members, we lower their interest rates to 4% for Apple Card and GM Card, which is lower than the maximum interest rate of 6% for servicemembers per the Servicemembers Civil Relief Act.

We do not offer mortgage products to consumers, except as an accommodation to existing private wealth clients and certain employees. We also do not offer retail consumer checking accounts and therefore do not charge overdraft fees.

Goldman Sachs does not have a significant small business portfolio. We offer credit to certain small businesses under two discrete programs. Under the first program, we provide revolving lines of credit to sole proprietors and small businesses organized or domiciled in the United States and its territories for their business purposes. The only fee charged on these accounts is a late fee. Under the second program, we have a General Motors co-branded portfolio of small business credit card accounts. This second program does not have any fees except for industry standard late fees.

Workforce

As of the end of Q3 2023, we had 45,900 employees, with 50% based in the United States, in addition to contractors and contingent workers who work globally. We pay competitive levels of total compensation to our employees based on the roles they perform and the markets in which we operate, and our

² See pages 35–36, 41, 43, 53–55 and 126–128 of the Goldman Sachs Q3 2023 [Form 10-Q](#) for publicly available aggregate data on our derivatives obligations, leveraged lending, lending to private equity, credit, hedge funds and repo market business.

minimum compensation levels in the United States exceed \$15 per hour. In accordance with SEC rules, we calculated and disclosed the ratio between my FY 2022 compensation, and the median of the 2022 compensation of all of our other employees. For 2022, this ratio was approximately 211.1.

Goldman Sachs Remains Well-Capitalized

We can facilitate the above client activities because of the strength of our balance sheet and our resiliency. As a result of Dodd-Frank and other reforms, today the U.S. financial system is substantially safer and more resilient against failure or disruptions in critical services than it was prior to the financial crisis. The largest financial institutions, including Goldman Sachs, are more able to withstand stress events and are also ultimately more resolvable without threatening the financial system or needing government support, consistent with Dodd-Frank's resolution plan requirements. We have significantly more capital and usable total loss-absorbing capacity (TLAC), which could be converted to equity in the event that our equity capital falls below the regulatory required minimums. We have also reduced the percentage of our liabilities that consist of short-term wholesale funding, while at the same time significantly increasing the percentage of our assets consisting of cash and other high-quality liquid assets since prior to the enactment of these reforms.

Additionally, since 2009, we have devoted substantial resources across our 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 believe that resolution plans have become considerably more sophisticated as they have evolved over the past decade to effectively safeguard taxpayers from the failure of the largest U.S. banks, as we meet our internal requirements and demonstrate to our regulators that we have robust capabilities, an appropriate legal structure and sufficient levels of capital and liquidity to facilitate an orderly wind-down.

There has been a significant change to the firm's balance sheet and risk profile since the financial crisis, reflecting decreased risk and complexity. Specifically, since the end of 2007 and as of the end of Q3 2023, at Goldman Sachs:

- Our common equity is nearly 3x in absolute terms (from \$40 billion to \$106 billion); as of Q3 2023, our common equity tier 1 ratio was 14.8% under both the Standardized approach and the Advanced approach.
- Our gross leverage has decreased by 49% (26.2x to 13.4x).
- Our TLAC (i.e., loss-absorbing long-term debt and equity instruments) was 41.5% of our risk-weighted assets as of Q3 2023, exceeding our minimum requirement of 22.0%.
- Our Liquidity Coverage Ratio is 125% average and our Net Stable Funding Ratio is 117% average, both exceeding our minimum requirements of 100%.
- Our average liquidity pool has increased more than 5x in absolute terms (from \$64 billion to \$406 billion) and increased more than 3x as a percentage of our average total assets (from 6% to 26%).
- Our deposit funding has increased approximately 27x (from \$15 billion to \$403 billion) and increased 12x as a percentage of our funding sources (from 3% to 36%).
- Our Level 3 assets, which are illiquid, have decreased by more than 50%.

In addition, the Federal Reserve's stress tests have consistently confirmed that all of us here have sufficient capital to withstand a severe global recession. As an example, the scenario has included a 50% decline in equity prices within a year in addition to a separate global market shock that also features a dramatic instantaneous decline in equity prices. We have also served as a source of strength to the economy in times of real stress—during the European debt crisis, throughout the pandemic, the Ukraine

war and regional bank failures. For these reasons, Federal Reserve Chair Powell,³ Treasury Secretary Yellen⁴ and countless other government officials of both political parties have repeatedly stated that the largest banks are strong and well-capitalized, prudentially sound and resilient.

Concerns with Basel III Endgame Proposal

Despite all of the above, and without any indication that the largest U.S. banks are under-capitalized, the U.S. banking agencies have proposed a new set of capital rules referred to as the Basel III Endgame. Following the financial crisis, these rules were conceived to create a common set of international capital standards, without raising the aggregate amount of capital. However, the U.S. proposal does exactly the opposite: it is significantly more stringent than any other jurisdiction, and it would increase our capital requirements by about 25%.

Federal Reserve Chair Jerome Powell acknowledged this issue in his statement on the Basel proposal, noting that "the proposal exceeds what is required by the Basel agreement and exceeds as well what we know of plans for implementation by other large jurisdictions."⁵ Similarly, European Central Bank Supervisory Chair Andrea Enria said "[Under U.S. rules], requirements would be significantly higher for the European G-SIBs."⁶

Although this increase in capital is a result of a number of over-calibrations throughout the proposal, we want to highlight one of the issues that is particularly punitive to capital markets activities. The proposal nearly doubles the capital for market making activity. These higher requirements are layered on top of the global market shock discussed above, without any consideration for how they interact, resulting in a significant double count. As a result, banks will need to hold capital twice for the exact same risks associated with market activities.⁷

In his public dissent regarding the Basel proposal, Governor Waller expressed a similar concern: "It is not clear to me why our large banks should face a further roughly 70 percent hike in market risk capital requirements, on top of the existing post-crisis requirements to address risks in the trading book, including market risk capital requirements plus the stress test. And I worry that doing so could discourage those banks from engaging in certain market making activities, which could impede market functioning."⁸

This has a particularly negative impact to capital markets functioning. As of the third quarter, the institutions most impacted by this proposal accounted for two-thirds of both lending and capital markets

³Jerome H. Powell, Federal Reserve Chair, Statement on request for comment on proposed rules to strengthen capital requirements for large banks (July 27, 2023), <https://www.federalreserve.gov/newsevents/pressreleases/powell-statement-20230727.htm> ("The U.S. banking system is sound and resilient, with strong levels of capital and liquidity."); Jerome H. Powell, Federal Reserve Chair, Statement at Federal Open Market Committee Press Conference (March 22, 2023), <https://www.federalreserve.gov/mediacenter/files/FOMCpressconf20230322.pdf> ("Our banking system is sound and resilient, with strong capital and liquidity."); Testimony of Jerome H. Powell, Federal Reserve Chair, Hearing Before the House Committee on Financial Services, 117th Cong., 2nd Sess. at 36 (June 23, 2022) ("Basically, the financial markets have been functioning well, and the banking system, in particular, is very strong, well-capitalized."); <https://www.govinfo.gov/content/pkg/CHRG-117/hrq46333/pdf/CHRG-117/hrq46333.pdf>.

⁴Janet L. Yellen, U.S. Treasury Secretary, Transcript of Treasury Secretary Janet Yellen on "Face the Nation" (March 12, 2023) ("What I do want to emphasize is that the American banking system is really safe and well-capitalized, it's resilient."); <https://www.cbsnews.com/news/janet-yellen-face-the-nation-transcript-03-12-2023/>.

⁵Jerome H. Powell, Federal Reserve Chair, Statement on Proposed Capital Rules (July 27, 2023), <https://www.federalreserve.gov/newsevents/pressreleases/powell-statement-20230727.htm>.

⁶Andrea Enria, Chair of the Supervisory Board of the ECB, Speech at the EUROFI 2023 Financial Forum organised in association with the Spanish Presidency of the Council of the EU (Sept. 14, 2023), https://www.bankingsupervision.europa.eu/press/speeches/date/2023/html/ssm_sp230914~c6c0be0cc6.en.html.

⁷Governor Bowman similarly noted concern with this double counting. "The proposal "introduces new regulatory redundancies, as with changes to the market risk capital rule, credit valuation adjustments, and operational risk that overlap with stress testing requirements and the stress capital buffer." Michelle W. Bowman, Governor of the Federal Reserve Board, Joint Press Release (July 27, 2023), <https://www.federalreserve.gov/newsevents/pressreleases/bowman-statement-20230727.htm>.

⁸Christopher J. Waller, Governor of the Federal Reserve Board, Joint Press Release (July 27, 2023), <https://www.federalreserve.gov/newsevents/pressreleases/waller-statement-20230727.htm>.

activities in the U.S.⁹ In addition, since 2010, U.S. banks have underwritten 70% of equity financing and 60% of U.S. dollar public debt financing.¹⁰

Real changes need to be made to address this over-calibration, or we risk a serious impact on financial institutions' ability to raise and lend money for companies as well as assume risk on behalf of pension funds, mutual funds and other investors. We believe this will negatively harm the American economy without making the U.S. financial system safer.¹¹ In fact, a recent study by Oliver Wyman found that the U.S. proposal has two winners—foreign banks and nonbanks—and four losers—large U.S. banks, market liquidity, Main Street America and climate transition.¹²

First, we believe the cost of providing credit to our clients like manufacturers and food producers, pension funds, mutual funds, insurance companies, small businesses and energy companies will increase. These costs will likely get passed on to consumers, resulting in higher transportation costs, increased home energy bills, reduced returns on retirement plans and higher food prices. For example, it would quadruple our capital requirements for clean energy tax equity projects and would increase our capital eight times for important transactions that we enter into with pension funds to improve their returns for retirees.

Second, we believe the competitiveness of the U.S. capital markets will be hurt. Our capital markets are the deepest and most liquid in the world. A goal of every financial center in the world is to take market share from America's capital markets. Unfortunately, the U.S. regulators decided not to provide the same flexibilities that the European regulators provided in their Basel rule and instead have proposed much more punitive capital measures. As a result, small businesses and large companies will likely look to European banks for cheaper sources of financing.

Third, we believe the proposal will further drive credit and lending activity outside of the regulated banking sector into the nonbank sector. As more activity moves into parts of the market that regulators have far less visibility into, we could see a buildup of risks that could ultimately lead to financial shocks.

We intend to comment robustly on this rule, and we are actively engaging with regulators on it. Systemic financial stability is critical to the functioning of the U.S. economy, and we should ensure that we are only taking actions that enhance the capacity of financial institutions to support our economy and provide demonstrable systemic benefit.

Investing in Our Communities

Goldman Sachs has been investing and lending in underserved communities for the last 22 years. Our investments address racial, wealth and opportunity gaps across a broad spectrum of impact areas. We view these investments as an opportunity to catalyze economic opportunity and strengthen communities.

⁹ FDIC Quarterly Banking Profile (Q3 2023), <https://www.fdic.gov/analysis/quarterly-banking-profile/index.html>.

¹⁰ Since 2010, U.S. banks have underwritten 70% of overall U.S. Dollar Equity Capital Markets issuance, 60% of overall U.S. Dollar investment grade bond issuance, and 60% of U.S. Dollar high yield bond issuance. Sources: Dealogic, Bloomberg.

¹¹ Former Federal Reserve Bank of New York President Bill Dudley noted similar concern: "Equity costs more than deposits or subordinated debt, so banks and their securities units will pass that on in the form of higher lending rates, higher trading costs and reduced market liquidity. It's hard to see how the benefit of greater resilience will outweigh such costs." Bill Dudley, Opinion, *Bigger Financial Cushions Won't Solve Banks' Woes*, WASH. POST, Sept. 11, 2023, <https://www.washingtonpost.com/business/2023/09/11/the-fed-s-bank-capital-proposal-isn-t-the-right-answer/?hpid=hp-top-news-business%3Ahomepage%2Fstory&hpid=hp-top-news-business%3Ahomepage%2Fstory&hpid=hp-top-news-business%3Ahomepage%2Fstory>.

¹² OLIVER WYMAN & MORGAN STANLEY, INTO THE GREAT UNKNOWN (Nov. 2023), <https://www.oliverwyman.com/content/dam/oliver-wyman/v2/publications/2023/nov/Morgan-Stanley-Oliver-Wyman-Wholesale-Banking-Report-2023.pdf>.

Within Goldman Sachs, our Urban Investment Group (UIG) invests \$2–3 billion dollars annually in support of affordable housing development and preservation, early childcare and education, community health centers and hospitals, access to healthy food, energy efficiency and electrification upgrades and support for small businesses. UIG addresses emergency community needs during crises by responding with inclusive and flexible lending capital. The team has a comprehensive approach to community development by making direct investments in communities which allows us to stay closely aligned with community needs and community stakeholders directly impacted by our investments.

To date, UIG has committed more than \$19 billion in loan and investment capital to revitalize communities across the country. Since UIG was founded, our investments have spanned 120 cities in 50 states addressing critical community needs and providing capital for over 37,000 small businesses and supporting the creation and preservation of over 160,000 housing units—the majority of which are affordable to low-, moderate- and middle-income families. Approximately 70% of UIG's investments are located in or serve minority communities.

Since the beginning of 2022, we have deployed more than \$4.7 billion nationwide in affordable housing loans and investments. Notable transactions include:

- \$454 million joint venture equity to finance the acquisition and preservation of a multifamily portfolio comprising 10,474 majority affordable housing units across 90 assets located in Texas, Illinois, Indiana, Wisconsin, Florida, South Carolina, Kentucky and New York.
- \$265 million tax credit investment and letter of credit to build 436 units of affordable housing in East Brooklyn. Goldman Sachs partnered on this transaction with Phipps Houses, New York's largest and oldest nonprofit housing developer. The development will have 66 units set aside for formerly homeless households and includes community facility space for local nonprofit organizations.
- \$125 million in tax credit and debt investments to finance the development of a 154-unit, senior independent living affordable housing development in the Bronx, New York. This is a joint venture between Goldman Sachs, Pembroke Residential Holdings and Asland Capital, a Black-led developer.
- \$75 million investment with the National Affordable Housing Trust (NAHT) to establish the Black Developers Initiative Affordable Housing Fund, which will finance high-quality affordable housing across the country sponsored by Black-led developers, with a focus on Black women developers.
- \$12 million tax credit investment to finance the new construction of a 212-unit mixed-income multi-family residential development in Atlanta, Georgia. The development site is within the Atlanta University Center District, which includes five historically Black college campuses, including Morehouse, Spelman and Clark Atlanta University.

Goldman Sachs Partnerships with CDFIs and MDIs

Through our lending partnerships with Community Development Financial Institutions (CDFIs), Minority Depository Institutions (MDIs) and mission-driven lenders, we provide access to capital for small businesses, student loans for high-achieving low-income undergraduate students and affordable auto loans to address workforce transportation barriers. Given their long track record of serving small businesses in low-income and minority communities, partnering with and helping build infrastructure for CDFIs has been core to our small business lending efforts. Since 2010, we have committed more than \$2.3 billion to more than 30 CDFIs to support access to capital for underserved small businesses across all 50 states.

In 2022, Goldman Sachs committed \$20 million in lending capital to the CDFI, Low Income Investment Fund (LIIF) to create and preserve childcare facilities co-located with affordable housing and other community resources. Over 92% of the early childhood programs LIIF supports are owned or operated by women of color who are challenged in securing the financing that is needed to build new childcare facilities or expand and improve existing program spaces.

Also in 2022, Goldman Sachs committed \$20 million to the CDFI Grameen America to fund microloans as part of its Elevate Black Women Entrepreneurs initiative which offers affordable loan capital, business development training and asset- and credit-building tools to improve emerging Black women's income, credit scores and personal savings.

In January 2023, in partnership with New York City, we launched the NYC Small Business Opportunity Fund which is the largest public-private loan fund for small businesses in New York City. The \$75 million fund is expected to serve 1,500 small businesses with intentional outreach to BIPOC and women-owned businesses located in low-and moderate-income communities. The fund allows small business owners across the five boroughs of New York City to apply for loans ranging from \$2,000 to \$250,000 priced at a below market fixed interest rate of 4%, regardless of loan size. A portion of the fund targets early-stage businesses with fewer than two years of operations. The fund is also building the capacity for eight nonprofit CDFIs that are originating the small business loans across the city.

10,000 Small Businesses Program

Through our *10,000 Small Businesses program*, launched in 2010, we deliver a comprehensive business education to small businesses by partnering with more than 100 community colleges and business support service providers. This program has helped entrepreneurs grow their businesses with results-oriented business training, access to capital and personalized support services. More than 14,500 businesses have graduated from the program, employing over 245,000 people and driving more than \$17 billion in annual revenue. I am particularly proud that Goldman Sachs is one of the largest private contributors to community colleges in the United States. In 2020, we announced an additional \$250 million commitment to the program to serve 10,000 more entrepreneurs. To date, the Program has deployed more than \$1.6 billion in loan capital in the United States, reaching 37,000 small business owners.

Additionally, in September 2023, we launched a \$100 million *Investment in Rural Communities* through the Program. The \$100 million commitment will provide comprehensive support to rural and native owned small business owners and includes \$75 million to CDFIs, \$15 million to fund the *10,000 Small Businesses* education program and \$10 million in access to capacity building grants. The initiative is expected to reach over 800 rural small business owners across 20 states over the next 5 years. In October, we announced a \$20 million lending commitment to the CDFI Hope Enterprise Corporation based in Jackson, Mississippi, to support a broader group of eight smaller CDFIs located throughout the South providing small business loans and technical assistance in rural communities.

Our commitment to, and investments in, CDFIs and MDIs are at the core of our strategy to facilitate access to capital and technical assistance to underserved small businesses and a key pillar of our *10,000 Small Businesses* program. At the launch of this program, we committed \$300 million in lending capital and grant support for CDFIs, MDIs and other mission-driven lenders. Through this investment and partnerships, we have been able to build the capacity of CDFIs across the country, including enabling them to expand to new markets, launch new lending programs and develop the tech infrastructure that many of them were able to leverage during the pandemic to deliver capital and technical assistance to small businesses at scale at a critical time.

One Million Black Women

Building on our history of investing significant capital in Black communities through our 10,000 Small Businesses program and our Urban Investment Group, we launched an investment initiative called *One Million Black Women*. In partnership with Black women-led organizations and other partners, we will commit \$10 billion in direct investment capital and \$100 million in philanthropic support to address the

dual disproportionate gender and racial biases that Black women have faced for generations, which have only been exacerbated by the pandemic.

One Million Black Women has, in part, been shaped through research, including a report, *Black Womenomics*, published by Goldman Sachs Investment Research. The research shows that Black women are one of the most marginalized groups in the country, and if we can reduce the earnings gap for Black women, we would see U.S. GDP increase by \$450 billion a year. We believe if we can narrow opportunity gaps for Black women, we will narrow opportunity gaps for all groups and drive economic progress for the country as a whole.

Our investments will focus on increasing opportunity at key moments in Black women's lives, whether by supporting the creation and preservation of affordable housing, expanding access to quality healthcare, modernizing daycare and primary school facilities in Black communities or providing access to capital to grow a business, among other things. As of Q1 2023, we have committed more than \$2.1 billion of investment capital and more than \$23 million in grant capital to 137 organizations. Notable investments include:

- A \$7.5 million investment in CareAcademy, a Boston-based online platform that provides training solutions to home healthcare companies and upskills healthcare direct care workers. Home healthcare companies utilize CareAcademy's platform to train newly-hired caregivers to meet licensing requirements and provide experienced caregivers with new skills. The company has significantly increased incomes for over 40,000 caregivers to date.
- A \$20 million investment in Laurel Street, a Black-woman led real-estate firm to develop South Meadows, a mixed-use project in Rome, Georgia. The project will increase the number of affordable housing units in the area and host a new early learning center. This project is part of Goldman Sachs's \$75 million investment with the National Affordable Housing Trust to establish the Black Developers Initiative Affordable Housing Fund, which finances high-quality affordable housing across the country sponsored by Black-led developers, with a focus on Black women developers.
- A \$44.8 million investment to fund the acquisition and rehabilitation of an 8-building, 276-unit affordable housing community located in the Crenshaw neighborhood of Los Angeles, California. The project will be developed by ETHOS Real Estate, a Black-woman-led real estate investment firm, which also offers in-house acquisitions, asset management and development capabilities.
- A \$13 million investment to finance the expansion of On the Road, a nonprofit and CDFI that originates auto loans, provides vehicle selection assistance and financial mentoring to remove transportation barriers for low- and moderate-income individuals. 79% of On the Road's clients are Black and 71% are women. On the Road Lending also operates an apprenticeship program for the collision and smart car repair industry to boost earning potential of participants.

This effort cannot succeed without advice and counsel from the broadest range of Black voices possible, so we have created a new advisory council of prominent Black leaders from a wide range of fields including Dr. Ruth Simmons (President, Prairie View A&M University), former Secretary of State Condoleezza Rice, Dr. Valerie Montgomery Rice (President and Dean, Morehouse School of Medicine), Rosalind G. Brewer (former CEO of Walgreens), Bill Bynum (CEO, Hope Enterprise Corporation and Hope Credit Union), Marc Morial (President and CEO, National Urban League) and Darren Walker (President, Ford Foundation). There has never been an investment of this size focused on Black women, and we are proud to bring people together in this historic effort.

Investing in Our People

Delivering on our diversity and inclusion commitments and aspirations, in every aspect of the work we do at our firm, continues to be a top priority. 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, disability and socio-economic status. Increasing the diversity of our people is a business imperative and is essential to our ability to serve our clients, generate long-term value for our shareholders and contribute to our broader communities. A core part of my tenure as CEO will be defined by our progress on this front and that we should have a company that represents the clients, regions and communities we serve.

We are focused on driving accountability and transparency in these efforts and ensuring we have impact not only on the people of Goldman Sachs but also in the communities where we operate. Our annual People Strategy Report provides a comprehensive overview of our approach to attracting, developing, retaining and rewarding our diverse talent. In fact, the people of Goldman Sachs represent 180+ citizenships and 150+ languages spoken. The Report also outlines how our managers and senior leaders support our diversity and inclusion initiatives, including in their roles on our global, regional and divisional diversity committees. Our active employee Inclusion Networks also contribute to our overall strategy and results.

Board Diversity

We have been, and will continue to be, committed to diversity on our Board. Our Governance Committee aims to develop a Board that reflects diverse viewpoints, backgrounds, skills, experiences and expertise. Our Board includes five Directors who are women, two Directors who are Black and one Director who is of Indian heritage. Overall, our Board is 54% diverse based on race, gender and sexual orientation.

Increasing Diverse Representation

Serving a broad and diverse set of clients effectively means reflecting their different experiences, interests and values. In 2019, we set aspirational goals along with a comprehensive action plan that aims to increase diverse representation at all levels of our business. Each year we voluntarily publish our U.S. Equal Employment Opportunity-1 Component 1 data, and our latest submission shows that 43% of our U.S. population are women, 8% are Black and 10% are Hispanic/Latinx. We are making progress and we recognize there is more work ahead of us.

Through this consistent and persistent focus, we have attracted more diverse talent to Goldman Sachs, and in 2023, our global new analyst, summer analyst and associate classes were each composed of 51% women. Our recently promoted Managing Director class is 31% women, 31% Asian, 4% Hispanic/Latinx and 2% Black. Additionally, our 2022 Partner Class, which are our firm's most senior leaders, included the highest percentage of women partners (29%) and Black partners (9%) in our history. Our Management Committee includes 9 women (29%). While measuring representation is important, understanding sentiment around belonging is key to driving inclusion which is why I personally meet with diverse partners and employees at the firm to understand their feedback, ideas and experience first-hand.

In addition, we continue to identify ways to create access to the people, opportunities and culture of the firm through our various diversity recruiting programs. Building upon our long-standing commitment to developing and recruiting students from Historically Black Colleges and Universities (HBCUs), we launched in 2021 a \$25 million commitment to HBCUs over five years. To date, we have executed \$15 million of that commitment.

The commitment is tied to the *Market Madness: HBCU Possibilities Program*, which provides four-months of training in finance fundamentals to students at HBCUs. Students receive in-depth training, mentorship from Goldman Sachs professionals, a \$10,000 stipend and the ability to participate in a final case study competition with grand prizes ranging from \$250,000 to \$1 million in grants for their institutions. Our goal is to double the number of campus analysts that the firm recruits from HBCUs by 2025.

We have also embraced our responsibility as a leader in our industry to promote change. In 2020, we began a new policy to underwrite initial public offerings for those companies domiciled in Western Europe and the United States only if they have at least one diverse board member. The feedback we've received

from clients and investors has been overwhelmingly positive, and in 2021 we raised that figure to two. To date, we have helped place 98 candidates across both private and public company boards: 90% women and ~40% ethnically diverse.

Promoting the Use of Diverse Contractors and Vendors

Our firm has a long history of working with small and diverse businesses as part of our vendor diversity program, which began in 2000 and seeks to drive opportunities with small and diverse 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, when constructing our global headquarters in New York, which opened in 2009, we spent more than \$300 million with minority- and women-owned businesses, which was the most successful project in the history of New York State's Minority- and Women-Owned Business Enterprise Program at the time.

Our procurement processes promote the inclusion of small and diverse-owned businesses in competitive bids and encourage our larger, non-diverse vendors to do the same. We are broad in our approach to vendor diversity—it's not just women-owned or ethnic minority-owned businesses, but we also include disability-owned, LGBTQ+-owned and veteran-owned and small businesses in our program and efforts.

In 2022, we spent more than \$450 million with small and diverse vendors. This represents a 70% increase from our 2020 baseline (\$265 million), exceeding our goal of a 50% increase by 2025 and bringing our cumulative spend to over \$1 billion in just three years. We have increased the proportion of our supply chain spend with small and diverse vendors from 5% to 7%.

We have set a new goal for 2025: to spend a further \$1.5 billion with small and diverse vendors over the next three years. In addition, we continue to partner with our *10,000 Small Businesses Program*, *10,000 Women* and *One Million Black Women* initiatives, among others, to identify small and diverse vendors for upcoming sourcing opportunities. We remain committed to holding ourselves and our vendors accountable in our efforts to increase opportunity for small and diverse businesses.

Veterans

Goldman Sachs employs approximately 1,200 professionals globally with military experience with approximately 500 working in in the Americas. Our Veterans Network consists of over 5,000 members globally, with approximately 3,200 members in the Americas region. The Network exists to drive impact through the power of diverse perspectives, ensuring all veterans thrive at Goldman Sachs and contribute to moving our firm, communities and industry forward. In addition, we provide a range of employment benefits to support our veteran and reservist community including:

- Military Service Leave: We comply with the Uniformed Services Employment and Reemployment Rights Act. Under our policy, when military service necessitates absence from work, active employees are eligible to receive their base pay (as adjusted for any reduced schedule) for up to a maximum of 12 months cumulatively over the entire course of employment with us. We also provide full benefits continuation, on the same terms, where possible, while the employee is on an approved military leave.
- Reserve Duty Leave: If reservists or members of the National Guard are required to attend an annual training period or similar activity, we will pay an employee's full salary rate for the period of training.
- Family Care Leave: We offer four weeks of paid leave during any rolling 12-month period in connection with care of family members relating to any military deployment.

Investing in Sustainability and a Transition to a Green Economy

At Goldman Sachs, we have a long-standing client-centric approach to sustainability. We view climate transition and inclusive growth as key drivers of both risk and opportunity for our clients and our firm. And, while the climate transition has become more challenging recently with current geopolitical tensions, energy supply shocks and tighter monetary policy, sustainability continues to be a priority for Goldman Sachs and our clients. I am proud of our established track record of focusing on environmental matters. In 2005, we were one of the first U.S. banks to adopt a comprehensive environmental policy, acknowledging the scientific consensus that climate change is real and that it is one of the most significant challenges of the 21st century.

In 2019, we developed our Sustainable Finance Framework and announced our firmwide 10-year, \$750 billion sustainable finance commitment to support the increasing demand for sustainable finance solutions across our financing, investing and advisory work with clients. Since setting this 10-year commitment, we have achieved approximately 55% of our 2030 target¹³, representing \$425 billion in commercial activity including \$215 billion in climate transition. This progress demonstrates the strength of our client-centric sustainable finance strategy and our ability to direct capital toward solutions necessary to help our clients achieve their sustainability objectives.

At the same time, we are also focused on managing our own carbon footprint. We have been carbon neutral across our own operations and business travel since 2015, and we have since expanded our carbon neutrality commitment to include our supply chain, targeting net zero carbon emissions by 2030. We also have a net zero financing commitment and have set Paris-aligned interim 2030 goals for several sectors where we see an opportunity for Goldman Sachs to help support the energy transition.

At Goldman Sachs, we have long believed the transition to a more sustainable economy would be a complex, decades-long effort. To support that transition, more risk capital must be invested in developing new, clean technologies, especially for industrial sectors such as energy, transport and heavy industry. With fossil fuels still accounting for 82% of global energy mix in 2022,¹⁴ the world has yet to fully transition to renewable energy. Goldman Sachs will continue to support companies in hard-to-abate sectors to help ensure affordable, reliable and secure energy and economic growth as emerging technologies continue to develop and scale. In fact, our *Carbonomics* research team estimates that, to provide affordable energy while also pursuing decarbonization, the energy industry will need \$1 trillion more in annual capital expenditures through 2026, compared to what it spent during the final years of the past decade.

Given this reality, we will continue to support our clients in the energy sector as they transition their businesses with innovative sustainability-linked bond financings and large acquisitions and financings in biofuels and renewables. We will also continue to advise, finance and invest in businesses creating new technologies needed for the climate transition such as grid-scale battery storage and production of negative or low-carbon natural gas fuels such as biomethane that can support the transformation of the world's energy supply. In addition, we will continue to work with the public sector to support climate financing in emerging markets, including through the blended finance facility we developed with Bloomberg Philanthropies and the Asian Development Bank to catalyze \$500 million of investment in low carbon solutions in South and Southeast Asia.

¹³ As of December 31, 2022.

¹⁴ ENERGY INST., 72ND EDITION OF THE STATISTICAL REVIEW OF WORLD ENERGY (2023). <https://www.energinst.org/statistical-review>.

Consumer Data Privacy Practices

Consumer privacy has long been a priority at the firm and is an area of ongoing focus. In 2022, we established a Global Privacy Office and appointed a Chief Privacy Officer in Compliance. We have a privacy program to comply with applicable privacy laws and regulations around the world. With respect to the consumer business, we have processes and procedures to address privacy regulatory obligations that arise out of relevant legislation, including the Gramm Leach Bliley Act, the Fair Credit Reporting Act, the California Consumer Protection Act, the CAN-SPAM Act and others. Our consumer privacy practices include providing transparency through privacy notices, offering privacy choices required under applicable law, having controls associated with sharing personal data with unaffiliated third parties and conducting formal privacy risk assessments as required under applicable law.

In addition, we take seriously our obligations to secure our customers' personal data. For example, to protect consumer information in Marcus, we enforce identity and access controls, encrypt customer and other sensitive data, as well as maintain a mature third-party risk management program. Marcus also requires multi-factor authentication before customers can access their accounts.

Use of Novel Technology

We continue to believe that technological innovation is fundamental to the advancement of our business and our industry. From digital assets to generative AI, technological innovations are changing our businesses and presenting us with new opportunities to better serve customers and markets.

Goldman Sachs has a long history of technology innovation that powers various businesses, including leveraging machine learning and artificial intelligence. As the age of Generative AI begins, we are focused on three key initiatives: enabling business growth and enhancing our client experience; improving our developer & engineering teams' productivity; and increasing our operating efficiency. Operating in a highly regulated industry, the firm is taking a considered and deliberate approach to the potential implementation of any new technology, including Generative AI. Our initial Generative AI testing always mandates our team members take a "hands-on-the-wheel" approach. To this end, the firm has established a global firmwide AI governance process, in order to ensure potential risks, including risks of discrimination, are appropriately assessed and managed before any Generative AI technologies are rolled out beyond a testing phase.

We are also actively exploring ways that blockchain technology can improve financial markets, enhance our operational efficiencies and better serve our clients. Our dedicated digital assets team, along with cross-functional resources throughout the firm, are focused on the potential of tokenization to bolster the efficient movement of collateral across, and increase liquidity within, the financial markets; the use of digital money throughout financial services; and increased operational efficiencies, accessibility, cost savings and transparency. We are also working with policymakers and regulators around the world as they continue to learn and develop guardrails for these new technologies. We continue to believe that a strong regulatory framework is needed to maintain safe and sound markets, but we also think there needs to be a level playing field so banks can continue to innovate and compete with new, under-regulated entrants.

Goldman Sachs Y/E 2022 & Q3 2023 Capital and Leverage Ratios, Profits and Capital Distributions

CET1 Capital Ratios and SLRs			
	As of:	Y/E 2022	Q3 2023
Standardized CET1 Ratio		15.0%	14.8%
Advanced CET1 Ratio		14.4%	14.8%
SLR		5.8%	5.6%

Net Earnings, Preferred Dividends, Common Share Repurchases, and Common Dividends (\$ in millions)			
	For the period ended:	FY 2022	Q3 2023
Net Earnings		\$11,261	\$2,058
Preferred Dividends		\$497	\$176
Common Share Repurchases		\$3,500	\$1,500
Common Share Dividends		\$3,203	\$937

Compliance with Applicable Laws

Goldman Sachs is committed to a legal and compliance framework that decisively addresses issues as they arise, and which also is intended to identify issues that are to come. We acknowledge that we have been party to enforcement actions by federal agencies, including actions by the CFTC and SEC in 2023, and we believe it is our obligation to be self-reflective and self-critical in response. We thus continue to strengthen firm controls, processes and culture to help ensure compliance with all applicable laws and regulations that govern us.

We recognize that industry risks continue to evolve, so we will never be done enhancing our compliance program and reputational risk framework. We will continue making enhancements to ensure appropriate controls are in place to minimize the risk of conduct that violates applicable laws or impacts our reputation. In that regard, in the last few years, we have made significant enhancements to our compliance and internal controls, including, for example:

- broadening our supervisory oversight in the businesses;
- establishing a firmwide market conduct risk framework;
- redesigning our framework for addressing reputational risk;
- strengthening anti-bribery and anti-corruption controls for intermediaries and third parties;
- implementing a range of additional surveillance tools, many based on new technologies, to monitor trading activities and detect any employee misconduct; and
- ensuring our employees understand the firm's expectations that they are responsible for living up to our core values and complying with the law, including by uplifting and relaunching our Code of Business Conduct and Ethics and by improving firmwide employee training on compliance responsibilities.

We strive to hold ourselves to the highest standards, through a culture rooted in integrity, shaped by a long-term mindset and guided by a sense of personal accountability and responsibility for our actions.

PREPARED STATEMENT OF JAMES P. GORMAN
CEO, MORGAN STANLEY
DECEMBER 6, 2023

Prepared Statement

Chairman Brown and members of the committee, thank you for having me here. It has been over two years since we appeared before this committee.

In 2021, we were still battling an extraordinary public health crisis. The economy was supported with monetary and fiscal stimulus, and inflation was low. A lot has changed since then. While inflation has receded from its highs, the macroeconomic environment continues to be complex. We are also witnessing considerable geopolitical challenges today.

The economy has been resilient in the face of higher interest rates. While the consumer has benefited from savings, corporate America is assessing the impact of the higher rate environment on its businesses. We continue to engage with all our clients – both institutional and individual – in helping them navigate the economic uncertainties that might lie ahead.

In our Institutional business, we help advise private companies and public sector entities to meet their financing needs – including raising equity and debt capital to fund and grow their business or invest in public infrastructure, ultimately contributing to the growth of the economy. We assist pension funds, mutual funds and other financial institutions trade and manage their assets.

In our Wealth and Asset Management businesses, we are managing nearly \$6.2 trillion of assets for individuals and households, as well as institutions like endowments and pension funds that manage the retirements of our public employees. For millions of U.S. households, our services help families save money for retirement, or for college or for a mortgage to build home ownership.

Through our businesses, we originate, manage and distribute capital within the economy, thus contributing to the economic growth that brings prosperity to all Americans.

The U.S. banking system remains strong and is the envy of the world. Large U.S. banks have undergone a dramatic change in their capital and liquidity profile since the financial crisis 15 years ago, when the U.S. government acted decisively and quickly in implementing the Dodd-Frank and CCAR reforms. As we saw earlier in the year, the crisis among some regional banks in the spring was quickly averted by prompt regulatory action, and with the strength and support from the large U.S. banks. We were pleased to be one of the 11 banks that together provided \$30 billion in uninsured deposits to First Republic. It was gratifying, after being part of the problem in the 2008 financial crisis, to have the financial strength and stability to be part of the solution.

Current proposals to put additional capital requirements on the largest U.S. banks – commonly called the Basel III Endgame – need to consider the full impact to the U.S. economy and the U.S. consumer. Regulations are only effective when they balance both the safety and soundness of the financial system, with the proper functioning of bank financing that spurs our economic growth.

Blanket increases in capital for the large U.S. banks – who already undergo rigorous stress testing each year and are required to maintain additional specific capital buffers – is wholly unnecessary. It will make credit more expensive and less accessible to consumers and businesses while harming the competitiveness of the U.S. economy and driving more activity to the less regulated parts of the financial services industry. As it stands, the proposal would increase the cost of capital and borrowing across the U.S. economy – not just to large corporations and small businesses, but also to pensions, municipalities, and endowments.

I hope the Federal agencies will be open to changes and will review the industry's comments thoughtfully.

As a global leader in financial services, we have a responsibility to the communities in which we operate. Many communities continue to experience social and financial challenges, and we are using our resources to help drive a more equitable and sustainable future for them.

We are also investing in broadening the diversity of our employees so that they reflect the demographics of the communities in which we live and work. We also continue to meaningfully invest in our culture and values for future generations. This is good for our employees, our clients, our business and our shareholders.

Morgan Stanley's employees are committed to helping companies, institutions and individuals access, manage and distribute capital to reach their financial goals. I am proud of the commitment they show to our clients and our communities every day.

Finally, in your letter dated Nov 6, 2023, you asked me to provide information on additional topics, which are included in the attached addendum.

Thank you again Chairman Brown and members of the committee. I look forward to your questions.

Addendum

1. [D]escribe the size, complexity, growth, and business model of your institution, including 2022 year-end and 2023 third quarter capital and leverage ratios, profits, and annual dollar value of dividends, stock buybacks, and other capital distributions.

a. Size

Morgan Stanley (the “Firm” or the “Company”) employed approximately 81,000 employees as of September 30, 2023—up from 68,000 at year-end 2020. Our employees live and work in 41 countries. In 2022, we reported approximately \$53.7 billion in net revenues and approximately \$1.2 trillion in total assets, as compared to approximately \$48.8 billion in net revenues and approximately \$1.1 trillion in total assets in 2020.

b. Complexity

No bank is too big to fail—including Morgan Stanley. One of the important lessons learned from the 2008 financial crisis is that while banks need to organize themselves to prevent the risk of failure, they also need to have coherent and credible plans to mitigate systemic risk in the event of failure. We have embedded recovery and resolution planning into our practices and believe that we have a credible strategy that demonstrates that the Firm can be resolved without adverse effects on financial stability in the United States or on the broader global economy.

Since the financial crisis, we have more than doubled the size of our Wealth Management business and have continued our strategy of maintaining a durable balance sheet and sources of revenue. Our Wealth Management and Investment Management businesses accounted for more than half of our net revenues at 2022 year-end.

As an example of risk mitigation, under Dodd-Frank, we are required to have a resolution plan, or “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 it less complex and ensure that the structure supports our resolution strategy.

We are required to submit a full resolution plan to the regulators every four years, with a mid-cycle update required two years into each four-year cycle. Our most recent submission was made by July 1, 2023, and our next mid-cycle update is required by July 1, 2025. We take resolution planning very seriously. Our senior management participates directly in the development of the plan and in challenge sessions internally and with regulators. Ultimately, our Board of Directors oversees and approves our resolution plan.

Our plan is based on a “Single Point of Entry” (“SPOE”) model. In the event that Morgan Stanley, as a company, were at the point of failure, our plan requires resources to be provided to our material entities so that they can complete a solvent wind-down or successful sales strategy without entering resolution proceedings. As a general matter, our plan contemplates a solvent wind-down—without taxpayer support—of our Institutional Securities business and

a successful sales strategy of our Wealth Management and Investment Management businesses.

c. Growth

Morgan Stanley has three business segments: Institutional Securities, Wealth Management and Investment Management.

Institutional Securities net revenues at 2022 year-end was approximately \$24.4 billion, which is lower than net revenue of approximately \$29.8 billion at 2021 year-end. This change was driven by the following: a decrease in investment banking revenues in 2022, primarily reflecting a reduction in underwriting revenues in line with market levels; a decrease in equity net revenues in 2022, reflecting a decrease in execution services driven by markdowns on certain business-related investments and lower levels of client activity amid challenging market conditions, partially offset by an increase in financing; and an increase in fixed income net revenues in 2022, primarily reflecting an increase in global macro products, which benefited from strong client engagement and increased client flow activity in an environment characterized by inflationary pressures, central bank actions and fiscal activity driving higher volatility.

Wealth Management net revenues at 2022 year-end was approximately \$24.4 billion, which is higher than net revenue of approximately \$24.2 billion at 2021 year-end. This change was driven by the following: a decrease in transactional revenues in 2022, primarily due to losses on investments associated with certain employee deferred cash-based compensation plans and lower client activity in equities; an increase in net interest revenues in 2022, primarily due to the net effect of higher interest rates and growth in bank lending; and relatively no change in asset management revenues in 2022, reflecting the impact of lower market levels offset by positive flows on fee-based assets.

Investment Management net revenues at 2022 year-end was approximately \$5.4 billion, which is lower than net revenue of approximately \$6.2 billion at 2021 year-end. This change was driven by the following: a decrease in performance-based income and other revenues in 2022, primarily due to lower accrued carried interest in certain private equity and real estate funds, losses on investments associated with certain employee deferred cash-based compensation plans and mark-to-market losses on public investments; and a decrease in asset management and related fees in 2022, reflecting the impact of the decline in the equity markets, partially offset by incremental revenues as a result of the Eaton Vance acquisition and the impact of lower fee waivers in certain money market funds.

d. Business model

Morgan Stanley is a global financial services firm that maintains significant market positions in each of its business segments: Institutional Securities; Wealth Management; and Investment Management. Morgan Stanley, through its subsidiaries and affiliates, provides a wide variety of products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals.

Institutional Securities provides a variety of products and services to corporations, governments, financial institutions and ultra-high net worth clients. Investment Banking

services consist of capital raising and financial advisory services, including the underwriting of debt, equity and other securities, as well as advice on mergers and acquisitions, restructurings and project finance. Our Equity and Fixed Income businesses include sales, financing, prime brokerage, market-making, Asia wealth management services and certain business-related investments. Lending activities include originating corporate loans and commercial real estate loans, providing secured lending facilities and extending securities-based and other financing to customers. Other activities include research.

Wealth Management provides a comprehensive array of financial services and solutions to individual investors and small to medium-sized businesses and institutions covering: financial advisor-led brokerage, custody, administrative and investment advisory services; self-directed brokerage services; financial and wealth planning services; workplace services, including stock plan administration; securities-based lending, residential real estate loans and other lending products; banking; and retirement plan services.

Investment Management provides a broad range of investment strategies and products that span geographies, asset classes, and public and private markets to a diverse group of clients across institutional and intermediary channels. Strategies and products, which are offered through a variety of investment vehicles, include equity, fixed income, alternatives and solutions and liquidity and overlay services. Institutional clients include defined benefit/defined contribution plans, foundations, endowments, government entities, sovereign wealth funds, insurance companies, third-party fund sponsors and corporations. Individual clients are generally served through intermediaries, including affiliated and non-affiliated distributors.

e. Capital and leverage ratios

We maintain robust capital, liquidity and funding positions to ensure that we can support clients' access to credit and capital markets at all points of the economic cycle, including in severely adverse markets.

Our capital adequacy is measured through regulatory capital standards adopted by the Federal Reserve Board ("FRB"). Our capital ratios have remained at very high levels throughout and after the pandemic. Specifically, as of September 30, 2023, our capital ratios were:

- 15.6% Standardized Common Equity Tier 1 ("CET1") ratio;
- 17.6% Standardized tier 1 capital ratio;
- 20.0% Standardized total capital ratio;
- 6.8% Tier 1 leverage ratio;
- 5.5% Supplementary Leverage Ratio ("SLR").

As of December 31, 2022, our capital ratios were:

- 15.3% CET1 ratio;
- 17.2% Standardized tier 1 capital ratio;
- 19.3% Standardized total capital ratio;
- 6.7% Tier 1 leverage ratio;
- 5.5% SLR.

f. Profits

Our net income¹ at 2022 year-end was approximately \$11 billion, down from net income of approximately \$15 billion at 2021 year-end. Our net income for the nine months ended September 30, 2023 is approximately \$8 billion, down from net income of approximately \$9 billion for the nine months ended September 30, 2022. Our net income for Q3 2023 is approximately \$2.4 billion, down from net income of approximately \$2.7 billion in Q3 2022.

g. Dividends, Stock buybacks, other capital distributions

Time Period	Common Stock Dividends (in millions)	Per Share amount (Common)	Preferred Stock Dividends (in millions)	\$ Value Common Stock Repurchased as part of Share Repurchase Program (in millions) ²	Total number of shares as part of Share Repurchase Program (in millions) ³	Total number of shares purchased (in millions) ⁴
2022	\$5,108	\$2.950	\$489	\$9,865	113.07	123.82
Q1 2023	\$1,305	\$0.775	\$144	\$1,500	15.76	23.02
Q2 2023	\$1,292	\$0.775	\$133	\$1,000	11.93	12.94
Q3 2023	\$1,404	\$0.850	\$146	\$1,500	17.13	17.59

2. Please include any publicly available aggregate data on your firm's derivatives obligations, leveraged lending, lending to private equity, credit, and hedge funds, repo market business, and describe the impact of those activities on the real economy.

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. Our participation in the global capital markets, including through our derivatives, leveraged lending, lending to private equity, credit, and hedge funds, and repo market businesses, helps drive the real economy, positively impacts society and touches the lives of individuals.

The Firm trades and makes markets globally in listed futures, over-the-counter (“OTC”) swaps, forwards, options and other derivatives referencing, among other things, interest rates, equities, currencies, investment grade and non-investment grade corporate credits, loans,

¹ References to “net income” represent net income applicable to Morgan Stanley.

² Reflects only the repurchase program and excludes shares acquired in satisfaction of tax withholding obligations related to stock-based compensation programs.

³ Reflects only the repurchase program and excludes shares acquired in satisfaction of tax withholding obligations related to stock-based compensation programs.

⁴ Includes both those acquired as part of the Share Repurchase Program and in satisfaction of withholding obligations.

bonds, U.S. and other sovereign securities, emerging market bonds and loans, credit indices, ABS indices, property indices, mortgage-related and other ABS and real estate loan products. The Firm uses these instruments for market-making, managing foreign currency and credit exposure and asset/liability management. At 2022 year-end, the notional amount of assets in our bilateral OTC derivatives contracts was \$7.7 trillion, in our cleared OTC derivatives contracts was \$7.9 trillion and in our exchange-traded derivative contracts was \$1.0 trillion. At 2022 year-end, the notional amount of liabilities in our bilateral OTC derivatives contracts was \$7.8 trillion, in our cleared OTC derivatives contracts was \$8.2 trillion and in our exchange traded derivatives contracts was \$1.2 trillion.⁵

The Firm enters into securities purchased under agreements to resell, securities sold under agreements to repurchase and securities borrowed and securities loaned transactions. At year-end 2022, we had securities sold under agreements to repurchase of \$62.5 billion, and securities purchased under agreements to resell of \$113.9 billion. At year-end 2022, securities sold under agreements to repurchase and securities loaned was \$78.2 billion.

The Firm does not disaggregate lending to private equity, credit, and hedge funds by segment in our public disclosures.

- 3. Your testimony should also discuss your consumer and small business portfolio, including products and services offered, and the annual amount of fee income generated.**

While retail banking is not a primary line of business for Morgan Stanley, the Firm offers select retail banking products and services, including consumer savings and checking accounts. Morgan Stanley does not engage in consumer lending, aside from offering consumer mortgage products and securities-based loans to our Wealth Management clients. Morgan Stanley also does not have a robust small business lending practice. That said, the Firm has made loans of over \$426 million from 2010-2022 to small businesses as part of its longstanding goal of promoting sustainable practices.

- 4. Specifically, please discuss your firm's changes to your overdraft fee structure, including an implementation timeline and the various impacts that such actions had to your business and customers.**

Morgan Stanley does not offer an overdraft program.

- 5. Please describe changes to reduce or eliminate other fees.**

With regards to its consumer savings and checking accounts, Morgan Stanley has waived a number of fees on its checking accounts, including fees related to stop payment, early closure and checkbook re-order fees. We have also added unlimited refunds of third-party ATM fees nationwide for checking accounts.

- 6. Please describe your firm's housing-related business, including consumer mortgage products and investments in rental housing and housing affordability.**

⁵ More information on the Firm's derivatives activity may be found in the 2022 Form 10-K on pages 101-105.

Our Wealth Management business includes residential real-estate loans consisting of first and second lien mortgages, including HELOCs. Our single-family residential mortgage loans in conforming, non-conforming or HELOC form are primarily made to existing Wealth Management clients. That said, consumer mortgage products comprise a small percentage of our Wealth Management portfolio.

7. You should provide a description of your firm’s consumer data privacy practices and use of novel technology, such as machine learning and artificial intelligence (AI), and efforts to protect consumers and clients and prevent discrimination.

Morgan Stanley takes its clients’ privacy seriously. Our job is to secure our clients’ financial futures, and maintaining their trust and confidence is critical to that role. For that reason, we work closely with our peers, government partners and vendors to gather and share intelligence that helps us strengthen our collective defenses.

Our privacy program is designed to maintain compliance with federal financial services privacy laws and their implementing regulations, most notably, the Gramm-Leach-Bliley Act (“GLBA”) and the Fair Credit Reporting Act (“FCRA”), as well as applicable state and international laws. Our Privacy Pledge—available on our public website—describes our privacy practices and our clients’ rights with respect to their data, and reinforces our commitment to protecting the privacy and security of our clients’ information.

As part of our program, we employ multiple layers of security controls and practices to protect the personal information of our clients, our proprietary data, our networks and our 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.

We understand that new technology brings the promise of improved efficiency, client interaction, and even stronger financial performance for our clients; at the same time, such technology also presents novel risks. We have designed a program that we believe balances the costs and benefits of new technology to achieve a brighter financial future for our clients while protecting their privacy and guarding against discrimination.

Existing use cases of novel technology, (e.g., machine learning (“ML”) and artificial intelligence (“AI”) (collectively “AIML”)) have been evaluated with a focus on managing the risks those technologies present, while balancing the benefits they can bring to our clients. Reviews have carefully focused on items such as information security, bias, our clients’ privacy rights and other rights with respect to their data, as well as the benefits and improved experiences that these technologies bring. To achieve that healthy balance, for certain AIML use cases, we may consider certain controls. Each Generative Artificial Intelligence use case that we have in production has been carefully evaluated by a multi-disciplinary team to ensure we implement appropriate controls. Our current Generative AI use cases have been documented and tested by model developers for potential errors and maintain a “human-in-

the-loop,” where the user must review and edit (as needed) the output before it is used. Where the use case is summarizing data, we draw from our own knowledge repositories to control for toxic or biased outputs.

8. Please also discuss the size and scope of your firm’s custody and asset management activities.

Our custody and asset management revenues include fees associated with the management and supervision of assets and the distribution of funds and similar products.

Within the Wealth Management business segment, asset management revenues are related to advisory services associated with fee-based assets, account service and administration, as well as the distribution of products. These revenues are generally based on the net asset value of the account in which a client is invested. Within our Wealth Management business segment, asset management revenues were approximately \$14 billion in 2022.

Within the Investment Management business segment, asset management revenues are primarily composed of fees received from investment vehicles on the basis of assets under management. Performance-based fees, not in the form of carried interest, are earned on certain products and separately managed accounts as a percentage of appreciation in value and, in certain cases, are based upon the achievement of performance criteria. These performance fees are generally recognized annually. Within our Investment Management business segment, asset management and related fees were approximately \$5 billion and Assets Under Management were \$1.3 trillion, at year-end 2022.

9. In addition, your testimony should include a discussion of your firm’s state of compliance with all applicable laws, including fair lending and other anti-discrimination laws, current public enforcement actions.

Morgan Stanley has a comprehensive program to manage risk and help ensure compliance with relevant laws and regulations. The program begins with the Firm’s core values, which are communicated to employees through the Firm’s Code of Conduct and drive a shared set of behaviors and attributes that help employees make decisions that are consistent with the expectations of our clients, shareholders, regulators, Board of Directors and the public. The Firm employs a three lines of defense model for compliance risk management, which includes first-line business units, the Non-Financial Risk Department, and Internal Audit, each of which has dedicated resources focused on managing compliance risk for the Firm. The Non-Financial Risk Committee sits within the Firm’s Enterprise Risk Management framework and provides senior management oversight for compliance and conduct risk issues across the Firm.

Notwithstanding these efforts, from time to time we make mistakes that result in regulatory enforcement. No regulatory enforcement episode is acceptable, but we learn from our mistakes and we have taken corrective actions in response.

The Firm’s policies are in compliance with anti-discrimination laws and promote equal employment opportunity without discrimination or harassment on the basis of race, color, religion, creed, age, sex, gender, gender identity or expression, sexual orientation, national

origin, citizenship, disability, marital, civil partnership or union status, pregnancy, paid parental or maternity leave, veteran or military service status, genetic information or any other characteristic protected by law.

The Firm's policies are also in compliance with fair lending laws.

10. [A]n assessment of your firm's actions to expand access to affordable financial products and services to consumers, communities and industries across the country, particularly rural and low-income communities.

Morgan Stanley takes seriously its core values and strives to *Give Back* and *Do the Right Thing*. In accordance with these values, the Firm seeks to expand access to affordable financial products and services to consumers, communities and industries across the country.

Since the Great Recession, rural communities have faced an escalating housing crisis. Although rural markets have lower housing costs compared to metro markets, these areas still face persistent poverty. We seek opportunities to finance affordable housing and support the needs of residents in rural communities. In 2022, Morgan Stanley provided more than \$17 million to build a new 54-unit affordable housing development in Lindsay, California, a small rural community. Amenities include an outdoor playground and picnic area, and a community building with a kitchen, bathrooms, computer lab and management offices. The design maximizes on-site recreational and open space, and the site offers additional supportive services including adult education, after-school programs and part-time service coordination.

The Firm also supports low-income communities. Morgan Stanley invests in interests issued by entities that develop and own low-income communities (including low-income housing projects) and entities that construct and own facilities that will generate energy from renewable resources. The interests entitle the Firm to a share of tax credits and tax losses generated by these projects. In addition, the Firm has issued guarantees to investors in certain low-income housing funds. The guarantees are designed to return an investor's contribution to a fund and the investor's share of tax losses and tax credits expected to be generated by the fund. The Firm is also involved with entities designed to provide tax-efficient yields to the Firm or its clients.

Our Community Development Finance ("CDF") Group is a key driver of inclusive growth at Morgan Stanley. Designed and implemented with community and nonprofit partners, CDF executes innovative transactions not routinely performed by private investors in areas of pressing need, including:

- Preservation and development of sustainable, multifamily, affordable rental housing;
- Healthy communities;
- Support for service-enriched housing;
- Economic development that supports quality jobs;
- Capital for underserved, small and rural markets;
- Capacity building for nonprofits.

Through these efforts and others, we increase access to affordable financial products across the country.

11. Additionally, as part of your testimony, please discuss how your institution serves servicemembers, veterans, and their families, including your compliance with relevant consumer statutes like the Servicemembers Civil Relief Act.

While Morgan Stanley does not have a specific retail arm dedicated to providing retail and consumer banking services to servicemembers and veterans, and their families, the firm, as a whole, takes seriously the goal of providing high-quality service to these clients in our business segments. Morgan Stanley is committed to providing the benefits and protections required by the Servicemembers Civil Relief Act and Military Lending Act, as applicable.

12. Please include an assessment of your firm's compliance with its own public commitments, including to advance racial equity, decrease carbon emissions, increase low to moderate-income homeownership, and support small businesses and minority depository institutions, since the last time you testified.

a. Racial equity

Morgan Stanley has made certain public commitments to help realize the Firm's vision for a better society.

First, we have committed to increase racial equity in our organization. In June of 2020, we announced the launch of the Institute For Inclusion (IFI) to support investments in underserved communities and accelerate our own internal diversity efforts. The IFI brings our employees, communities and clients together in a shared commitment to creating a more equitable society. The Multicultural Leadership Program of our Institute for Inclusion's Talent Accelerator supports career advancement for underrepresented vice presidents and executive directors. Programs include self-assessments, skill-building workshops, career guidance, one-on-one and small group coaching, opportunities to meet senior leaders, peer networking and manager-specific programming to help support underrepresented employees.

Our workforce diversity data shows that our efforts to increase equity are bearing fruit. In 2022, 29% percent of our Board of Directors was ethnically diverse; this percentage was higher than the 2021 percentage of 27%. In 2022, 33% of our Operating Committee was ethnically diverse; this percentage was higher than the 2021 percentage of 26%. In 2022, 34% of our Management Committee was ethnically diverse; this percentage was higher than the 2021 percentage of 32%. We also promote equity through our Supplier Diversity program.

In addition, we contribute to racial equity efforts in broader society. In 2021, we launched the HBCU Scholars Program, which provides academic and needs-based four-year scholarships for students at Howard University, Morehouse College and Spelman College, historically Black colleges and universities ("HBCUs") in the U.S. The Firm began the program by providing five academic and needs-based four-year scholarships at each institution, adding a new class of scholars each year for a class size of 60 by 2024. These scholarships cover the

entire cost of attending college for each academic year and are open to students across all disciplines and majors. In addition to financial support, the Firm implemented a board of advisors for each Scholar, composed of a mentor, a sponsor and an HBCU ambassador. Scholars retain their advisors throughout their college years. Scholars interested in financial services will be introduced to careers at Morgan Stanley through our campus career offerings and scholars interested in other careers are connected with Morgan Stanley employees with similar career backgrounds or networks outside the Firm.

b. Decrease carbon emissions

In September 2020, Morgan Stanley became the first major U.S.-headquartered global financial services firm to commit to achieving net-zero financed emissions by 2050. In November 2021, we announced 2030 interim financed emissions targets to guide our lending activities based on credible science-aligned emission pathways. These targets focus on emissions-intensive sectors in our corporate lending portfolio—Auto Manufacturing, Energy and Power.

Across our businesses, we are committed to mobilizing \$1 trillion in sustainable finance by 2030, within which we have committed to mobilize \$750 billion to support low-carbon and green solutions. As of July 2023, we have mobilized over \$700 billion, with over \$550 billion in low-carbon and green solutions.

Finally, we also strive to minimize our emissions footprint in our own operations. The strength of our commitment is demonstrated by our achievement of carbon neutrality across our global operations in 2022.

c. Increase low to moderate-income homeownership

A key focus area for our Community Reinvestment Act (“CRA”) resources is multifamily affordable rental housing. In 2022, one of the thematic areas our Public Finance Group served as underwriter across was affordable housing. Two transactions Morgan Stanley lead managed in 2022 were recognized by Environmental Finance: Social bond of the year—U.S. municipal bond: The City of New York and Sustainability bond of the year—U.S. municipal bond: Preservation of Affordable Housing. During the year, we led affordable-housing financings in California, Connecticut, Florida, Iowa, Illinois, Maryland, Massachusetts, New York, Oregon and Rhode Island.

On September 10, 2020, we had announced, alongside the National Community Reinvestment Coalition, a \$15 billion, four-year community benefits plan to expand our community development activities. From January 1, 2021, through June 30, 2023, Morgan Stanley has met \$11 billion of this \$15 billion plan (the “Community Benefits Agreement”), with another 18 months to go. This includes investments and loans for the creation and preservation of affordable housing and small business economic development.

d. Support small businesses and minority depository institutions

Barriers and resource constraints often prevent small businesses from gaining a foothold in the marketplace, causing a gap between available opportunities and diverse suppliers. In

partnership with our Institute for Inclusion, our Small Business Academy (the “Academy”) helps bridge this gap by equipping entrepreneurs with the expertise they need to win business with financial services firms and other sectors. Launched in 2022, the Academy empowers diverse-owned small-business leaders through education, sharing of best practices and mentorship. The 12-week virtual, instructor-facilitated program includes interactive workshops, coaching sessions, and a capstone project. Graduate firms receive 12 months of ongoing support from a Morgan Stanley mentor and the opportunity to access grants to fuel their growth. Ten diverse-owned small businesses participated in our first cohort.

From January 1, 2021, through June 30, 2023, we have made \$25.9 million in grants to the Opportunity Finance Network (“OFN”), the trade association representing the Community Development Financial Institutions (“CDFI”) industry. CDFIs are similar to minority depository institutions (“MDIs”) in that they are specialized lenders that bring capital to low-income, low-wealth communities. The capital was down-streamed to OFN members with critical needs in low-income communities.

13. Finally, your testimony should include a discussion of your workforce, including employees and contractors. Please include the minimum wage paid to employees and the ratio of this pay to your total compensation (salary and all deferred compensation).

Our employees are our most important asset. We depend upon them to build value for our clients and shareholders. With offices in 41 countries, we have approximately 81,000 employees across the globe as of September 30, 2023, whom we depend upon to build value for our clients and shareholders. To facilitate talent attraction and retention, we strive to make Morgan Stanley a diverse and inclusive workplace, with a strong culture and opportunities for our employees to grow and develop in their careers. We support our employees with competitive compensation, benefits, and health and wellbeing programs.

We believe a diverse and inclusive workforce is important to Morgan Stanley’s continued success and our ability to serve our clients. We have deepened our investments to recruit, advance and retain diverse talent through a holistic approach, focused on professional development, health and wellbeing, benefits, and culture.

We are committed to the development of our workforce and supporting mobility and career growth. Our talent development programs are designed to provide employees with the resources they need to help achieve their career goals, build management skills and lead their organizations.

We provide responsible and effective compensation programs that reinforce our values and culture through four key objectives: deliver pay for sustainable performance, align with shareholder interests, mitigate excessive risk taking and attract and retain top talent. In addition to salaries, these programs (which vary by location) include annual bonuses, retirement savings plans with matching contributions, an employee stock purchase plan, student loan refinancing and a financial wellbeing program in the U.S. and the U.K. To promote equitable rewards for all employees, we have enhanced our practices to support fair and consistent reward decisions based on merit, perform ongoing reviews of compensation decisions, and conduct regular assessments of our rewards structure.

Our executive compensation program is continuously evaluated by the Compensation, Management Development and Succession (“CMDS”) Committee of the Board of Directors, which is comprised entirely of independent directors, to ensure that our approach is consistent with our four key compensation objectives and best practices.

Over the past decade and change, we have made significant changes to our executive compensation program to better balance risk with rewards. These changes include:

- Enhancements to incentive compensation design by balancing fixed and variable pay, increasing deferrals, increasing the use of equity and performance-based awards and incorporating clawback provisions;
- Strengthened processes and controls to integrate risk management into our compensation determinations;
- Increased board engagement in senior management compensation determinations.

Our executive compensation program, which has continuously evolved over this time period is designed around the following four key objectives:

- We compensate for sustainable, long-term performance. 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.
- We align executive compensation with shareholders’ interests. This objective is met by delivering a significant portion of incentive compensation in deferred equity awards that are subject to vesting and cancellation and clawback provisions that retain employees and protect the Firm’s and shareholders’ interests over a multi-year period.
- We offer competitive pay levels to support Morgan Stanley’s objectives of continuing to attract, motivate and retain the most qualified employees in a highly competitive global environment for talent.
- 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 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.

Morgan Stanley’s commitment to our performance-based approach is further demonstrated by our four-part CEO pay framework:

- 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 are set in the context of the Firm’s strategic objectives and include both financial and non-financial performance metrics for the Firm and its business segments.
- At the beginning of each year, the CMDS Committee also establishes the target CEO compensation range and outlines guidelines for the year-end performance assessment. The range is informed by a number of factors, including prior year CEO compensation at selected financial firms.

- At year-end, the CMDS Committee assesses Firm and executive performance, including progress in achieving Morgan Stanley's strategic objectives and annual performance priorities, and the CEO's overall leadership.
- The CMDS Committee then determines CEO compensation at year-end, based on its assessment of performance and discussion with the Board of Directors. The CMDS Committee then determines CEO compensation elements that support the Firm's key compensation objectives.

For 2022, the ratio of the annual total compensation of our CEO to the median of the annual total compensation of all other employees of Morgan Stanley was 274 to 1. This ratio is based on a median of the annual total compensation of all employees of Morgan Stanley (other than the CEO) of \$143,794 and an annual total compensation of the CEO, as reported in the "2022 Summary Compensation Table" of our 2023 proxy statement, of \$39,398,905. The methodology used to identify the median of the annual total compensation of all employees of Morgan Stanley is described in our 2023 proxy statement.

Questions for Mr. Charles W. Scharf, CEO and President of Wells Fargo & Company, from Chairman Sherrod Brown:

1. Please describe the extent of Wells Fargo's leveraged lending, lending to private equity, credit, and hedge funds, and repo market business.

Data about many of these aspects of our business can be found in Exhibit 13 of our Form 10-K filed with the Securities and Exchange Commission.¹ For example:

- Table 18a provides loan segmentation for our largest industry category, financials except banks. This category includes loans to investment firms, financial vehicles, nonbank creditors, rental and leasing companies, securities firms, and investment banks. These loans are generally secured and have features to help manage credit risk, such as structural credit enhancements, collateral eligibility requirements, contractual re-margining of collateral supporting the loans, and loan amounts limited to a percentage of the value of the underlying assets considering underlying credit risk, asset duration, and ongoing performance.
- Table 36 includes balances for federal funds purchased and securities sold under agreements to repurchase. The balances of these transactions may vary over time due to client activity, our own demand for financing, and our overall mix of liabilities.
 - Additional information on our repo transactions is provided on pages 93 and 167-168, including:
 - Resale and repurchase agreements, as well as securities borrowing and lending agreements, are accounted for as collateralized financing transactions and are recorded at the acquisition or sale price plus accrued interest. We monitor the fair value of securities or other assets purchased and sold as well as the collateral pledged and received. Additional collateral is pledged or returned to maintain the appropriate collateral position for the transactions. These financing transactions do not create material credit risk given the collateral provided and the related monitoring process. We include securities purchased under securities financing agreements in federal funds sold and securities purchased under resale agreements on our consolidated balance sheet. We include collateral other than securities purchased under resale agreements in loans on our consolidated balance sheet. We include securities sold under securities financing agreements in short-term borrowings on our consolidated balance sheet. On December 31, 2021 and 2022, short-term borrowings primarily comprised federal funds purchased and securities sold under agreements to repurchase. Assets and liabilities arising from securities

¹ See 2022 SEC Form 10-K, Exhibit 13 (Feb. 21, 2023), <https://www.wellsfargo.com/assets/pdf/about/investor-relations/sec-filings/2022/10k.pdf> (Table 18a: Financials Except Banks Industry Category (disclosures of lending to funds); p. 47 (discussion of derivatives used for hedging of residential mortgage servicing rights); Table 36: Short-Term Borrowings (includes balances for repo transactions); pp. 93, 167-168 (includes information related to repo); pp. 98-100 (includes information on derivatives and hedging activities); Note 14: Derivatives (includes information on derivatives)).

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and other collateralized financing transactions with a single counterparty are presented net on the balance sheet provided they meet certain criteria that permit balance sheet netting.

- Securities sold under repurchase agreements and securities lending arrangements are effectively short-term collateralized borrowings. In these transactions, we receive cash in exchange for transferring securities as collateral and recognize an obligation to reacquire the securities for cash at the transaction’s maturity. These types of transactions create risks, including (1) the counterparty may fail to return the securities at maturity; (2) the fair value of the securities transferred may decline below the amount of our obligation to reacquire the securities, and therefore create an obligation for us to pledge additional amounts; and (3) the counterparty may accelerate the maturity on demand, requiring us to reacquire the security prior to contractual maturity. We attempt to mitigate these risks in various ways. Our collateral primarily consists of highly liquid securities. In addition, we underwrite and monitor the financial strength of our counterparties, monitor the fair value of collateral pledged relative to contractually required repurchase amounts, and monitor that our collateral is properly returned through the clearing and settlement process in advance of our cash repayments.

2. Please provide the annual amount of fee income generated in 2022 and 2023.

Note 20 to our annual report for 2022² contains financial information and descriptive summaries of various types of fee income, including for deposit-related fees, lending-related fees, investment advisory and other asset-based fees, commission and broker services fees, investment banking fees, and card fees. Our annual report for 2023 is expected to contain similar details and will be published in the first quarter of this year.

3. Since last year’s hearing, Zelle, co-owned by your bank, has committed to reimbursing customers who are subject imposter scams. What other policies and practices have you instituted or planned to institute that will make victims of fraud whole? Second, are there any existing gaps in the Electronic Funds Transfer Act that need to be addressed to create industry-wide standards for protecting consumers from fraud and making victims of fraud whole?

We are proud that Zelle has helped consumers make hundreds of millions of fast, convenient, and secure fund transfers totaling hundreds of billions of dollars. Customers rely on Zelle for everyday transactions like splitting rent, settling bills, and sending money to family and friends. Wells Fargo does not require customers to pay a fee to send or receive funds using Zelle—it is free. Zelle also permits transferred funds to stay in FDIC-insured bank accounts rather than requiring customers to exit the traditional banking system in order to send and receive funds.

² See 2022 Annual Report, pp. 171-72, Wells Fargo (Mar. 3, 2023), <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2022-annual-report.pdf>.

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Together with the other financial institutions that own and operate the Zelle network, Wells Fargo makes significant investments and undertakes extensive efforts to protect customers from criminals and keep the network safe for users. Since 2017, over 99.9% of Zelle transactions have been successfully completed by our customers without any report of unauthorized transfers (i.e., fraud) or authorized transfers induced by fraud (i.e., scams). Our processes include active countermeasures to identify and stop fraud and scams before they can harm consumers, as well as customer education aimed at raising awareness of common fraud and scam scenarios so that customers can stay safe. A key part of our processes includes adding points of friction and “speed bumps” into the user experience to help the customer recognize scams before initiating a transfer. When fraud and scams occur despite the efforts just mentioned, we reimburse customers as appropriate and consistent with, and oftentimes beyond, our contractual and legal obligations.

While nearly all transactions on Zelle are completed without incident, criminals have targeted Zelle users with fraud and scams just like users of every other fund transfer method. When a customer reports a fraud or scam by disputing a Zelle transfer, we investigate and respond based on a careful analysis of the facts. Each situation is unique, and our review may determine that reimbursement is appropriate based on the situation, or the information provided. Our policies are designed to comply with all applicable network, statutory, and regulatory requirements, including those imposed by the Electronic Fund Transfer Act.

We are also committed to protecting consumers from imposter scams where consumers were induced to send a payment. In conjunction with Early Warning Systems, LLC and the other Zelle network owner banks, we have worked to provide a new consumer reimbursement benefit for victims of certain imposter scams. This benefit goes beyond our legal obligations. Effective as of June 30, 2023, Zelle requires that banks provide a full refund to the sender for imposter scams in defined circumstances.

Stamping out fraud and scams requires a concerted effort from multiple stakeholders and across industries—banks, legislators, regulators, law enforcement, and other business sectors like the tech and telecom industries, which are responsible for maintaining the mobile and email tokens Zelle customers rely upon. Wells Fargo contributes to this effort by continuing to invest in enhancing Zelle’s system of safeguards and customer education efforts to make the Zelle network as safe as possible. We also applaud the Senate Banking, Housing, and Urban Affairs Committee’s recent announcement encouraging other person-to-person payment platforms to do the same, and we welcome your continued partnership to help safeguard against fraud across payment platforms.

4. **Since the launch of FedNow, more banks are sending and receiving real-time payments. A recent study found that the current instant payments market, valued at approximately \$16 billion, will expand by a 33 percent compound annual growth rate to a market value of \$277 billion by the end of 2032. Real-time payments are processed and settled individually and continuously. This means that real-time payment network participants must maintain adequate balances to settle transactions at any time and have sufficient liquidity to cover changes in the supply and demand for cash. As these**

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transactions become more prevalent, what policies and practices is your institution putting in place to manage liquidity risk?

Wells Fargo has policies and practices in place to manage its overall liquidity, which include how much cash we reserve in our Federal Reserve Account to facilitate the clearing of payments, including real-time payments through FedNow. Wells Fargo is able to monitor settlements and the impact they have on our liquidity intraday. We also monitor liquidity in real-time and use stress testing to support the reserve requirements necessary to facilitate payment activity both in the course of regular business and during times of stress.

- 5. On November 3, 2023, a manual processing error by The Clearing House's Electronic Payments Network led to a widespread ACH outage disrupting approximately 867,000 transactions. Can you share how you communicated to impacted customers about the outage and the events being taken to remediate the issue? Please provide details on who received communications-- were communications general to all customers or specific to those impacted. Also, please specify what channels were used to contact impacted customers and how were customers able to get in contact with your customer services to receive support through the disruption.**

The Clearing House Electronic Payment Network, which provides Automated Clearing House (“ACH”) functions for electronic payments, submitted an ACH file with scrambled data to multiple financial institutions, including Wells Fargo. This resulted in widespread delays in ACH postings and resulted in some postings to wrong accounts. Wells Fargo notified directly impacted customers with incorrect debits and deposits via email. Fewer than 10 accounts did not have an associated email address, and Wells Fargo made telephone calls to those accountholders. Wells Fargo took action to address the impacts of the error, including proactively refunding overdraft fees that resulted from it.

- 6. With the introduction of ChatGPT and other large language models, the financial sector is equally working on developing advanced AI tools for tasks ranging from financial advising to streamlining internal processes. How do you plan to protect the jobs and livelihoods of all of your employees, especially front-line staff, when deploying these tools?**

We are exploring AI and will ultimately make decisions through a risk lens, as we do with all other technology implemented across the company. In so doing, we are focused on developing and deploying safe solutions that make our customers’ and employees’ tasks more efficient and easier. Simplifying and automating tasks will enable our employees to better serve our customers.

- 7. How are you going to ensure your bank's use of AI does not unfairly discriminate against customers and potential customers?**

Wells Fargo is committed to mitigating bias as part of using AI responsibly. We have AI and machine-learning models in place and several methods for validating the data and AI algorithms

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we use. For example, adverse effect checks compare AI models for testing to tease out potential biases and then go back to check and correct algorithms. Beyond that, independent groups review AI-based products and experiences at multiple development points.

Transparency and anti-error protection capability is critical in both development and the use of AI to mitigate unwanted behavior or outputs. Knowing how and why AI reaches a decision makes it easier to detect and remove unwanted bias. Wells Fargo has built capabilities and processes so that the user experience and interactions are protected through implementation of tools that mitigate against rogue AI.

8. During the hearing, when asked about the impact to Wells Fargo’s mortgage lending if the bank were to lose the qualified mortgage safe harbor to the CFPB’s Ability to Repay rule, you stated that you would “like to know the specifics to draw a conclusion.” But in response to a 2011 proposed rule to implement the Dodd-Frank Act’s Ability to Repay requirement, Wells Fargo stated that “[a] QM Safe Harbor is required.”

a. Would Wells Fargo support eliminating the CFPB’s qualified mortgage safe harbor to the Ability to Repay requirement in the Dodd-Frank law? Please explain.

b. If the safe harbor were eliminated tomorrow, would Wells Fargo alter its mortgage lending in any way? Please explain.

Wells Fargo is committed to responsible lending and believes the qualified mortgage safe harbor provision provides a consistent framework under which the mortgage industry can provide responsible lending programs for consumers. Were the provision to be eliminated, however, we do not anticipate that our lending practices would be meaningfully altered, and we would continue to operate in a responsible manner.

9. For each of the past five years, please provide:

a. The number of owner-occupied, single-family purchase mortgage loans that Wells Fargo originated;

b. The number of those owner-occupied, single-family purchase mortgage loans that Wells Fargo originated to low- or moderate-income buyers;

c. The number of those owner-occupied, single-family purchase mortgage loans to low- or moderate-income buyers that Wells Fargo retained (did not sell);

d. The number of those owner-occupied, single-family purchase mortgage loans to low- or moderate-income buyers with a loan-to-value ratio higher than 80% that Wells Fargo retained (did not sell); and

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- e. The number of those owner-occupied, single-family purchase mortgage loans with a loan-to-value ratio of higher than 80% that Wells Fargo retained (did not sell).**

The data provided here is aligned with Home Mortgage Disclosure Act-reportable (“HMDA”) volume for originated purchase transactions from 2019-2023. Wells Fargo’s 2023 HMDA Loan Application Register has not yet been filed; accordingly, year-end data for 2023 is subject to change prior to final submission. Retained represents loans that were designated as Held for Investment loans on our balance sheet.

Category	2019	2020	2021	2022	2023
Number of owner-occupied, single-family purchase mortgage loans that WF originated	114,820	102,225	81,483	58,265	29,811
Number of owner-occupied, single-family purchase mortgage loans that WF originated to LMI	17,932	16,498	14,147	10,590	5,388
Number of owner-occupied, single-family purchase mortgage loans that WF originated to LMI Retained	135	117	94	110	29
Number of owner-occupied, single-family purchase mortgage loans that WF originated to LMI + CLTV > 80% Retained	47	55	22	10	5
Number of owner-occupied, single-family purchase mortgage loans that WF originated to CLTV > 80% Retained	3,660	1,204	287	1,326	115

- 10. When your institution is making decisions on investing in particular client projects, or even entire categories of business activities, are you making those decisions based on your independent, arms-length appraisal of a project’s or category’s value as a business proposition, relying on the best available information regarding that line of business or application of technology, with as full knowledge of all risks involved as can be determined by your employees in the exercise of their due diligence, and with due deference to those employees’ professional judgment and prudence, or are you doing things that do not make business sense just to appear “woke,” or to engage in “culture war battles,” or to otherwise appease individuals or groups outside your corporation and its shareholders?**

We manage our credit risk by establishing what we believe are sound credit policies for underwriting new business, while monitoring and reviewing the performance of our existing loan

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portfolios. We employ various credit risk management and monitoring activities to mitigate risks associated with multiple risk factors affecting loans we hold including:

- Loan concentrations and related credit quality;
- Counterparty credit risk;
- Economic and market conditions;
- Legislative or regulatory mandates;
- Changes in interest rates;
- Merger and acquisition activities; and
- Reputation risk.

In addition, the company will continue to integrate climate considerations into its credit risk management activities.

Our credit risk management oversight process is governed centrally but provides for direct management and accountability by our lines of business. Our overall credit process includes comprehensive credit policies, disciplined credit underwriting, frequent and detailed risk measurement and modeling, extensive credit training programs, and a continual loan review and audit process. A key to our credit risk management is adherence to a well-controlled underwriting process, which we believe is appropriate for the needs of our customers as well as investors who purchase the loans or securities collateralized by the loans.

Additional information on our approach to risk management can be found in our annual report.³

11. Are the physical or transition risks associated with climate change, including the risks associated with continued funding of vectors of climate change, legitimate financial risks to be taken under consideration in the exercise of your responsibility to shareholders and employers?

- a. If not, please describe for the Committee the reason or reasons your institution can ignore physical or transition risks in your business decisions.**
- b. If physical or transition risks associated with climate change are legitimate financial risks, please explain to the Committee what the effects of ignoring these risks be to your institution or the broader economy.**

Wells Fargo recognizes that climate-related impacts may arise in connection with both physical risks (risks related to the physical impacts of climate change) and transition risks (risks related to the transition to a lower-carbon economy). To appropriately identify, assess, monitor, and manage these impacts, we view climate change as a risk driver that may create financial and nonfinancial risk.

³ 2022 Annual Report, Wells Fargo (Mar. 3, 2023), pp. 28-51, <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2022-annual-report.pdf>.

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In integrating climate considerations into Wells Fargo’s risk management program, our Climate Risk Oversight team collaborates with stakeholders across the company to identify, assess, measure, and report on climate-related risks. Maintaining and keeping updated inventory of these risks facilitates appropriate action plans and reporting. Additional information regarding how we assess climate risk, including illustrations of how climate change may create risks for banks and examples of potential climate-related risks, can be found in our Task Force on Climate-Related Financial Disclosures Report.⁴

12. From January to October 2023, according to the Financial Crimes Enforcement Network, depository institutions filed more than 440,000 suspicious activity reports related to check fraud. Check fraud is costing consumers millions of dollars every year.

a. What policies has Wells Fargo put in place to ensure that consumers receive a timely resolution when fraud occurs?

Providing complete and timely resolution to consumers impacted by fraudulent activity on their bank account is a priority for Wells Fargo. We regularly review our policies and practices in this area. In addition, we recently participated in the American Bankers Association’s (“ABA”) working group on check fraud, along with several other institutions from across the banking industry. This working group was established following the letter that you and your colleagues sent to the ABA in March 2023. Among other things, the working group helped to create uniform warranty claim templates that industry participants may use; reduce the documentation institutions may require before evaluating a check warranty claim; and launch a directory of approximately 175 institutions’ primary points-of-contact to facilitate dialogue amongst institutions during the pendency of a check warranty claim. Wells Fargo was pleased to be a part of this productive initiative and remains committed to working with other financial institutions, our regulators, law enforcement partners, and Congress to address issues related to combatting fraud.

The best way to respond to check fraud is by preventing the fraud itself. Digital payments are better monitored and protected for theft of loss by mail services. We inform and help our customers to use digital channels more and more.

⁴ See Task Force on Climate-Related Financial Disclosures (TCFD) Report, Wells Fargo (July 2023), <https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/climate-disclosure.pdf>.

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**Questions for Mr. Charles W. Scharf, CEO and President of Wells Fargo & Company,
from Senator Catherine Cortez Masto:**

- 1. Which Home Loan Bank, or Federal Home Loan Banks, does your financial institution belong as a member?**

Wells Fargo entities currently belong to three Federal Home Loan Banks (“FHLBs”): FHLB Dallas, FHLB Des Moines; and FHLB San Francisco.

- 2. How much did your financial institution receive in dividends from a Federal Home Loan Bank/Banks in 2022 and so far – Q1-Q3 – in 2023?**

For 2022 through the third quarter of 2023, Wells Fargo received approximately \$100.9 million in dividends from FHLBs.

- 3. The Federal Home Loan Banks assert they should continue to be lender of last resort (LOLR), just as they were for Silicon Valley Bank, Signature Bank, and First Republic Bank. However, the Federal Housing Finance Agency (FHFA) has clarified the Federal Reserve (“Fed”) is the only official LOLR.**

Does Wells Fargo consider the Federal Reserve or the Federal Home Loan Banks to be the lender of last resort?

We appreciate the important roles that the Federal Reserve and the FHLBs play in our financial system, and we look forward to continuing to work with all of them as we serve our customers.

- 4. According to Home Mortgage Disclosure Act (HMDA) data, Wells Fargo’s loan and application filings declined from around 1.2 million in 2020 to 408,300 in 2022. Why has Wells Fargo’s mortgage lending declined substantially in the past two years?**

Wells Fargo HMDA reportable units have dropped from 1.2 million to 408,000 between 2020 and 2022, a decline of 65% in that timeframe. Approximately 35% of this decline can be attributed to lower HMDA-reported purchased loans, which includes a reduction in repurchase-related activity as well as lower correspondent purchases. Repurchase-related activity spiked in 2020 during the COVID-19 pandemic and then normalized to lower levels post-pandemic. Approximately 30% of the decline reflects a broader contraction across the industry due to market factors such as rising interest rates, which resulted in significantly fewer refinance applications.

- 5. Would Wells Fargo consider lending to deed-restricted mortgages that seek to preserve affordability through shared appreciation or land trust contracts? What elements are needed for Wells Fargo to lend to individual deed-restricted mortgages with the comfort you do for multi-family apartments financed by the Low-Income Housing Tax Credit or HUD programs like HOME?**

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Wells Fargo does not originate mortgage loans on properties in Community Land Trusts, offer shared appreciation mortgages, or provide similar products/financings. This decision aligns with our ongoing efforts to simplify our business and reduce complexity. We share your concern about housing affordability and are striving to build an inclusive, sustainable future for all by championing quality, affordable homes.

In January 2023, Wells Fargo announced a strategic plan to create a more focused Home Lending business aimed at serving bank customers, as well as individuals and families in minority communities. The strategic plan includes partnerships with non-profit organizations and community-focused engagements, as well as deploying additional home mortgage consultants in underserved communities. This announcement included a \$100 million commitment to advance racial equity in homeownership on top of a \$150 million commitment made in April 2022 to develop and launch Special Purpose Credit Programs (“SPCPs”) to support affordable, sustainable homeownership.

We offer several products and programs to support affordable, sustainable homeownership, including a refinance SPCP which helps eligible homeowners (whose mortgages are serviced by Wells Fargo) lower their interest rates and reduce monthly payments with reduced refinance costs; a purchase SPCP which provides \$10,000 to be applied toward the down payment for eligible homebuyers who currently live, or are purchasing homes in, select areas; and Dream.Plan.Home.SM closing cost credit, which provides low- to moderate-income borrowers up to \$5,000 to use toward closing costs.

Other efforts to help address housing affordability include:

- Wells Fargo has donated over \$525 million to help address housing affordability since 2019, including supporting available and affordable rental homes, homeownership, and housing stability.
- Wells Fargo worked with Enterprise Community Partners to launch the Housing Affordability Breakthrough Challenge, which held competitions in 2020 and 2023 to find and seed innovative and scalable housing strategies.
- We have also established Wealth Opportunities Restored Through Homeownership (“WORTH”), a \$60 million national effort by the Wells Fargo Foundation to address systemic barriers to homeownership for people of color. WORTH aims to help create 40,000 new homeowners of color by the end of 2025.
- Another initiative is the Growing Diverse Housing Developers, which has a goal of creating 2,000 homes and expanding the success of underserved housing developers. This \$40 million initiative is working with 39 nonprofit and for-profit affordable housing developers of color.
- Wells Fargo is active in financing quality affordable housing, including providing nearly \$450 million in flexible capital to non-profit housing developers and Community

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Development Financial Institutions. We invest in tax credit products, short-term construction, bridge lending and permanent loans.

- Wells Fargo is one of the top affordable housing lenders and investors in communities across the country. For example, in 2022, Wells Fargo was the second largest affordable multifamily housing lender, financing over \$5.2 billion in affordable multifamily housing development. Our support of the affordable housing industry is evidenced by the significant amount of capital committed each year to develop and preserve quality affordable homes. Between 2017 and 2022, we provided \$26 billion of debt and equity investments for the development or rehabilitation of nearly 82,000 units of affordable housing. Additionally, over the same time period through our work with Fannie Mae, Freddie Mac, and HUD, we provided another \$16.4 billion in long-term financing resulting in the preservation and improvement of over 120,000 affordable units.

6. When the new CRA rules become effective in 2026, how will you seek to invest in Native American communities? Do you have any plans for specific investments with our tribal communities in Nevada?

Wells Fargo has served Native American communities for more than 60 years and is a leading provider of capital and financial services to tribes and tribal-owned enterprises. We maintain banking relationships with one in three federally recognized Native American and Alaska Native tribes in the U.S., banking more than 300 such entities in 25 states overall. We have credit commitments of \$3.4 billion and hold \$4.1 billion in deposits for tribal governments and tribal-owned enterprises nationally.

In 2022, Wells Fargo fulfilled a five-year, \$50 million philanthropic commitment to strengthen Native communities and, in January 2023, announced another \$20 million commitment to advance economic opportunities in Native American communities working with Native-led organizations. This Invest Native initiative aims to address housing, small business, financial health, and sustainability challenges among Native American communities. In August 2023, we announced Invest Native grant awards of nearly \$11 million to Native-led, Native-serving organizations. Additionally, in the fourth quarter of 2023, we shared that we are working with Allspring Global Investments, a global asset management firm, to launch a Tribal Inclusion share class for the Allspring Government Money Market Fund, which will be offered exclusively to Wells Fargo corporate clients. The Tribal Inclusion share class is the first money market product with a charitable donation feature focused on benefiting tribal communities in the United States.

Wells Fargo has provided support to Nevada Legal Services’ (“NLS”) Tribal Entrepreneurship program. This grant helps tribes form business entities and learn about options for types of businesses, employment, and tax law basics, licenses and permits, and tribal business. NLS receives funding from other sources for the Indian Law Project, but their expenses exceed revenues. Wells Fargo’s support allows NLS to continue funding attorneys who provide free legal services to tribal members in the most rural areas of Nevada and cultivate business activities in those areas.

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Additionally, through a New Market Tax Credit investment, Wells Fargo is supporting the construction of two facilities on the San Carlos Apache Reservation, a hospital annex, and a healthcare clinic. These projects will bring important primary and specialty care to the populations in and around the San Carlos Apache Reservation. Wells Fargo is also working with the Navajo Tribal Utility Authority (“NTUA”) to construct a new 14,000-square-foot district office on the Navajo Nation reservation. District Offices are critical in helping NTUA receive customer payments, house infrastructure field staff and administrators and continue to help to provide electricity to homes across the Navajo Nation.

Our goal is to continue supporting Native American communities, providing capital and financial services to Native communities and tribal businesses, working together to build a sustainable foundation for future generations.

7. If Congress wanted to enact legislation allowing cannabis businesses access to bank accounts, loans, and credit card payments, what would be necessary changes in statute?

The conflict between federal and state laws on cannabis has had significant impact on the availability of banking services for state-sanctioned cannabis businesses, their employees, and other businesses providing services to them. Without resolution, banks are placed in the difficult position of trying to adhere to federal law while also trying to meet the needs of customers who are operating in accordance with state law. We defer to Congress on whether and how to address any changes in statute.

8. If the Secure and Fair Enforcement Regulation (SAFER) Banking Act (S. 2860) was signed into law, would your bank provide debt or equity financing to state-sanctioned cannabis businesses?

Any decision as to whether Wells Fargo would provide debt or equity financing to state-sanctioned cannabis businesses would depend on the specific language of the law as enacted among other considerations.

9. In Nevada, Latinos comprise 30 percent of the state’s population. However, engagement of the Latino community from the biggest banks continues to lag and has even been declining since 2018.

How does Wells Fargo utilize Spanish-language media to reach Latinos? Does Wells Fargo have a plan to better engage the Latino community so Spanish speakers have access to critical information that can help them start businesses, build wealth, and buy homes?

Wells Fargo is committed to supporting our large Spanish-speaking customer base and providing them with the tools they need for financial success. In Nevada, approximately 60% of our branches have at least one Spanish-speaking teller and more than 50% of our branches have at least one Spanish-speaking banker.

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When customers request an appointment through our Make an Appointment feature on our website, they can choose Spanish as a preferred language, and we will use that preference to match them to a Spanish-speaking banker whenever possible. Customers can also receive assistance at any time in our app that offers most interactions in Spanish, through our website at www.wellsfargo.com/espanol, at our ATMs that offer a Spanish language option, or using our dedicated Spanish contact center at (877) PARA-WFB. We offer a complimentary, unbranded financial education curriculum for educators and the community focused on a variety of financial topics through the “El Futuro En Tus Manos” website.

Additionally, in September 2023, we rolled out the enhanced Fargo™ virtual assistant with a Spanish-language capability, improving access for a large portion of our customer base. We are the first major bank to launch such a feature, which enables Spanish-speaking customers to take advantage of solutions that are already providing a more personalized, convenient, and simple banking experience to customers using our app on their smartphones. For example, customers who set their language preference to Spanish can input requests to Fargo and receive instant access to their banking details. Just by talking or typing into their smartphone in Spanish, customers can request Fargo to complete a multitude of tasks, including checking their spending insights and credit score, viewing rates and fees, managing their spending limits, and transferring money.

We also proudly partner with the Hispanic Chamber of E-Commerce and Univision/Entravision on “Tu Futuro,” a financial literacy program and platform aimed at teaching finance basics to Spanish-speaking Latinos. Among other things, by connecting with people through TV, radio, and social media, the goal is to drive traffic to the “Tu Futuro” website, which serves as a hub for educational materials, including video segments with financial experts, financially focused podcasts, and a series of guides to help with everything from improving your credit score and buying your first home to starting a business. At the Los Angeles Area Emmy Awards in July 2023, the show “Contigo California: Tu Futuro Financiero” (With You California: Your Financial Future), which is part of “Tu Futuro,” was honored for Best Informational Series.

Similarly, we engage closely with Spanish media outlets and, where possible, with minority-owned media, including many Hispanic publishers. We use our marketing dollars to promote the capabilities of Wells Fargo and the benefits of banking.

These services, features, and initiatives complement the other work we are doing to support Hispanic and Latino communities. For instance:

- Launched in May 2021, the Wells Fargo *Banking Inclusion Initiative* is our 10-year effort to accelerate the access of unbanked communities to affordable mainstream accounts and have easier access to low-cost banking and financial education which includes a focus on Hispanics and Latinos. We have teamed up with Operation HOPE to establish HOPE Inside centers within selected Wells Fargo branches across the U.S., where community members (both customers and non-customers) can get free one-on-one sessions with

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HOPE Inside financial coaches. Over 150 branch locations in 20 markets will be served by HOPE Inside by 2024.

- In December 2023, Wells Fargo announced a partnership with UnidosUS and Cities for Financial Empowerment Fund to increase awareness of Bank On certified accounts to lower income individuals in the Latino community. The awareness campaign aims to make progress toward a more equitable, affordable, and accessible financial system for all.
- In 2023, Wells Fargo partnered with UnidosUS to launch the Home Ownership Means Equity initiative to increase the number of Latino homeowners across the nation. In 2023, Wells Fargo and UnidosUS, with the support of local Latino leaders, hosted English and Spanish language workshops on the topic of increasing the number of Latino homeowners in the following markets: Houston, Chicago, Orlando, and Phoenix. More markets are on the horizon.
- We have worked with the Hispanic Wealth Project, a non-profit associated with the National Association of Hispanic Real Estate Professionals whose mission is to financially and educationally empower the Hispanic community in America. By sponsoring a range of events, the collaboration aims to make a positive impact on Hispanic wealth and financial well-being through real estate.

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Questions for Mr. Charles W. Scharf, CEO and President of Wells Fargo & Company, from Senator John Fetterman:

- 1. You all spent much of the hearing talking about how much you value your employees, which was great to hear, but at the end of the day, some of you make 400 or 500 times what an average teller or security guard at your bank makes. Do you really think you’re 500 times more valuable to your bank than a security guard or a bank teller?**

We value the contributions of every employee, and we want people to build their careers at Wells Fargo. We aim to provide competitive compensation and benefits that allows us to attract and retain the best talent appropriate to each role.

In 2022, we raised our minimum hourly pay to \$18–22 depending on role, location, and market condition. As part of the process, over 40,000 employees received base pay increases, representing an investment of \$180 million beyond the annual merit increases.

In 2023, more than 185,000 employees received merit and promotional pay increases, representing an investment of approximately \$880 million. A similar process has started for 2024, and we expect a comparable level of investments to continue to increase our employees’ compensation. We also recently announced that U.S. employees making \$75,000 or less annual salary and total cash compensation less than \$85,000 will receive a one-time cash payment of \$1,000 in February 2024.

We provide eligible full-time and part-time U.S. employees (and their eligible dependents, as applicable) with benefits designed to protect their physical and financial health and to help them make the most of their financial future. We also provide U.S. employees with a variety of competitive employer-paid financial protection benefits, including life insurance, critical illness insurance, short-term and long-term disability coverage, and business travel accident insurance. Noted below are a few examples of the key benefits programs we offer to our employees:

- Up to 87% medical insurance subsidy depending on compensation levels. We continue to increase the company subsidy for branch-based employees.
- Up to \$1,000 in contributions annually to assist with out-of-pocket medical costs for employees earning up to \$100,000 and enrolled in a health savings account plan.
- Free concierge service and expert opinion services to help employees better navigate the healthcare system.
- Up to \$1,200 annually into a health savings account for wellness activities for employees and covered spouses or domestic partners.
- \$1 billion in annual 401(k) contributions, including an automatic contribution of 1% of pay for those earning less than \$75,000, in addition to a 6% match for all eligible participants.

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Our benefits programs are regularly reviewed for market competitiveness as well as meeting the needs of our employees and, as a result, are often enhanced. For instance, we recently announced enhancements to both our adoption assistance program and parental leave program.

In addition to compensation and benefits, we also provide employees with skill and capability development and career growth opportunities. We invest approximately \$200 million annually in employee development, including skill training, regulatory compliance, leadership and manager development, and early talent development programs. Additionally, in 2022, we launched the career development framework which provides a holistic experience that enables our employees to better manage their career within our company. We are proud of the many programs that the company offers, for example:

- 110 structured new hire learning programs supporting approximately 28,000 new to role employees last year.
- \$11 million in annual tuition reimbursement providing up to \$5,000 annually for employees to pursue higher education.
- Training curriculums in these critical skill and capability areas: digital, technology, data, risk management, project management, credit, sales, Agile, customer support, etc.

Our Board of Directors determines and approves our CEO's compensation, which is consistent with that of his peers and aligned with the long-term interests of the company. The CEO's compensation reflects responsibilities, leadership and impact on Wells Fargo's success and is tied to his performance. Detailed information regarding Mr. Scharf's compensation and how it is determined can be found in our proxy statement.

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**Questions for Mr. Charles W. Scharf, CEO and President of Wells Fargo & Company,
from Senator JD Vance:**

- 1. Please identify for the Committee the total interchange revenue your bank received on credit card transactions in the U.S. for each of the past 5 years (2019-2023).**

Wells Fargo collects interchange fees in compliance with existing regulations. Information on the amounts collected are available as part of our public call reports as filed with the Federal Financial Institutions Examination Council.

- 2. Please identify for the Committee the total amount of funds your bank has paid to each airline company in the world each year for the past 5 years to purchase airline miles to be given to cardholders.**

Wells Fargo does not currently engage in or facilitate the purchase of airline miles, though we have announced an upcoming launch of a points transfer program in which eligible Wells Fargo customers will be able to redeem points for miles at participating airlines.

- 3. Please identify for the Committee the total amount of funds your bank has paid in total to all non-airline businesses (such as sellers of goods) in the world each year for the past 5 years to purchase products or other rewards for cardholders. This does not need to be broken down by company – just the total amount spent per year.**

Wells Fargo has multiple non-airline co-brand partnerships, but we do not pay these partners directly for goods or rewards; these benefits are handled by a third party, and all redemptions are made at the direction of the customer using their own earned rewards.

- 4. Please identify for the Committee the total amount of fraud losses (in dollars) on the credit cards issued by your bank in the United States for each of the past 5 years, and the total dollar amount of chargebacks to merchants on the credit cards issued by your bank in the United States for each of the past 5 years as well as the total dollar amount of fraud losses borne by cardholders on the credit cards issued by your bank in the United States for each of the past 5 years.**

Wells Fargo handles claims of fraud in compliance with existing laws and regulations; details regarding the amounts of fraud reported, charged back to merchants, and borne by customers are confidential and not typically made public in the regular course of our business.

- 5. Does Visa have any rule preventing you from enabling more than one network on credit cards on which Visa is enabled? Please specify what rule or rules prevent multiple networks on your credit cards.**

Visa’s Core Rules and Product and Service Rules are publicly available here:
<https://usa.visa.com/dam/VCOM/download/about-visa/visa-rules-public.pdf>.

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- 6. Does Mastercard have any rule preventing you from enabling more than one network on credit cards on which Mastercard is enabled? Please specify what rule or rules prevent multiple networks on your credit cards.**

Mastercard’s Rules are publicly available here:

<https://www.mastercard.us/content/dam/public/mastercardcom/na/global-site/documents/mastercard-rules.pdf>.

- 7. The U.S. Department of Justice successfully sued Visa and Mastercard over their “exclusionary rules” in a case upheld by the 2nd Circuit Court of Appeals in 2003, *United States v. Visa U.S.A.*, 344 F.3d 229 (2d Cir. 2003). The rules in question prohibited banks that issued credit cards enabled with either the Visa or Mastercard networks from issuing credit cards enabled with other credit card networks (such as American Express or Discover). Don’t Visa and Mastercard rules preventing your bank from enabling other networks on cards that include Visa or Mastercard present many of the same antitrust law issues as the “exclusionary rules” that resulted in a decision for the Department of Justice in the aforementioned case? Please explain how the antitrust laws are or are not implicated in similar ways.**

Wells Fargo adheres to the rules promulgated by credit card networks in the interest of serving our cardmembers. We support full and fair competition across the financial services industry but take no position on the legal underpinnings of the credit card networks’ rules.

- 8. As drafted, the Credit Card Competition Act (S.1838), which I co-sponsor, would prohibit issuers and networks from requiring merchants to exclusively use security technologies for processing transactions, including authentication and tokenization ones, that could not also be used by all other networks enabled on the card. Financial institutions claim this would reduce security on card networks, while retailers claim this would drive competition in security and services that networks provide. How would this provision impact security and fraud risks in an ever-evolving threat landscape?**

In June 2023, numerous financial services trade organizations sent a letter to congressional leaders regarding the Credit Card Competition Act. As explained in that letter and relevant here, “Banks and credit unions help to cover a consumer’s costs when fraud occurs. Any reduction in interchange fees would directly affect bank and credit union investment in fraud management systems and processes that are dedicated to reducing fraud risk in the system—forcing institutions to increase costs to cover these necessary expenses.”

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Questions for Mr. Charles W. Scharf, CEO and President of Wells Fargo & Company,
from Senator Raphael Warnock:

1. In response to my question of whether you support the SAFER Banking Act (S. 2860 in the 118th Congress, referred to hereafter as “SAFER Banking”), Mr. Moynihan responded, “we all support the intent of it, but the problem is that it does not fix the problem.”
 - a. Do you agree with this characterization? Why or why not?
 - b. If you agree with this statement, what problem does SAFER Banking fail to address?
 - c. Does Wells Fargo support SAFER Banking?

The conflict between federal and state law as to cannabis has had significant impact on the availability of banking services for state-sanctioned cannabis businesses, their employees, and other businesses providing services to them. Without resolution, banks are placed in the difficult position of trying to adhere to federal law while also trying to meet the needs of customers who are operating in accordance with state law. We defer to Congress on whether and how to address any changes in statute.

2. Do you believe the War on Drugs resulted in economic harms for communities with high rates of cannabis-related arrests and imprisonment?
 - a. Should Congress play a role in addressing the economic harms of the War on Drugs?
 - b. Do financial institutions play a role in addressing the economic harms of the War on Drugs?
 - c. What steps has your firm taken to address the specific economic harms of the War on Drugs?

Wells Fargo designs its products and services to comply with the law and believes that decisions around the treatment of drugs and other illicit substances are best left to policymakers.

3. The revised Community Reinvestment Act sets out new standards for how your firms meet the needs of underserved communities across a variety of outcomes, including access to housing, lending to small businesses, and identifying investment opportunities.
 - a. In response to my question, you stated that you would support revised standards to improve equity. What specific steps will your firm be taking to improve equity?

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b. Will you commit to ensuring your firm upholds the Act’s standards to the highest levels across all outcomes?

c. What specific steps is your firm taking to address the revised standards?

Wells Fargo is committed to supporting and enhancing underserved communities, including low- and moderate-income communities, and helping to advance racial equity in homeownership across the country. Wells Fargo offers opportunities for customers from underserved communities to build financial health. For example, our Banking Inclusion Initiative, launched in 2021, is a 10-year effort to accelerate the access of unbanked communities to affordable mainstream accounts and to provide easier access to low-cost banking. The program focuses on reaching the unbanked, including Black, African American, Hispanic, Latino, American Indian, and Alaska Native individuals and families. Together, these groups make up more than half of the over 5.9 million unbanked households in the U.S.

Similarly, we are dedicated to making homeownership possible in the diverse communities we serve. Last year, and over the last decade, we were the largest bank mortgage originator of home loans to people of color. Our work to increase the homeownership rate for Black/African American and Hispanic/Latino families and close the gap between these groups and white homeowners is long-standing. In addition, we established Wealth Opportunities Restored Through Homeownership, or WORTH, a \$60 million national effort to address barriers to homeownership for people of color. WORTH supports efforts to close persistent disparities in homeownership in Atlanta, Houston, Milwaukee, New York, Philadelphia, Richmond, San Diego, and rural and tribal areas.

We also announced an expansion of our Dream.Plan.Home.SM closing cost credit, which provides eligible borrowers within certain metropolitan areas, including Atlanta, with income at or below 80% of the area median income where the property is located with up to \$5,000 to use toward closing costs. And we partnered with the National Urban League to fund a \$5 million grant to create the Urban Appraisers Initiative, a new program that aims to increase diversity and reduce barriers to entry in the home appraisal industry. The National Urban League will work with Wells Fargo to build a pipeline of diverse appraisers from three areas—Atlanta, Houston, and North Carolina—through Urban League Entrepreneurship Centers.

Additionally, we launched a special purpose credit program (“SPCP”) in 2022, committing \$150 million to advance racial equity in homeownership, with an additional \$100 million investment toward racial equity efforts announced in 2023. Through this SPCP, eligible customers can refinance into below-market rate loans with reduced closing costs. In 2023, we also launched a second SPCP offering down payment grants to help bridge the homeownership gap. This program, called the Homebuyer Access Grant, provides \$10,000 to be applied toward the down payment for eligible homebuyers who currently live, or are purchasing homes in, select areas within certain metropolitan areas, including Atlanta. Through the end of October 2023, more than 5,100 customers have taken advantage of these offers, representing \$120 million of the \$150 million commitment made in 2022.

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4. Black women are the fastest growing set of entrepreneurs in the country, yet companies led by Black women typically receive less than 1% of all venture capital funding.

One organization working to address this problem is the Fearless Fund, which is based out of Atlanta, Georgia, and invests in businesses led by women of color. The Fearless Fund runs a contest called the “Fearless Strivers Grant Contest” that provides awards to small businesses owned by Black women.

Unfortunately, the Fearless Fund has been sued by a group that wants to stop the Strivers Contest. The man leading this group has also previously sued to overturn portions of the Voting Rights Act as well as affirmative action programs in college admissions. In October 2023, the 11th Circuit Court of Appeals temporarily blocked the Fearless Fund from continuing to run the Strivers Contest.

- a. Do you believe that supporting entrepreneurs from underrepresented backgrounds, such as women of color, is important? Why or why not?
- b. What specific steps have you taken to support entrepreneurs from underrepresented backgrounds, such as women of color?
- c. Will your firm commit to supporting organizations that proactively work to support entrepreneurs from underrepresented backgrounds? Why or why not?
- d. Do you support race-conscious measures to direct resources to underserved communities? Why or why not?

We recognize that small businesses, including those owned by minority entrepreneurs, are the backbone of our communities. That is why we donated roughly \$420 million through our Open for Business Fund, which has provided more than 200 Community Development Financial Institutions and other nonprofits with resources to help diverse small business owners thrive. Through June 2023, Open for Business Fund grant recipients have helped more than 203,000 small businesses and preserved or created nearly 254,000 jobs. Of these businesses served, 79% were owned by racially or ethnically diverse individuals, 72% of owners identified as being low-to-moderate income, and 53% were women-owned small businesses.

We also support other programs that work with entrepreneurs from diverse backgrounds. For example, Milestone Circles is a mentoring program for women entrepreneurs offered by the Nasdaq Entrepreneurial Center (“NEC”) and funded by Wells Fargo Foundation support. Participants, 86% of which have been Black, African American, and/or Afro-Caribbean, learn to improve their business alongside a “circle” of fellow entrepreneurs. Milestone Circles, now entering its third year, has connected nearly 2,000 women business owners to powerful peer networks that help them hit their business milestone. Wells Fargo and the NEC plan to double the number of graduates to 4,000 by the end of 2024 to better meet the needs of the thousands of women entrepreneurs who have already applied to the free program.

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We also collaborated with Community Reinvestment Fund, USA in 2022 to launch the Small Business Resource Navigator (“SBRN”), an online portal helping connect small business owners to potential financing options and technical assistance through Community Development Financial Institutions (“CDFIs”) across the U.S. In 2022, the SBRN introduced nearly 1,200 small business owners, a majority of which self-identified as diverse, to potential credit opportunities and technical assistance services provided by CDFIs.

Additionally, Wells Fargo has been a partner to national diverse chambers of commerce for over 50 years and is also focused on supporting local and regional chambers, organizations, and nonprofits that create pathways for underserved and marginalized small businesses to succeed through innovative solutions that unlock economic mobility and produce measurable outcomes.

5. According to the Federal Reserve Bank of St. Louis, the average 30-year mortgage rate is over 7%. A basic Wells Fargo savings account offers an interest rate of just 0.15%.

- a. Please explain this spread, how your firm determines savings account interest rates for customers, and how these rates are or are not affected by the Federal Reserve’s benchmark overnight interest rate.**
- b. Do you offer savings products that pay customers higher interest rates, and if so, do you take steps to direct your customers to those higher interest rate products from savings accounts with lower interest rates? Please describe any steps you take.**
- c. Do you plan on raising interest rates on savings accounts or other deposit accounts for your customers?**

Wells Fargo offers a full suite of banking and investment products and services to meet our customers’ needs. We offer competitive options for our clients looking to earn higher interest on their balances, and higher-rate product options are featured across our branch network and on our website. We set our savings and certificate of deposit (“CD”) rates based on the needs and behavior of our customers as well as the competitive dynamics of the marketplace. We review our rates regularly and consider a number of factors, including our safety and soundness and other regulatory obligations.

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Questions for Mr. Charles W. Scharf, CEO and President of Wells Fargo & Company,
 from Senator Elizabeth Warren:

1. The Department of the Treasury (Treasury), recognizing that over 100 U.S. firms and financial institutions have independently made voluntary net-zero commitments in recent years, recently issued its *Principles for Net-Zero Financing and Investing*. The principles aim to “promote consistency and credibility in financial institutions’ approaches to these commitments” and reflect that ‘credible’ commitments to net-zero emissions depend on robust net-zero plans that include short- and medium-term targets that align with limiting the increase in global average temperature to 1.5 degrees Celsius, while also ensuring that engagement practices with clients, portfolio companies, and other stakeholders align to these commitments. The principles also establish the importance of transparency, and that financial institutions should publicly disclose progress towards their targets.
 - a. Has your bank made a net-zero commitment?
 - b. If yes, have you ensured that it meets the Principles for Net-Zero Financing & Investing released by Treasury?
 - i. If no, when do you plan to do so?
 - c. Do you commit to publicly disclosing progress towards your bank’s short- and long-term targets to limit the increase in global average temperature to 1.5 degrees Celsius?
 - d. Reports list you among a group of banks that “are undermining their commitment to cutting carbon emissions by lobbying against climate regulation.” Is this report accurate and are you lobbying against climate regulations, including the Securities and Exchange Commission’s climate disclosure rule?
 - e. Does your public policy engagement contradict net-zero commitments that you have made?
 - i. If yes, do you commit to correcting this discrepancy and aligning your public engagement efforts with your net-zero commitments?

We understand that climate change is one of the most urgent environmental and social issues of our time, and we recognize the important role that we and many others play in addressing it. We support the goals of the Paris Agreement and a transition to a net-zero carbon economy. By 2050, our goal is to achieve net-zero greenhouse gas emissions, including our financed emissions. To meet our net-zero goal, we are taking a comprehensive view of how to address climate change, looking across our business and financial portfolios and reducing the impact of our operations. As we do so, we know we cannot do this alone. The path to net-zero emissions is complex and will require parallel action from governments, businesses, communities, and individuals in the form of policy measures, technological advancements, and behavioral changes. We also

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understand that the transition to a low-carbon economy must be balanced with current energy needs, which represents a business opportunity for both clients and the company.

When we announced our net-zero goal in March 2021, we committed to measuring and disclosing financed emissions for select carbon-intensive portfolios and to setting and disclosing interim, emission-based portfolio targets. In May 2022, we published CO2eMission,⁵ our methodology for aligning our financial portfolios with pathways to net-zero by 2050 and for setting interim emissions-based targets to track that alignment. CO2eMission also included our 2030 portfolio targets for the Oil & Gas and Power sectors.

We reported our progress against these two targets in our July 2023 Task Force on Climate-Related Financial Disclosures (“TCFD”) report. Also in July 2023, we released a supplement to CO2eMission that included our 2030 portfolio targets for three additional sectors – Automotive, Steel, and Aviation, and we intend to publicly report on our progress towards achieving these goals as well. These targets and our target-setting methodology are further detailed in CO2eMission, available on our website.

As outlined in additional detail in CO2eMission and our TCFD report, we anticipate that progress toward our targets may not follow a straight line because realizing the assumptions supporting our targets depends upon several factors, many of which are outside our control.

Though setting targets for five sectors is helpful, we are mindful of the challenges and limitations of bank target setting for financed emissions. Our ability to achieve our targets individually and a net-zero goal cumulatively depends largely upon events beyond our control, such as the development and commercialization of decarbonizing technologies, shifts in business models and practices, the implementation of supportive government policies, changes in societal and consumer behavior, and significant public investments globally.

With respect to policy advocacy, like many companies, Wells Fargo engages in public policy advocacy on issues that impact our business at the local, state, and federal levels, including through membership in financial services industry trade associations. We regularly review our participation model and believe that engagement through these trade organizations is an integral part of our public policy strategy and best serves our customers, company, employees, and communities. Participation in these groups comes with the understanding that we may not always agree with every position taken. In instances where we identify significant misalignment with trade associations to which we belong, we aim to share our perspective in a constructive manner.

Separately, we also sometimes share our individual views on proposals that might impact our business directly with our regulators. For example, in June 2022, we submitted a public letter commenting on the Securities and Exchange Commission’s draft rule on climate-related disclosures. A copy of that letter can be found online.⁶

⁵ CO2eMission (May 2022), https://sites.wf.com/co2emission/CO2eMission_Methodology.pdf.

⁶ Wells Fargo Letter to SEC Re: Release Nos. 33-11061; 34-94867; File No. 57-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors (June 17, 2022), <https://www.sec.gov/comments/s7-10-22/s71022-20132255-302781.pdf>.

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Additional disclosures regarding our climate goals and reporting can be found on our corporate responsibility website.⁷

- 2. The International Standards Organization established a merchant category code for gun and ammunition stores in September 2022 (“gun store code”). This year, Visa, MasterCard, American Express, and Discover announced a pause on implementation of the code. The Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation bank examination standards require banks to use accurate merchant category codes when underwriting new merchant clients in order to manage risk. Is your institution able to comply with risk management examination expectations given that you're not able to assign the gun store code until it is implemented by the payment networks?**

Wells Fargo remains able to comply with OCC and FDIC bank examination standards as its obligation to use accurate merchant category codes remains unchanged. Wells Fargo uses accurate and available merchant category codes for its merchants, including but not limited to, merchant category codes 5099 (durable goods, defined to include firearms and ammunition), 5941 (sporting goods stores), and 5999 (miscellaneous and specialty stores).

- 3. To what extent do you provide financial services to and/or invest assets in each of the following:**
- a. Retailers that exclusively sell firearms, ammunition, and associated accessories?**
 - b. Diversified retailers that sell firearms, ammunition, and/or associated accessories, along with other goods?**
 - c. Any firearm manufacturers?**
 - d. Retailers or manufacturers that sell military-grade assault weapons to civilians (such as the AK47 or AR15 firearm)?**
 - e. Do you have any specific criteria for evaluating the appropriateness of providing the financial services or investments noted above?**

Wells Fargo provides banking and other financial services to and invests in a wide variety of lawful businesses, and that includes some firearms manufacturers and retailers. For additional information on how we assess client relationships from a risk-management perspective, please see the response to your question 4.

- 4. If your institution provides financial services to firearm manufacturers or retailers, what due diligence do you conduct of financial relationships and transactions involving those entities?**

⁷ CO2eMission, Wells Fargo, <https://sites.wf.com/co2emission/#sec-2030-sector-targets>.

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We conduct due diligence on clients who manufacture, distribute, or sell arms and armaments to identify, assess, and manage risk to Wells Fargo stemming from actual and potential environmental and social adverse impacts associated with such clients. For clients in scope of the due diligence process, we assess for several risk factors, including, for example, inherent risk based on the types of products sold, sales channels, and market reach/size; regulatory compliance; human rights risk; and risk mitigation efforts in place. At the end of the assessment, clients that present elevated risk are escalated for further due diligence.

5. If your institution relies on index funds developed by third-party index providers, what criteria does your institution use to determine whether to exclude a security in an index from your index fund?

We do not manage any index funds and therefore do not employ criteria to determine whether to exclude securities from index funds. We do manage strategies that seek to track the returns of indexes and that are available for implementation in individual client investment accounts. Certain of these strategies may, if consistent with the objective of the strategy and/or client preference, exclude securities that are constituents of an applicable index based on a variety of factors, including environmental, social, and corporate governance considerations, among others.

6. If your institution votes on shareholder resolutions, what have been your votes on any shareholder resolutions focused on firearm manufacturers or retailers in the past five years?

a. If your institution has voted for any such resolutions, has your institution taken any steps to ensure that the companies implemented those resolutions?

Wells Fargo does not vote proxies related to investments held in Wells Fargo’s 401(k) plan. Wells Fargo’s Wealth & Investment Management business (“WIM”) includes Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC (collectively, “WFA”), each of which is a registered broker-dealer- and investment advisor, as well as Wells Fargo Bank, N.A (“WFB”), a national bank, and Wells Fargo Investment Institute, Inc. (“WFII”), also a registered investment advisor. WFA does not vote proxies. WFA brokerage clients and non-discretionary advisory clients are generally responsible for voting proxies themselves. With respect to fully discretionary Trust and Agency accounts at WFB, WFB generally retains proxy voting authority (subject to certain exceptions). With respect to Co-Trustee accounts at WFB (accounts over which the co-trustee(s) retain(s) responsibility for investment decisions but for which WFB is generally responsible for making and executing the investment decisions), unless the co-trustee elects otherwise, proxy voting is delegated to WFB. Based on a review of readily available information, it appears that WFB voted on two firearm-related shareholder resolutions in the past five years, and neither resolution was adopted. WFII does not vote proxies.

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7. How does your institution assess the market and reputational risk of investing in firearm retailers or manufacturers, even if just through passive investments?

We manage our credit risk by establishing what we believe are sound credit policies for underwriting new business, while monitoring and reviewing the performance of our existing loan portfolios. We employ various credit risk management and monitoring activities to mitigate risks associated with multiple risk factors affecting loans we hold, including:

- Loan concentrations and related credit quality;
- Counterparty credit risk;
- Economic and market conditions;
- Legislative or regulatory mandates;
- Changes in interest rates;
- Merger and acquisition activities; and
- Reputation risk.

Our credit risk management oversight process is governed centrally but provides for direct management and accountability by our lines of business. Our overall credit process includes comprehensive credit policies, disciplined credit underwriting, frequent and detailed risk measurement and modeling, extensive credit training programs, and a continual loan review and audit process. A key to our credit risk management is adherence to a well-controlled underwriting process, which we believe is appropriate for the needs of our customers as well as investors who purchase the loans or securities collateralized by the loans.

Additional information on our approach to risk management can be found in our annual report.⁸

8. Despite making net-zero commitments, banks are continuing to fund fossil fuel projects, with JP Morgan Chase, Citi, Wells Fargo, Bank of America, Morgan Stanley, and Goldman Sachs among the largest financers of these projects. Meanwhile, major oil and energy are dropping their sustainability pretenses: Shell announced it will not increase spending on renewable energy, Exxon dropped a longstanding biofuel project, and BP rolled back its own pledge to cut greenhouse gas emissions.

- a. What is your company doing to ensure your oil and gas clients are transitioning to clean energy and aligned with your net-zero commitments?
- b. Are you currently providing project financing for fossil fuel projects?
 - i. If so, how much in total project financing for fossil fuel projects have you provided to date in 2023, and in each of the last five calendar years?

⁸ 2022 Annual Report, Wells Fargo (Mar. 3, 2023), pp. 28-51, <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2022-annual-report.pdf>.

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In August 2022, we issued our second Inclusive Communities and Climate Bond, a \$2 billion bond that will finance projects and programs supporting housing affordability, economic opportunity, renewable energy, and clean transportation. We were also recognized at the eighth Climate Bonds Awards for the Largest Financial Corporate Sustainability Bond of 2022 by the Climate Bonds Initiative.

Additionally, we are working to minimize our own use of energy, water, and other resources, and reduce greenhouse gas emissions across our operations. We have achieved more than a 20% reduction in our own emissions over the last three years, and this year we updated our operational sustainability goals to try to make that a 70% reduction of our Scope 1 and 2 greenhouse gas emission by 2030 compared to a 2019 baseline. We also updated our operational sustainability goals for 2030 for energy, waste, and water reduction and for renewable energy use to meet purchased electricity needs.

When we announced our net-zero goal in March 2021, we committed to measuring and disclosing financed emissions for select carbon-intensive portfolios and to setting and disclosing interim, emission-based portfolio targets. In May 2022, we published CO2eMission,⁹ our methodology for aligning our financial portfolios with pathways to net-zero by 2050 and for setting interim emissions-based targets to track that alignment. CO2eMission also included our 2030 portfolio targets for the Oil & Gas and Power sectors.¹⁰ In July 2023, we released a supplement¹¹ to CO2eMission that included our 2030 portfolio targets for three additional sectors—Automotive, Steel, and Aviation,¹² and we intend to publicly report on our progress towards achieving these goals as well.

⁹ CO2eMission (May 2022), https://sites.wf.com/co2emission/CO2eMission_Methodology.pdf.

¹⁰ **Oil & Gas Sector:** 72.3 MtCO₂e, a 26% reduction in absolute emissions.

Power Sector: 102 kgCO₂e/MWh, a 63% reduction in portfolio emissions intensity. We updated our 2019 Power baseline measurement which resulted in a change in our reduction target from 60% to 63%. At the time we calculated the 2019 baseline emissions intensity for our Power portfolio, we relied upon 2020 power-generation data as a proxy to develop our 2019 baseline emissions intensity because 2019 power generation data was not available from our data provider (which we disclosed in CO2eMission). We subsequently received 2019 power-generation data and recalculated our 2019 baseline.

¹¹ CO2eMission (July 2023 Supplement), <https://sites.wf.com/co2emission/docs/CO2eMission-July-2023-Supplement.pdf>.

¹² **Automotive Sector:** 220 gCO₂e/vkm, a 53% reduction in portfolio emissions intensity, based on a 2021 baseline. Our Automotive portfolio target is for emissions attributed to the financing we provide to manufacturers of passenger cars and light-duty trucks and covers emissions from new vehicle sales.

Steel Sector: 1.01 tCO₂/t, maintaining portfolio emissions intensity equal to a 2021 baseline. We set our target using the International Energy Agency Net-Zero Emissions by 2050 scenario. The scenario's benchmark for 2030 is 1.09 tCO₂/t steel. The 2021 baseline emissions intensity of the clients comprising our Steel portfolio is 1.01 tCO₂/t steel. Because our portfolio's emissions intensity is below the scenario benchmark, we set the target equal to the baseline. We intend to continue working with our Steel clients to decarbonize their businesses, which may push the portfolio's emissions intensity further below the baseline and benchmark. **Aviation Sector:** 775 gCO₂e/RTK, a 20% reduction in portfolio emissions intensity, based on a 2019 baseline. Our Aviation target is not based on a climate scenario aligned to net zero by 2050. Though our target aligns with the fuel efficiency goals set by the International Civil Aviation Organization through its Carbon Offsetting and Reduction Scheme for International Aviation for 2021-2050, these goals are not sufficient for the sector to reach net zero by 2050. Absent the use of offsets, technology does not currently exist to facilitate decarbonization of the aviation sector.

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Having net zero goals and working with energy companies are not mutually exclusive. As a financial institution serving many sectors of the economy, Wells Fargo acknowledges its role in deploying resources and working with clients to support their independent plans for the future, which may include their business strategies aligned with low-carbon transitions.

Achieving net zero goals and sector-specific interim targets will require many third-party actors to take independent actions that further those goals. Wells Fargo’s ability to achieve those targets individually and net zero goals cumulatively depends upon events beyond its control, including the development and commercialization of decarbonizing technologies, shifts in business models and practices, the implementation of supportive government policies, changes in societal and consumer behavior, and significant public investments globally.

For additional information on these topics, please see the response to your question 1 as well as our publicly available CO2eMission website and related climate reports. Factors that could cause actual results to differ materially from those described in those documents include the necessity of technological advancements, the evolution of consumer behavior, the need for thoughtful climate policies, the potential impact of legal and regulatory obligations, and changes in management’s strategy for balancing our aspirational short-term targets with the need to facilitate an orderly and just transition that considers energy security, among other factors.

9. A March 2023 report by the Institute for Social and Policy Understanding (ISPU) found that, when accessing or seeking access to banking services, 27 percent of Muslims in the U.S. face challenges such as “being denied opening an account, having an account suspended or closed, or having payments you made under investigation.” Muslims face these challenges at a disproportionate rate: according to ISPU, 12 percent of the general public face similar banking challenges.

Recent reporting from the *New York Times* on account closures suggests that “banks are evicting what appear to be an increasing number of individuals, families and small-business owners.” The goal of these closures is admirable: “to crack down on fraud, terrorism, money laundering, human trafficking and other crimes.” But they can impact innocent individuals and businesses, who often “don’t have the faintest idea why their banks turned against them.” What’s more, according to the *New York Times*, “[b]anks generally won’t say how often they are closing accounts this way, and they’re not tracking how often they get it wrong.” Former bank employees involved in the account closure decision making process described it to the *New York Times* this way, “[t]here is no humanization to any of this, and it’s all just numbers on a screen... It’s not ‘No, that is a single mom running a babysitting business.’ It’s ‘Hey, you’ve checked these boxes for a red flag – you’re out.’”

- a. Please provide the following data for the period between January 2018 and the present, broken down by calendar year (for 2023, provide the most recent available data if you do not have the data for the full 12 months):

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- i. How many bank accounts did your bank close, suspend, or cancel as part of its “derisking” or “existing” processes? Please provide a breakdown of the reasons for these closure, suspension, or cancellation, aggregated into appropriate categories.**
- b. Please provide your bank’s internal guidance on and processes for “derisking” or “existing,” including the categories of ‘suspicious’ activities your bank tracks; whether or how your bank’s reasoning is shared with customers facing account closures; and whether or how customers can appeal “derisking” or “existing” decisions.**
- c. Please provide the following data for the period between January 2018 and the present, broken down by year:**
 - i. How many complaints has your bank received regarding account closures, suspensions, or cancellations?**
 - ii. How many complaints have resulted in the overturning of your bank’s decision?**

Our policies and procedures outline, among other things, the opening, maintenance, and closing of customer accounts; how we conduct customer due diligence; and how we identify unusual activity related to our customer accounts. These policies and procedures serve as an important way that we support compliance with the law and mitigate risk to our customers and/or the bank. From time to time, after an internal evaluation of risks, individual accounts may be closed in accordance with our policies. This can occur for a variety of reasons, including the violation of applicable terms and conditions, activity that is inconsistent with law or regulation or outside of our risk tolerance, or because we have ceased to offer certain product lines or services.

In the process of evaluating an account or activity in an account, we may place a restriction on the account to appropriately mitigate risks to our customer or the bank. When we place a fraud-related restraint on an account, we aim to utilize the least restrictive tool available to address the identified risk. We also generally require our teams to attempt to call customers when a fraud restraint is placed on their account and to send written notice to all customers who are impacted by a restraint. Similarly, when Wells Fargo decides to close an account or exit a customer relationship, we send written communication to the customer that indicates our decision to close the account, when the closure will occur, and contact information for the customer to use if they have questions or concerns about the actions being taken.

Account closure decisions are generally final; though, where a customer believes closure (or a preventive restriction) of the account was unwarranted, they may share supplemental information with us that is reviewed as part of our ordinary complaint escalation processes. Our subsequent review of information provided by a customer may warrant alternative actions. Wells Fargo does not typically make details regarding account closures or restrictions publicly available in the regular course of our business.

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10. In July 2023, the FDIC issued a Financial Institution Letter stating that it had observed that some insured depository institutions (IDIs) “are not reporting estimated uninsured deposits in accordance with [FDIC] instructions.” This is concerning, as it suggests that some IDIs may be misreporting important information in an effort to reduce their share of a special assessment put in place to replenish the Deposit Insurance Fund (DIF) after the failure of Silicon Valley Bank. According to a Wall Street Journal analysis, this letter was sent after “47 banks restated their Dec. 31 uninsured-deposit figures downward by a total of \$198 billion.” Because the special assessment is based on uninsured deposits held by banks as of December 31, 2022, lowering those reported numbers reduces banks’ special assessment payments.

a. Has your bank restated its December 31, 2022 uninsured deposit figures down?

i. If so, how many times have you done so? Please list each revision, including:

I. The dollar figure by which your bank revised those figures?

II. How much the revision reduced or increased your expected payment to the DIF?

III. The explanation for the revision.

Wells Fargo has not restated its December 31, 2022 uninsured deposits.

11. Earlier this year, Zelle announced a new policy with regard to reimbursing consumers who were victims of scams and fraud. According to reports, “[s]ince June 30, Zelle ... has quietly required banks and credit unions to reverse transfers for customers in qualifying cases when they were tricked into sending money to scammers impersonating banks.”

a. What is Zelle’s current policy with regard to providing reimbursements for customers who are victims of scams?

b. What specific changes were made earlier this year with regard to transactions that took place after June 30, 2023?

We are proud that Zelle has helped consumers make hundreds of millions of fast, convenient, and secure fund transfers totaling hundreds of billions of dollars. Customers rely on Zelle for everyday transactions like splitting rent, settling bills, and sending money to family and friends. Wells Fargo does not require customers to pay a fee to send or receive funds using Zelle—it is free. Zelle also permits transferred funds to stay in FDIC-insured bank accounts rather than requiring customers to exit the traditional banking system in order to send and receive funds.

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Together with the other financial institutions that own and operate the Zelle network, Wells Fargo makes significant investments and undertakes extensive efforts to protect customers from criminals and make the network safe for users. Since 2017, over 99.9% of Zelle transactions have been successfully completed by our customers without any report of unauthorized transfers (i.e., fraud) or authorized transfers induced by fraud (i.e., scams). Our processes include active countermeasures to identify and stop fraud and scams before they can harm consumers, as well as customer education aimed at raising awareness of common fraud and scam scenarios so that customers can stay safe. A key part of our processes includes adding points of friction and “speed bumps” into the user experience to help the customer recognize scams before initiating a transfer. When fraud and scams occur despite the efforts just mentioned, we reimburse customers as appropriate and consistent with, and oftentimes beyond, our contractual and legal obligations.

While nearly all transactions on Zelle are completed without incident, criminals have targeted Zelle users with fraud and scams just like users of every other fund transfer method. When a customer reports a fraud or scam by disputing a Zelle transfer, we investigate and respond based on a careful analysis of the facts. Each situation is unique, and our review may determine that reimbursement is appropriate based on the situation, or the information provided. Our policies are designed to comply with all applicable network, statutory, and regulatory requirements, including those imposed by the Electronic Fund Transfer Act.

We are also committed to protecting consumers from imposter scams, where consumers were induced to send a payment. We have worked with Early Warning Systems, LLC and the other Zelle network owner banks to go beyond legal requirements and provide a new consumer reimbursement benefit for victims of certain imposter scams. Effective as of June 30, 2023, Zelle requires that banks provide a full refund to the sender for imposter scams in defined circumstances.

12. For the period from January 1, 2022 – December 1, 2022, how many reports of fraud – as defined by Regulation E – did your bank receive from consumers? Please provide:

- a. The total number of reported cases of fraud from your customers using Zelle.
- b. The total dollar value of reported fraud.
- c. The number of cases where your bank provided refunds or reversed transfers for customers.
- d. The total value of these refunds/transfer reversals.
- e. The number of cases where your bank referred fraud to law enforcement or to federal or state bank regulators.

Wells Fargo classifies each dispute concerning a Zelle transfer as either a “Fraud” claim (i.e., one concerning an allegedly unauthorized transfer) or a “Non-Fraud” claim (i.e., one concerning

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an authorized transfer). The data provided below relates to Fraud claims submitted by Wells Fargo customers concerning completed outgoing Zelle transfers.

The table below provides the requested data from the period January 1, 2022 through December 31, 2022.

(a): The total number of reported cases of fraud from your customers using Zelle.	78,385
(b): The total dollar value of reported fraud.	\$75,614,697
(c): The number of cases where your bank provided refunds or reversed transfers for customers.	38,054
(d): The total value of these refunds/transfer reversals.	\$34,277,900

Wells Fargo works every day to detect and prevent fraud and scams, as well as arm customers with information to protect themselves, including by inserting warnings and friction in the Zelle experience to help customers engage only in transactions they really want to make. Protecting customers is of the utmost importance to the Bank, and we will remain vigilant in our efforts.

With respect to reporting to law enforcement, Wells Fargo is committed to identifying, reporting, and deterring financial crimes, including by filing suspicious activity reports (“SARs”) as appropriate, and fully cooperates with law enforcement investigations and inquiries. Because SARs are highly confidential, Wells Fargo cannot provide specifics about its SAR filings outside the specific circumstances set forth in the BSA/AML statutes, regulations, and FinCEN guidance.

13. For the period from January 1, 2022 – December 1, 2022, how many reports of scams (transactions “authorized and initiated by a consumer” and thus not unauthorized) but that were induced through deception (e.g., where a third party convinces the consumer to transfer money based on a false pretext, such as an offer to sell nonexistent goods) did your bank receive from consumers? Please provide:

- a. The total number of reported cases of scams from your customers using Zelle.
- b. The total dollar value of reported scams.
- c. The number of cases where your bank provided refunds or reversed transfers for customers.
- d. The total value of these refunds/transfer reversals.
- e. The number of these scams cases where your bank referred the incident to law enforcement or to federal or state bank regulators.

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Wells Fargo classifies each dispute concerning a Zelle transfer as either a “Fraud” claim (i.e., one concerning an allegedly unauthorized transfer) or a “Non-Fraud” claim (i.e., one concerning an authorized transfer). Wells Fargo has provided data below reflecting the number and value of claims within the Non-Fraud category that the Bank classified as “Goods and Services” claims, because Scams are included in that category. However, because not all Goods and Services claims relate to Scams, the number and value figures provided today are overinclusive. For example, that category would also include a claim submitted by a customer who was not the victim of a scam, but received a product that was defective or not as specified, e.g., a garment of the wrong size or color.

The table below provides the requested data from the period January 1, 2022 through December 31, 2022.

(a): The total number of reported Non-Fraud claims from your customers using Zelle.	146,121
(b): The total dollar value of reported Non-Fraud claims.	\$71,991,993
(c): The number of cases where your bank provided refunds or reversed transfers for customers.	3,762
(d): The total value of these refunds/transfer reversals.	\$2,814,290

With respect to reporting to law enforcement, Wells Fargo is committed to identifying, reporting, and deterring financial crimes, including by filing suspicious activity reports (“SARs”) as appropriate, and fully cooperates with law enforcement investigations and inquiries. Because SARs are highly confidential, Wells Fargo cannot provide specifics about its SAR filings outside the specific circumstances set forth in the BSA/AML statutes, regulations, and FinCEN guidance.

14. For the period from January 1, 2023 – June 30, 2023, how many reports of fraud – as defined by Regulation E – did your bank receive from consumers? Please provide:

- a. The total number of reported cases of fraud from your customers using Zelle.**
- b. The total dollar value of reported fraud.**
- c. The number of cases where your bank provided refunds or reversed transfers for customers.**
- d. The total value of these refunds/transfer reversals.**
- e. The number of cases where your bank referred fraud to law enforcement or to federal or state bank regulators.**

Wells Fargo classifies each dispute concerning a Zelle transfer as either a “Fraud” claim (i.e., one concerning an allegedly unauthorized transfer) or a “Non-Fraud” claim (i.e., one concerning

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an authorized transfer). The data provided below relates to Fraud claims submitted by Wells Fargo customers concerning completed outgoing Zelle transfers.

The table below provides the requested data from the period January 1, 2023 through June 30, 2023.

(a): The total number of reported cases of fraud from your customers using Zelle.	23,462
(b): The total dollar value of reported fraud.	\$20,943,021
(c): The number of cases where your bank provided refunds or reversed transfers for customers.	7,734
(d): The total value of these refunds/transfer reversals.	\$6,571,954

With respect to reporting to law enforcement, Wells Fargo is committed to identifying, reporting, and deterring financial crimes, including by filing suspicious activity reports (“SARs”) as appropriate, and fully cooperates with law enforcement investigations and inquiries. Because SARs are highly confidential, Wells Fargo cannot provide specifics about its SAR filings outside the specific circumstances set forth in the BSA/AML statutes, regulations, and FinCEN guidance.

15. For the period from January 1, 2023 – June 30, 2023, how many reports of scams (transactions “authorized and initiated by a consumer” and thus not unauthorized) but that were induced through deception (e.g., where a third party convinces the consumer to transfer money based on a false pretext, such as an offer to sell nonexistent goods)” did your bank receive from consumers? Please provide:

- a. The total number of reported cases of scams from your customers using Zelle.
- b. The total dollar value of reported scams.
- c. The number of cases where your bank provided refunds or reversed transfers for customers.
- d. The total value of these refunds/transfer reversals.
- e. The number of these scams cases where your bank referred the incident to law enforcement or to federal or state bank regulators.

In line with the Bank’s response to question 13, Wells Fargo has provided data below reflecting the number and value of claims within the Non-Fraud category that were classified as “Goods and Services” claims, because Scams were included in that category. However, because not all Goods and Services claims relate to Scams, the number and value figures provided today are overinclusive.

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The table below provides the requested “Goods and Services” data from the period January 1, 2023 through June 30, 2023.

(a): The total number of reported Non-Fraud claims from your customers using Zelle.	70,558
(b): The total dollar value of reported Non-Fraud claims.	\$30,391,466
(c): The number of cases where your bank provided refunds or reversed transfers for customers.	40
(d): The total value of these refunds/transfer reversals.	\$29,266

With respect to reporting to law enforcement, Wells Fargo is committed to identifying, reporting, and deterring financial crimes, including by filing suspicious activity reports (“SARs”) as appropriate, and fully cooperates with law enforcement investigations and inquiries. Because SARs are highly confidential, Wells Fargo cannot provide specifics about its SAR filings outside the specific circumstances set forth in the BSA/AML statutes, regulations, and FinCEN guidance.

16. For the period from June 30, 2023 – present, how many reports of fraud – as defined by Regulation E – did your bank receive from consumers? Please provide:

- a. The total number of reported cases of fraud from your customers using Zelle.**
- b. The total dollar value of reported fraud.**
- c. The number of cases where your bank provided refunds or reversed transfers for customers.**
- d. The total value of these refunds/transfer reversals.**
- e. The number of cases where your bank referred fraud to law enforcement or to federal or state bank regulators.**

Wells Fargo classifies each dispute concerning a Zelle transfer as either a “Fraud” claim (i.e., one concerning an allegedly unauthorized transfer) or a “Non-Fraud” claim (i.e., one concerning an authorized transfer). The data provided below relates to Fraud claims submitted by Wells Fargo customers concerning completed outgoing Zelle transfers.

The table below provides the requested data from the period July 1, 2023 through December 31, 2023.

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(a): The total number of reported cases of fraud from your customers using Zelle.	22,335
(b): The total dollar value of reported fraud.	\$19,673,516
(c): The number of cases where your bank provided refunds or reversed transfers for customers.	8,067
(d): The total value of these refunds/transfer reversals.	\$6,447,302

With respect to reporting to law enforcement, Wells Fargo is committed to identifying, reporting, and deterring financial crimes, including by filing suspicious activity reports (“SARs”) as appropriate, and fully cooperates with law enforcement investigations and inquiries. Because SARs are highly confidential, Wells Fargo cannot provide specifics about its SAR filings outside the specific circumstances set forth in the BSA/AML statutes, regulations, and FinCEN guidance.

17. For the period from June 30, 2023 – present, how many reports of scams (transactions “authorized and initiated by a consumer” and thus not unauthorized) but that were induced through deception (e.g., where a third party convinces the consumer to transfer money based on a false pretext, such as an offer to sell nonexistent goods)” did your bank receive from consumers? Please provide:

- a. The total number of reported cases of scams from your customers using Zelle.**
- b. The total dollar value of reported scams.**
- c. The number of cases where your bank provided refunds or reversed transfers for customers.**
- d. The total value of these refunds/transfer reversals.**
- e. The number of these scams cases where your bank referred the incident to law enforcement or to federal or state bank regulators.**

In line with the Bank’s response to question 13, Wells Fargo has provided data below reflecting the number and value of claims within the Non-Fraud category that were classified as “Goods and Services” claims, because Scams were included in that category. However, because not all Goods and Services claims relate to Scams, the number and value figures provided today are overinclusive.

The table below provides the requested “Goods and Services” data from the period July 1, 2023 through December 31, 2023.

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(a): The total number of reported Non-Fraud claims from your customers using Zelle.	62,839
(b): The total dollar value of reported Non-Fraud claims.	\$26,276,228
(c): The number of cases where your bank provided refunds or reversed transfers for customers.	4,673
(d): The total value of these refunds/transfer reversals.	\$3,032,455

With respect to reporting to law enforcement, Wells Fargo is committed to identifying, reporting, and deterring financial crimes, including by filing suspicious activity reports (“SARs”) as appropriate, and fully cooperates with law enforcement investigations and inquiries. Because SARs are highly confidential, Wells Fargo cannot provide specifics about its SAR filings outside the specific circumstances set forth in the BSA/AML statutes, regulations, and FinCEN guidance.

18. Employees at Wells Fargo locations in Alaska and New Mexico will make history later this month by holding the first ever union elections at Wells Fargo. Workers at dozens of other branches across the country are set to file election petitions with the National Labor Relations Board (NLRB) in the near future. Interest in unionization is reportedly driven in part by Wells Fargo’s refusal to adequately address post-pandemic workplace challenges, such as inadequate staffing levels.

Wells Fargo has reportedly hired notorious anti-union law firm Littler Mendelson to run its union-busting campaign. Littler is one of the most aggressive “union avoidance” law firms in the world, and has run several high-profile anti-union campaigns at Starbucks, Amazon, Nissan, McDonalds, and more. Littler’s lobbying arm has fought aggressively against pro-worker policies such as California’s AB5, which would have properly reclassified gig workers as employees. Wells Fargo has already begun using Littler to union-bust by way of flyers posted in the workplace and emails from management. Even more concerning, workers have recently reported that managers will call them in for one-on-one meetings during which managers will ask the worker a set of questions, then step into an adjoining room to report the worker’s answers to Littler lawyers and receive direction on how best to respond – a devious tactic that allows Littler to avoid reporting the expenditure to the Department of Labor. To date, Wells Fargo has settled at least two unfair labor practice charges alleging anti-union intimidation.

Wells Fargo’s union-busting campaign adds to a long history of anti-worker practices at your bank. I have repeatedly raised concerns about these practices, from conducting fake interviews for women and minority job applicants, to punishing whistleblowers for coming forward, to denying workers overtime. With a union, workers will have a voice in workplace decisions and have the job security necessary to raise concerns about your bank’s anti-consumer practices without fear of reprisal.

- a. If Wells Fargo does in fact respect the right of its employees to organize under the National Labor Relations Act, as it has claimed, then why have you

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chosen to retain Littler Mendelson and hire a Littler alum as your head of labor relations despite the law firm’s explicit claim to help with “union avoidance”?

- b. How much has Wells Fargo paid Littler in 2023 for work related to the effort to prevent unionization of Wells Fargo employees? Please provide a list of payments by category.**
- c. What other expenditures has Wells Fargo incurred in 2023 in its efforts to defeat unionization efforts?**
- d. What written and verbal guidance have Wells Fargo and/or Littler Mendelson given to branch management with respect to workers’ efforts to unionize?**
- e. To what extent have Littler Mendelson representatives interacted directly with Wells Fargo’s non-managerial employees with respect to unionization? What has been the nature of these interactions?**
- f. The Labor-Management Reporting and Disclosure Act (LMRDA) requires employers to file within 90 days of the end of their fiscal year a disclosure form identifying expenditures directly or indirectly aimed at interfering with their employees’ right to unionize. However, companies sometimes choose to delay filing or to employ spurious interpretations of the LMRDA to report as little union avoidance spending as possible. Will Wells Fargo commit to filing its LMRDA-required financial disclosure by the statutory deadline (in Wells Fargo’s case, March 30, 2024)?**

Under the National Labor Relations Act (“NLRA”), employees are free to join a union or refrain from joining a union. If there is an election, the outcome is determined solely by eligible employees in a secret ballot election. Wells Fargo supports and respects the process by which a union becomes a collective bargaining representative or does not become a collective bargaining representative.

Wells Fargo is committed to meeting its obligations under the NLRA and provides training to all managers on employee rights under the NLRA in support of compliance with the law. Under Section 8(c) of the NLRA, Congress authorized employers to express views, argument, or opinion to employees provided such expression contains no threat of reprisal or force or promise of benefit. In the context of a union election, the information Wells Fargo provides to relevant managers is consistent with employees’ and Wells Fargo’s rights under the NLRA. Likewise, to the extent the Labor-Management Reporting and Disclosure Act requires Wells Fargo to report expenditures, we will comply with the law.

With respect to our use of outside counsel, Wells Fargo has relationships with many different law firms, including support for labor and employment matters. Littler Mendelson is among the

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firms Wells Fargo has regularly engaged, historically mostly for employment litigation, but also with respect to the NLRA and related matters. The NLRA is a complex statute that has been interpreted through many legal opinions that govern a wide range of intricate issues, and we engage outside counsel to advise us on NLRA-related issues. The details of lawyer-client representation are kept confidential, and revealing payments to law firms by category would threaten legally protected privileges. Similarly, communications from lawyers retained by Wells Fargo to assist us in compliance with the law constitute legal advice, which is privileged.

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Questions for Mr. Brian Thomas Moynihan, Chairman and CEO of Bank of America, from Chairman Sherrod Brown:

1. Please describe the extent of Bank of America’s derivatives exposure, leveraged lending, lending to private equity, credit, and hedge funds, and repo market business.

Answer: Bank of America serves individual consumers, small- and middle-market businesses, institutional investors, large corporations and governments with a full range of banking, investing, asset management and other financial and risk management products and services. Information regarding Bank of America’s derivatives exposures, credit risk, and repo exposures is provided in the Financial Review and Financial Statements and Notes sections of our most recent annual report, located at https://d1io3yog0oux5.cloudfront.net/38035fd49111e07aaca0f04436c92d2d/bankofamerica/db/8679840/annual_report/BAC+2022+Annual+Report.pdf.

2. Please provide the ratio of your total compensation (salary and all deferred compensation) to median employee compensation.

Answer: The ratio of total CEO compensation to median employee compensation is 258:1.

3. Since last year’s hearing, Zelle, co-owned by your bank, has committed to reimbursing customers who are subject imposter scams. What other policies and practices have you instituted or planned to institute that will make victims of fraud whole? Second, are there any existing gaps in the Electronic Funds Transfer Act that need to be addressed to create industry-wide standards for protecting consumers from fraud and making victims of fraud whole?

Answer: Bank of America has a range of ways to help protect consumers from fraud and scams perpetrated using Zelle. Consistent with applicable law, the Bank provides complete reimbursement to consumers who are impacted by unauthorized Zelle transfers (sometimes called “fraud”).

Both the Bank and Early Warning Services (“EWS”), which operates the Zelle network, have implemented measures to help protect and assist consumers who have been misled by third parties into initiating Zelle transfers (sometimes called “scams”). Beginning in June 2023, participating financial institutions including Bank of America are required by the Zelle network rules to reimburse consumers for certain imposter scams. The Bank provided similar protections for imposter scams even before this rule change, including for so-called “me to me” scams. In addition, the Bank provides reimbursement for certain additional scam scenarios consistent with Bank policy. We cannot detail the exact circumstances in which such reimbursement is provided without exposing the Bank to fraud risk. As a result of these changes both to the network rules

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and the Bank’s policies, Bank of America voluntarily paid over \$23 million to consumers for Zelle scam transfers in 2023 (through August).

4. Since the launch of FedNow, more banks are sending and receiving real-time payments. A recent study found that the current instant payments market, valued at approximately \$16 billion, will expand by a 33 percent compound annual growth rate to a market value of \$277 billion by the end of 2032.¹ Real-time payments are processed and settled individually and continuously. This means that real-time payment network participants must maintain adequate balances to settle transactions at any time and have sufficient liquidity to cover changes in the supply and demand for cash. As these transactions become more prevalent, what policies and practices is your institution putting in place to manage liquidity risk?

Answer: Bank of America has existing protocols and routines to manage the firm’s overall liquidity risk while participating in payment networks globally; these are supported by robust intraday monitoring, reporting and stress testing processes. Further reducing the risk of liquidity concerns, Bank of America closely monitors real-time payment activity and regularly evaluates its minimum liquidity threshold to ensure that there is sufficient liquidity at any time.

5. On November 3, 2023, a manual processing error by The Clearing House’s Electronic Payments Network led to a widespread ACH outage disrupting approximately 867,000 transactions. Can you share how you communicated to impacted customers about the outage and the events being taken to remediate the issue? Please provide details on who received communications—were communications general to all customers or specific to those impacted. Also, please specify what channels were used to contact impacted customers and how were customers able to get in contact with your customer services to receive support through the disruption.

Answer: On the morning of November 3, 2023, after becoming aware of the Electronic Payments Network issue, Bank of America placed messaging available to all of our Consumer and Small Business clients across our Online Banking, Mobile Banking, and Interactive Voice Response (IVR) channels. The messaging shared information about the incident and the potential for temporary delays in deposits. We also placed a bulletin in CashPro (our online and mobile portal for larger business clients) sharing similar information with our commercial and corporate clients and we reached out to large payroll clients to confirm their awareness. Over the following days, we were able to match select Consumer and Small Business account numbers provided by TCH to account and client profiles in our system to identify a population of impacted clients. On November 6 and 7, Bank of America sent emails/letters to that population and deployed a targeted message in Online Banking and Mobile Banking. On November 10, we provided follow-up emails/letters to impacted Consumer and Small Business clients who previously contacted Bank of America to inform those clients whether applicable transactions had posted or further action was required. Throughout this time, Consumers and Small Businesses were able to utilize our contact centers for support and were provided with the appropriate phone number

¹ <https://www.factmr.com/report/real-time-payments-market>.

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in communications. Larger businesses received support by contacting our servicing team or their dedicated account managers.

6. With the introduction of ChatGPT and other large language models, the financial sector is equally working on developing advanced AI tools for tasks ranging from financial advising to streamlining internal processes. How do you plan to protect the jobs and livelihoods of all of your employees, especially front-line staff, when deploying these tools?

Answer: We have a long history of both investing in technology and investing in our employees. Advanced AI tools, when deployed appropriately, automate the most repeatable, low value tasks and allow employees to focus on more complex activities. This in turn helps employees build their skills and advance in their careers as they work alongside technology, including AI technology, in more complex and higher-paid roles. Our use of AI technology is controlled to manage impacts and risks. The technology has enabled us to better meet our customers’ needs and reinvest in teammate compensation, development, and career mobility. By 2025 our minimum hourly wage will have increased by nearly \$14 per hour — or more than 121% — since 2010, reflecting the continued importance of our people to our business and our ongoing investment in them. We plan to continue to invest in training and development to help upskill and reskill employees for the high-value skills they need. Over the past five years, on average, more than 40% of our roles have been filled internally, reflecting an ongoing investment in employee development.

7. How are you going to ensure your bank’s use of AI does not unfairly discriminate against customers and potential customers?

Answer: BofA has rigorous oversight of model development and ongoing model monitoring to manage potential risks with the use of models. Legal and Compliance Fair Lending subject matter experts have historically been and will continue to be heavily engaged in oversight of model development and ongoing model oversight activities to identify and mitigate risks. We do not use AI models to make credit decisions.

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8. During the hearing, you stated that you “[didn’t] think it would make a difference” to Bank of America’s mortgage lending if the bank were to lose the qualified mortgage safe harbor to the CFPB’s Ability to Repay rule. But in response to a 2011 proposed rule to implement the Dodd-Frank Act’s Ability to Repay requirement, Bank of America, in a letter submitted when you were CEO, stated that “it is critically important that the final rule provide a safe harbor for Qualified Mortgages.”²

Would Bank of America support eliminating the CFPB’s qualified mortgage safe harbor to the Ability to Repay requirement in the Dodd-Frank law? Please explain.

If the safe harbor were eliminated tomorrow, would Bank of America alter its mortgage lending in any way? Please explain.

Answer: The Qualified Mortgage Rule overall, and the Safe Harbor specifically, set important guardrails on mortgage lending, including the \$10 trillion agency (Fannie, Freddie, Ginnie) secondary markets. The Bank provides mortgage loans to our clients in a very competitive market. Even with the hypothetical outcome described in the question, Bank of America would continue responsibly lending to our clients, adjusting to market conditions to ensure borrowers can attain sustainable homeownership.

² See “Letter from Bank of America Corporation to the Board of Governors of the Federal Reserve System Re: Proposed Rule Amending Regulation Z (Truth in Lending), Docket No. R-1417,” July 22, 2011, available at https://www.federalreserve.gov/SECRS/2011/August/20110811/R-1417/R-1417_072211_83823_418069462712_1.pdf.

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9. For each of the past five years, please provide:
- a. The number of owner-occupied, single-family purchase mortgage loans that Bank of America originated;
 - b. The number of those owner-occupied, single-family purchase mortgage loans that Bank of America originated to low- or moderate-income buyers;
 - c. The number of those owner-occupied, single-family purchase mortgage loans to low- or moderate-income buyers that Bank of America retained (did not sell);
 - d. The number of those owner-occupied, single-family purchase mortgage loans to low- or moderate-income buyers with a loan-to-value ratio higher than 80% that Bank of America retained (did not sell); and
 - e. The number of those owner-occupied, single-family purchase mortgage loans with a loan-to-value ratio of higher than 80% that Bank of America retained (did not sell).

Answer: As shared in our HMDA filing (available at <https://ffiec.cfpb.gov/data-publication/modified-lar/2022>), we had the following originations between 2018-2022. Information regarding mortgages retained is not publicly available.

Owner-occupied, single-family purchase mortgage loans:

In response to:	2022	2021	2020	2019	2018
• Part a	30,693	39,153	40,725	60,795	46,645
• Part b	7,849	11,460	12,723	10,823	6,569

10. In his questioning of Mr. Moynihan, Senator Vance mischaracterized a decision made by Bank of America regarding no longer fund mining thermal coal projects (which Mr. Moynihan corrected in real time to reflect that the bank action in question was about future funding of mountaintop removal projects), and then, referring to the bank’s pledge to move to net zero, and to assist its clients in achieving net-zero emissions as engaging in “culture war battles.”
- a. Would you describe for our record how these and other decisions are made, specifically, whether the bank’s investment decisions are made as sophisticated corporate entities with as much information available to it as the bank can collect, including the views of its shareholders, or as reactions to pressure being applied by elected officials, political appointees, or outside groups?

Answer: Bank of America has a long-standing view that climate change, and the associated clean energy transition underway, present both opportunity and risk to the Bank and its clients. As

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outlined in the Governance section of our 2023 Task Force on Climate-related Financial Disclosures (“TCFD”) Report (available at https://about.bankofamerica.com/content/dam/about/report-center/esg/2023/2023_TCFD_Report.pdf) (pp. 10-15), our Responsible Growth Council (“RGC”) – a management-level council comprised of senior leaders across every major line of business and support function – sets strategy and manages opportunities and risks associated with climate and environmental challenges. Below the RGC are many line of business, regional and control function routines that oversee environmental and climate-related decisions. Additionally, the RGC’s perspective is informed by a full range of diverse stakeholders – including clients, shareholders, employees, and other stakeholders from all areas of the economy, political spectrum, and geographies across the country and the globe.

11. Are the physical or transition risks associated with climate change, including the risks associated with continued funding of vectors of climate change, legitimate financial risks to be taken under consideration in the exercise of your responsibility to shareholders and employers?
- a. If not, please describe for the Committee the reason or reasons your institution can ignore physical or transition risks in your business decisions.
 - b. If physical or transition risks associated with climate change are legitimate financial risks, please explain to the Committee what the effects of ignoring these risks be to your institution or the broader economy.

Answer: As stated in our TCFD, we are committed to helping society accelerate toward a secure and sustainable low-carbon future by reducing our environmental impact, managing our climate-related risks, mobilizing capital and working alongside our clients and partners in the energy transition. Our efforts to manage risks and opportunities presented by climate change and the associated clean energy transition is discussed in detail in the 2023 TCFD. Our approach is integrated across our enterprise, enabling us to deliver on managing climate-related risks throughout our business for our clients, teammates, shareholders and communities. We leverage the TCFD framework to disclose how we manage the climate-related risks and opportunities relevant to our business, including future areas of focus as we work to reach our voluntary commitment to achieve net zero emissions across our financing activity, operations, and supply chain before 2050.

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12. From January to October 2023, according to the Financial Crimes Enforcement Network, depository institutions filed more than 440,000 suspicious activity reports related to check fraud. Check fraud is costing consumers millions of dollars every year.
- a. What policies has Bank of America put in place to ensure that consumers receive a timely resolution when fraud occurs?

Answer: Bank of America monitors these trends closely and makes adjustments in both our staffing and procedures to enhance and expedite the process for resolving check fraud issues for both consumers and financial institutions as quickly as possible. These practices include:

- i. Staffing a specialized work team to address claims and optimize workflows to improve efficiencies.
- ii. Expanding resources dedicated to prevention, detection and other countermeasures.
- iii. Enhancing client education (e.g., via mobile and online messaging) to increase awareness about check fraud being on the rise and providing specific watch items.
- iv. Broadening government and industry cooperation focused on detection capabilities to verify payee and check amount information.
- v. Participating in American Bankers Association (ABA) Fraud Claims working group to identify and implement best practices across the industry.

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Questions for Mr. Brian Thomas Moynihan, Chairman and CEO of Bank of America, from Senator Catherine Cortez Masto:

1. Which Home Loan Bank, or Federal Home Loan Banks, does your financial institution belong as a member?

Answer: Bank of America has two active Federal Home Loan Bank (“FHLB”) memberships: FHLB Atlanta – Bank of America, NA, and FHLB San Francisco – Bank of America California, NA.

2. How much did your financial institution receive in dividends from a Federal Home Loan Bank/Banks in 2022 and so far – Q1-Q3 – in 2023?

Answer: The FHLBs are member-owned cooperatives and are capitalized by their member banks. As a member, Bank of America invests capital into the system, which ultimately serves to support the viability of the system and protect taxpayers in the event an FHLB experienced financial losses. In 2022 and in Q1-Q3 2023, Bank of America had more than \$400 million and \$1.1 billion respectively of capital supporting the FHLB system. This capital at risk earns a commensurate return. In 2022, dividends received from the FHLB of San Francisco were \$1.1 million and dividends received from the FHLB of Atlanta were \$14 million. For Q1-Q3 2023, the dividends received from the FHLB of San Francisco were \$2.3 million, and dividends received from the FHLB of Atlanta were \$58.6 million.

The Federal Home Loan Banks assert they should continue to be lender of last resort (LOLR), just as they were for Silicon Valley Bank, Signature Bank, and First Republic Bank. However, the Federal Housing Finance Agency (FHFA) has clarified the Federal Reserve (“Fed”) is the only official LOLR.

3. Does Bank of America consider the Federal Reserve or the Federal Home Loan Banks to be the lender of last resort?

Answer: Both the Federal Reserve (“FRB”) and the FHLB provide banks with a source of liquidity and are available if a bank has eligible collateral to pledge in accordance with the respective collateral guidelines of the lending institutions. Terms and conditions under which the FRB or the FHLBs will lend to banks differ based on their statutory powers, authority, and mission. Both institutions can be utilized for routine liquidity management by banks. Bank of America does not consider the FHLBs to be a lender of last resort. In addition to the FRB’s discount window, which allows the FRB to lend against a wide range of eligible collateral, the FRB has various unique statutory powers to offer emergency lending facilities beyond the discount window and that could not be offered by the FHLB (or other government institutions). Thus, the FRB can be a provider of liquidity at economically favorable terms through any market environment and to institutions in varying financial conditions, which often allows the FRB to continue lending when other institutions are not able to do so.

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4. When the new CRA rules become effective in 2026, how will you seek to invest in Native American communities? Do you have any plans for specific investments with our tribal communities in Nevada?

Answer: We are continuing to evaluate the updated rule to help guide our plans.

5. If Congress wanted to enact legislation allowing cannabis businesses access to bank accounts, loans and credit card payments, what would be necessary changes in statute?

Answer: There are inherent uncertainties in banking entities that are engaged in business listed in the Controlled Substances Act schedules.

6. If the Secure and Fair Enforcement Regulation (SAFER) Banking Act (S. 2860) was signed into law, would your bank provide debt or equity financing to state-sanctioned cannabis businesses?

Answer: If the legislation becomes law, the Bank will assess whether there are any adjustments we need or want to make to our client selection approach. Even so, the Controlled Substance Act would continue to create uncertainties as described in the prior question.

In Nevada, Latinos comprise 30 percent of the state’s population.³ However, engagement of the Latino community from the biggest banks continues to lag and has even been declining since 2018.

7. How does BofA utilize Spanish-language media to reach Latinos? How could Bank of America better engage the Latino community so Spanish-speakers have access to critical information that can help them start businesses, build wealth, and buy homes?

Answer: More than 2,600 of our financial centers have Spanish-language capabilities, with elements including on site marketing, collateral and over 8,700 teammates certified to assist clients.

Bank of America also regularly runs Spanish-language ads in local print publications and in radio spots across the country.

We also have a team that focuses on engaging with members of Latino media to ensure we are providing relevant news and financial education to newsrooms and producers of Univision, Telemundo and other Spanish-language stations throughout the country.

³ “QuickFacts Nevada.” United States Census Bureau:
<https://www.census.gov/quickfacts/fact/table/NV/POP060210>

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We feature Spanish-language communications on [Bankofamerica.com/espanol](https://www.bankofamerica.com/espanol), as well as through our mobile banking, direct mail, email statements, ATMs and in our financial centers.

Our Better Money Habits® website is offered in Spanish as [MejoresHábitosFinancieros.com](https://www.mejorshabitosfinancieros.com) and helps people build their financial know-how. We have 3.6 million active users for the Spanish language Mobile Banking app. We also offer resources for Latino entrepreneurs in Spanish at [Apovando a hispanos dueños de negocios \(bankofamerica.com\)](https://www.bankofamerica.com/apovando).

Bank of America regularly enhances its capabilities and resources to engage this growing and important segment. We are serving Latinos and will continue to engage them through our outstanding teammates, our marketing and public relations, as well as through our industry-leading capabilities.

According to Home Mortgage Disclosure Act (HMDA) data,⁴ Bank of America’s loan and application filings have declined by 24,660 in just two years. Despite claims that Basel III will reduce mortgage lending among banks, the data shows mortgage lending has already been declining for years sans any new capital requirements.

8. Why has Bank of America’s mortgage lending declined substantially in only two years?

Answer: As reported in HMDA data, the mortgage lending market has declined 37% from 25.7 million loans in 2020 to 16.1 million loans in 2022. As a result of market forces including higher housing costs and lower home inventory for sale, the Bank’s mortgage lending has declined as well, down approximately 7% over the same period.

⁴ <https://ffiec.cfbp.gov/data-browser/graphs/quarterly/info/filers>

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Questions for Mr. Brian Thomas Moynihan, Chairman and CEO of Bank of America, from Senator John Fetterman:

1. You all spent much of the hearing talking about how much you value your employees, which was great to hear, but at the end of the day, some of you make 400 or 500 times what an average teller or security guard at your bank makes. Do you really think you’re 500 times more valuable to your bank than a security guard or a bank teller?

Answer: Making our company a Great Place to Work for our teammates is central to the Bank’s Responsible Growth strategy and, ultimately, the Bank’s success. We continued this long-standing commitment to our employees, delivering a range of some of the best benefits in corporate America, supporting the development of our employees, and maintaining a workplace where every individual can thrive. Our goal continues to be a company where people want to work today and build a career. You can read more about how we are investing in teammates in our Human Capital Management update in our annual report. The 2023 Annual Report will be available in the coming weeks ([Annual Reports & Proxy Statements: Bank of America Corporation \(BAC\)](#)).

Some highlights from our Human Capital Management Update include:

Pay and Financial Benefits:

- We increased our U.S. minimum hourly wage to \$23 in October of 2023 on our next step toward \$25 by 2025. This means that any employee who works full-time for our company makes at least ~\$47,800 per year as well as some of the most comprehensive benefits available.
- We recognize performance and share success at all levels of our company. Since 2017, we have awarded more than \$4.8 billion in special compensation awards to teammates in recognition of their contributions to our drive for Responsible Growth, with approximately 97% of employees receiving an award in 2024, with the vast majority receiving it in the form of Bank of America stock to help them share in our long-term success.
- We automatically enroll teammates into the 401(k) plan to help with saving for retirement. Based on service for eligible U.S. teammates, we make an annual contribution of 2%-3% and offer matching contributions of up to 5% of eligible pay.
- Under our Tuition Assistance program employees are eligible to receive up to \$7,500 per year to help with academic degrees or certifications, with the flexibility of payment through reimbursement or pre-paid voucher. We provided \$19.5 million in tuition assistance for more than 5,900 teammates in 2023.
- The Employee Relief program provided ~ \$5.7 million in grants to employees through the Employee Relief Fund in 2023. The program provides employees up to \$2,500 in relief per event for a qualified disaster and up to \$5,000 for an unexpected emergency hardship. Employees can receive up to \$10,000 in total grants in a rolling 12-month period.

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- We provide a \$4,000 reimbursement to eligible teammates purchasing a new all-electric passenger vehicle or a \$2,000 reimbursement for a new lease (or local currency equivalent). Since launch in July 2022, we have provided more than 4,000 reimbursements totaling approximately \$15.5 million.

Health and Wellness Benefits:

- We also continued to have no, or below our cost, increases in health insurance premiums for most of our teammates to help them care for their families.
 - We have held medical plan premiums flat since 2012 for employees earning less than \$50,000 a year.
 - Employees earning between \$50,000 and less than \$100,000 saw nominal premium increases below the national average.
- With a great appreciation of the importance of mental health and the toll the pandemic took on many, we expanded our emotional wellness resources to provide more ways for employees to access help for themselves and family member.
 - We doubled the number of free in-person consultations through our Employee Assistance Program (from six to 12) on top of unlimited phone consultations.
 - We continued to offer virtual behavioral health consultations through our telehealth provider in the U.S.
 - Additionally, we announced a new global sabbatical program that started in 2023 and recognizes employees who have built their career with us, offering 4–6 weeks of paid time off starting at 15 years of service to recharge and refocus.
- We offer a childcare benefit, which provides eligible employees making less than \$100,000 per year a reimbursement of up to \$275 a month per child for the cost of childcare.
- We continued to provide 50 days of back-up childcare and eldercare when regular arrangements aren't available. This benefit has provided more than 65,000 days of back-up care—at a value of more than \$15 million—for thousands of U.S. teammates.
- We provide 26 weeks of parental leave for the birth or adoption of a child, 16 weeks of which are fully paid for eligible teammates. Annually, we have more than 6,000 employees take advantage of this time with a new family member.
- The Bank's Family Planning Reimbursement Program offers teammates the flexibility to choose reimbursement for eligible adoption, fertility and/or surrogacy expenses, up to a collective \$20,000 lifetime maximum over the course of their career at the company.

Each year, our Employee Engagement Survey gathers the voice of teammates across the company to shape and inform our work going forward. More than 184,000 teammates shared ideas and feedback by participating in our most recent survey. Our Employee Engagement Index score reflects a strong trend over time—increasing 12 percentage points during the last decade. Over the same time period, our turnover rate has been among the lowest in the industry. In the last decade, we have experienced vastly different labor markets, the pandemic and return to

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office. Despite the changing environment, the Bank currently has a 8% annualized turnover rate—a strong result for a company of our size and scale.

CEO Pay Ratio:

The ratio of total CEO compensation to median employee compensation is 258:1.

Despite the changing environment, the Bank currently has a 7% annualized turnover rate—a strong result for a company of our size and scale.

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Questions for Mr. Brian Thomas Moynihan, Chairman and CEO of Bank of America, from Senator JD Vance:

1. Please identify for the Committee the total interchange revenue your bank received on credit card transactions in the U.S. for each of the past 5 years (2019-2023).

Answer: Bank of America’s interchange income is disclosed in regulatory filings (see [latest available Q3 10-Q](#)).

Credit cards, debit cards and other electronic payment cards offer a strong value proposition for customers and businesses with exceptional convenience, efficiency, security, and other benefits for the millions of users worldwide in a highly competitive marketplace where issuers vie every day to be chosen by millions of consumers and businesses. Today, consumers have wide choice of card product offerings with different attributes and rewards that best suit their financial needs.

For competitive and other reasons, Bank of America does not publicly disclose other information requested below.

2. Please identify for the Committee the total amount of funds your bank has paid to each airline company in the world each year for the past 5 years to purchase airline miles to be given to cardholders.

Answer: See response to Question 1.

3. Please identify for the Committee the total amount of funds your bank has paid in total to all non-airline businesses (such as sellers of goods) in the world each year for the past 5 years to purchase products or other rewards for cardholders. This does not need to be broken down by company – just the total amount spent per year.

Answer: See response to Question 1.

4. Please identify for the Committee the total amount of fraud losses (in dollars) on the credit cards issued by your bank in the United States for each of the past 5 years, and the total dollar amount of chargebacks to merchants on the credit cards issued by your bank in the United States for each of the past 5 years as well as the total dollar amount of fraud losses borne by cardholders on the credit cards issued by your bank in the United States for each of the past 5 years.

Answer: See response to Question 1.

5. Does Visa have any rule preventing you from enabling more than one network on credit cards on which Visa is enabled? Please specify what rule or rules prevent multiple networks on your credit cards.

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[Answer:](#) See response to Question 1.

6. Does Mastercard have any rule preventing you from enabling more than one network on credit cards on which Mastercard is enabled? Please specify what rule or rules prevent multiple networks on your credit cards.

[Answer:](#) See response to Question 1.

7. The U.S. Department of Justice successfully sued Visa and Mastercard over their “exclusionary rules” in a case upheld by the 2nd Circuit Court of Appeals in 2003, *United States v. Visa U.S.A.*, 344 F.3d 229 (2d Cir. 2003). The rules in question prohibited banks that issued credit cards enabled with either the Visa or Mastercard networks from issuing credit cards enabled with other credit card networks (such as American Express or Discover). Don’t Visa and Mastercard rules preventing your bank from enabling other networks on cards that include Visa or Mastercard present many of the same antitrust law issues as the “exclusionary rules” that resulted in a decision for the Department of Justice in the aforementioned case? Please explain how the antitrust laws are or are not implicated in similar ways.

[Answer:](#) See response to Question 1.

8. As drafted, the Credit Card Competition Act (S.1838), which I co-sponsor, would prohibit issuers and networks from requiring merchants to exclusively use security technologies for processing transactions, including authentication and tokenization ones, that could not also be used by all other networks enabled on the card. Financial institutions claim this would reduce security on card networks, while retailers claim this would drive competition in security and services that networks provide. How would this provision impact security and fraud risks in an ever-evolving threat landscape?

[Answer:](#) See response to Question 1.

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Questions for Mr. Brian Thomas Moynihan, Chairman and CEO of Bank of America, from Senator Raphael Warnock:

1. In response to my question of whether you support the SAFER Banking Act (S. 2860 in the 118th Congress⁵, referred to hereafter as “SAFER Banking”), you stated “we all support the intent of it, but the problem is that it does not fix the problem.”

- a. What problem does the SAFER Banking Act fail to address?
- b. Does Bank of America support SAFER Banking?

Answer: If the legislation becomes law, the Bank will assess whether there are any adjustments we need or want to make to our client selection approach. To note, there are inherent uncertainties in banking entities that are engaged in business listed in the Controlled Substances Act schedules.

2. Do you believe the War on Drugs resulted in economic harms for communities with high rates of cannabis-related arrests and imprisonment?

- a. Should Congress play a role in addressing the economic harms of the War on Drugs?
- b. Do financial institutions play a role in addressing the economic harms of the War on Drugs?
- c. What steps has your firm taken to address the specific economic harms of the War on Drugs?

Answer: Bank of America supports second chance hiring through philanthropic giving and community partnerships. We have made a \$1.25 billion commitment to advancing racial equality and economic opportunity. In the last decade, we have given over \$60 million to organizations providing returning citizens a path to financial opportunity through direct programs and services. Some of our most recent grantees include the Center for Employment Opportunity, Homeboy Industries, and The Last Mile. Each of these organizations provides on-the-job career learning and work placement to help individuals returning home from incarceration. We also partner with Vera Institute and ROCA’s national Rewire Impact Institute, which focuses on scaling trauma-informed cognitive behavioral response for law enforcement and young adults. And 100+ participants of our Neighborhood Builders program directly serve formerly incarcerated clients.

Lastly, we are members of the Second Chance Business Coalition, which is a cross-sector coalition of large private-sector firms who promote the benefits of second chance employment. The coalition provides employers with resources to hire and advance careers of those with criminal records.

⁵ S. 2860, 118th Cong. (2023).

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3. The revised Community Reinvestment Act⁶ sets out new standards for how your firms meet the needs of underserved communities across a variety of outcomes, including access to housing, lending to small businesses, and identifying investment opportunities.⁷

a. In response to my question, you stated that you would support revised standards to improve equity. What specific steps will your firm be taking to improve equity?

Answer: Bank of America has a clear purpose to make financial lives better for our clients and the communities we serve and is committed to helping consumers including Low- and Moderate-Income (“LMI”) individuals and neighborhoods achieve their financial goals. Through our community-centered approach, we work to meet our clients’ and neighbors’ needs by connecting them to tailored products and services, jobs, and capital to help increase financial resilience and allow our local communities to thrive. This strategy will continue to be applied as we work through the new CRA regulation.

b. Will you commit to ensuring your firm upholds the Act’s standards to the highest levels across all outcomes?

Answer: The Bank complies with all applicable laws and regulations.

c. What specific steps is your firm taking to address the revised standards?

Answer: The Bank has project teams dedicated to evaluating and implementing the new rule.

⁶ Federal Register Notice, “Community Reinvestment Act,” Federal Reserve (Oct. 24, 2023), <https://www.federalreserve.gov/aboutthefed/boardmeetings/files/fm-cra-20231024.pdf>.

⁷ Press Release, *Agencies Issue Final Rule to Strengthen and Modernize Community Reinvestment Act Regulations*, Federal Deposit Insurance Corporation (Oct. 24, 2023), <https://www.fdic.gov/news/press-releases/2023/pr23086.html>

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4. Black women are the fastest growing set of entrepreneurs in the country⁸, yet companies led by Black women typically receive less than 1% of all venture capital funding.⁹ Many organizations work to help address this issue. One such organization is the Fearless Fund, based out of Atlanta, who invests in businesses led by women of color.¹⁰ The Fearless Fund runs a contest called the “Fearless Strivers Grant Contest” that provides grants, as well as other assistance, to small businesses owned by Black women.¹¹ Unfortunately, the Fearless Fund has been sued by a group that wants to stop the Strivers Contest.¹² The man leading this group has also previously sued to overturn portions of the Voting Rights Act as well as race-conscious affirmative action decisions in college admissions.¹³ In October 2023, the 11th Circuit Court of Appeals temporarily blocked the Fearless Fund from continuing to run the Strivers Contest.¹⁴

Your firm, Bank of America, is an investor in the Fearless Fund.¹⁵ I appreciate your support of this organization.

- a. Will Bank of America commit to continuing to support organizations that specifically support women of color founders, including potentially through race-conscious measures?
- b. Why is it important to support organizations like the Fearless Fund?
- c. Outside of this effort, what specific steps have you taken to support entrepreneurs from underrepresented backgrounds, such as women of color?

Answer: Bank of America has committed more than \$500 million in equity investments to over 150 relatively smaller, local, place-based venture capital and private equity funds. These funds have provided capital to 1,000+ companies, in 40 states, helping over 1,500 entrepreneurs establish and grow their businesses employing over 21,000+ people. In 2021, we made an investment in the Fearless Fund. This investment was a small but important piece of our \$1.25 billion commitment to advancing racial equality and economic opportunity consistent with our past practices and in alignment with our long-running strategy.

In 2021, we launched the Bank of America Access to Capital Directory for Entrepreneurs, a first-of-its-kind platform that educates business, including women-owned businesses in the U.S. on funding opportunities. Now, in partnership with Seneca Women, we are launching the Bank of

⁸ Dure, *supra* note 1.

⁹ Bhattacharya, Davis, Dawkins, Perez, and York, *supra* note 2.

¹⁰ About, Fearless Fund, *supra* note 3.

¹¹ See, e.g., Fearless Strivers Grant Contest, Fearless Fund, *supra* note 3; Fearless Strivers Grant Contest Official Rules, Fearless Fund, *supra* note 3.

¹² Wright, *supra* note 4.

¹³ See, The Federalist Society, *supra* note 5.

¹⁴ Wright, *supra* note 4.

¹⁵ Investors & Partners, Fearless Fund, <https://www.fearless.fund/partners>.

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America Marketplace, an online platform showcasing 100+ female entrepreneurs. We have also committed \$100 million in capital to connect women and small business owners to affordable loans in partnership with the Tory Burch Foundation. More than 5,500 women have received more than \$95 million in loans thus far.

Through our Global Ambassadors Program, we continue to support Vital Voices, investing in emerging leaders around the world, and the Cherie Blair Foundation for Women, enabling women in developing economies to build skills and access capital. We have invested \$1 million in capital through the Bank of America Loan Fund for Women with Kiva, a microloan organization providing capital to female entrepreneurs in more than 70 countries.

Lastly, The Bank of America Institute for Women’s Entrepreneurship at Cornell is the only online Ivy League certified program for women business owners in the world. In 2022, we announced a further expansion of the program, bringing total enrollment to 100,000, 90% of whom identify as women of color.

5. According to the Federal Reserve Bank of St. Louis, the average 30-year mortgage rate is over 7%.¹⁶ A Bank of America savings account offers a maximum interest rate of just 0.04%.¹⁷
- a. Please explain this spread, how your firm determines savings account interest rates for customers, and how these rates are or are not affected by the Federal Reserve’s benchmark overnight interest rate.
 - b. Do you offer savings products that pay customers higher interest rates, and if so, do you take steps to direct your customers to those higher interest rate products from savings accounts with lower interest rates? Please describe any steps you take.
 - c. Do you plan on raising interest rates on savings accounts or other deposit accounts for your customers?

Answer: Bank of America continues to monitor the state of the economy, the rate environment and its high level of volatility, and the financial health of our clients, along with the competitive landscape, to ensure that we are providing the necessary tools and solutions to meet their everyday financial needs. Similar to prior rising rate cycles, the competitive landscape has continued to evolve, with current industry rate actions centered largely on longer-term certificates of deposits.

In addition, Bank of America continues to deliver industry leading value to its clients regardless of economic conditions or rate environment. This includes, but is not limited to, our best-in-class

¹⁶ *30-Year Fixed Rate Mortgage Average in the United States*, Federal Reserve Bank of St. Louis (updated Dec. 7, 2023), <https://fred.stlouisfed.org/series/MORTGAGE30US>.

¹⁷ *Bank Account Interest Rates and APIs*, Bank of America (accessed Dec. 12, 2023), <https://www.bankofamerica.com/deposits/bank-account-interest-rates> (based on data for ZIP code 20515).

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digital and mobile capabilities that provide our customers with the ability to complete necessary banking services such as depositing a check or transferring money in a safe and secure manner, wherever they may be located.

We also deliver significant value to our clients across our product offerings through Bank of America’s Preferred Rewards relationship program that includes discounts on first mortgage and home equity originations, reduced rates on vehicle purchases, and increased rewards on credit card purchases. The value we provide our clients spans every aspect of their banking needs as we strive to enable our clients to meet their holistic financial goals and increase their financial wellness.

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Questions for Mr. Brian Thomas Moynihan, Chairman and CEO of Bank of America, from Senator Elizabeth Warren:

1. The Department of the Treasury (Treasury), recognizing that over 100 U.S. firms and financial institutions have independently made voluntary net-zero commitments in recent years, recently issued its *Principles for Net-Zero Financing and Investing*.¹⁸ The principles aim to “promote consistency and credibility in financial institutions’ approaches to these commitments” and reflect that ‘credible’ commitments to net-zero emissions depend on robust net-zero plans that include short- and medium-term targets that align with limiting the increase in global average temperature to 1.5 degrees Celsius, while also ensuring that engagement practices with clients, portfolio companies, and other stakeholders align to these commitments. The principles also establish the importance of transparency, and that financial institutions should publicly disclose progress towards their targets.
 - a. Has your bank made a net-zero commitment?
 - i. If yes, have you ensured that it meets the Principles for Net-Zero Financing & Investing released by Treasury?
 - ii. If no, when do you plan to do so?
 - b. Do you commit to publicly disclosing progress towards your bank’s short- and long-term targets to limit the increase in global average temperature to 1.5 degrees Celsius?
 - c. Reports list you among a group of banks that “are undermining their commitment to cutting carbon emissions by lobbying against climate regulation.” Is this report accurate and are you lobbying against climate regulations, including the Securities and Exchange Commission’s climate disclosure rule?
 - i. Does your public policy engagement contradict net-zero commitments that you have made?
 - ii. If yes, do you commit to correcting this discrepancy and aligning your public engagement efforts with your net-zero commitments?

Answer: In 2021, Bank of America committed to achieving Net Zero before 2050 in our financing activities, operations and supply chain (Net Zero goal), and in 2022, we released our Approach to Zero™, a framework for how we will achieve our Net Zero goal. In line with this approach, we have set and will continue to set interim 2030 targets across our financing activities

¹⁸ U.S. Department of the Treasury, “Principles for Net-Zero Financing & Investment,” September 2023, <https://home.treasury.gov/system/files/136/NetZeroPrinciples.pdf>.

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(2030 Financing Activity Targets), operations and supply chain, all of which are further supported and complemented by our \$1 trillion by 2030 goal to mobilize capital to accelerate the environmental transition, as part of our \$1.5 trillion sustainable finance commitment.

We leverage the Task Force on Climate-related Financial Disclosures (“TCFD”) Report (available at https://about.bankofamerica.com/content/dam/about/report-center/ess/2023/2023_TCFD_Report.pdf) to disclose how we manage the climate-related risks and opportunities relevant to our business, including progress toward our Net Zero targets, \$1 trillion commitment, and other strategic goals. We have reviewed the Treasury Department’s Principles for Net-Zero Financing & Investing; the bank’s strategy and ongoing plans are generally in line with the principles.

As discussed in our TCFD, achieving Net Zero will require collective action by governments at all levels, corporations, individuals, nonprofits and other actors. Our public policy team is engaged with policy makers across the globe to help us understand and, where appropriate, work to influence potential policy changes that could impact the firm or our clients.

Independently, and working with trade associations and other collaborations, we promote policies that align with the role played by banks in helping to finance the balanced and just transition to Net Zero. We support and encourage the role government policymakers can play to accelerate the work underway in the private sector.

2. The International Standards Organization established a merchant category code for gun and ammunition stores in September 2022 (“gun store code”). This year, Visa, MasterCard, American Express, and Discover announced a pause on implementation of the code. The Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation bank examination standards require banks to use accurate merchant category codes when underwriting new merchant clients in order to manage risk. Is your institution able to comply with risk management examination expectations given that you’re not able to assign the gun store code until it is implemented by the payment networks?

Answer: Bank of America is subject to federal, state and local laws and regulatory requirements. As various state laws are enacted to either prohibit, restrict or require the use of a merchant category code (“MCC”) for firearms, compliance across state lines will become increasingly complicated.

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3. To what extent do you provide financial services to and/or invest assets in each of the following:
- a. Retailers that exclusively sell firearms, ammunition, and associated accessories?
 - b. Diversified retailers that sell firearms, ammunition, and/or associated accessories, along with other goods?
 - c. Any firearm manufacturers?
 - d. Retailers or manufacturers that sell military-grade assault weapons to civilians (such as the AK47 or AR15 firearm)?
 - e. Do you have any specific criteria for evaluating the appropriateness of providing the financial services or investments noted above?

Answer: While we do not provide details on specific clients – we have relationships with companies that manufacture and retailers that sell firearms, ammunition, and related accessories. Bank of America has policies and procedures that address risks related to this and other sectors. They are outlined in the Bank’s Environmental and Social Policy Risk Framework (“ESRP Framework”) available at: <https://about.bankofamerica.com/en/our-company/environmental-social-risk-policy-framework>

Activities that carry heightened risks must go through an enhanced due diligence process for decisioning. The process is client-specific, deal specific, and subject to governance review that considers a range of risks that are evaluated through BofA’s risk framework, as are all transaction and client decisions, in the ordinary course of business.

4. If your institution provides financial services to firearm manufacturers or retailers, what due diligence do you conduct of financial relationships and transactions involving those entities?

Answer: Due diligence policies and procedures for these businesses, as well as other business sectors, recognize that certain activities carry significantly heightened risks and are subject to an enhanced due diligence process for decisioning. The process is client-specific, deal specific, and subject to governance review that considers a range of risks that are evaluated through BofA’s risk framework, in the ordinary course of business. The policies and criteria are outlined in the Bank’s ESRP Framework.

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5. If your institution relies on index funds developed by third-party index providers, what criteria does your institution use to determine whether to exclude a security in an index from your index fund?

Answer: We provide our clients with access to third-party funds that seek to track the returns of several of the major indices. These funds are comingled vehicles and as such clients are not able to alter or restrict the underlying holdings of the funds.

6. If your institution votes on shareholder resolutions, what have been your votes on any shareholder resolutions focused on firearm manufacturers or retailers in the past five years?
- a. If your institution has voted for any such resolutions, has your institution taken any steps to ensure that the companies implemented those resolutions?

Answer: Bank of America provides wealth management services to clients through its Merrill and Private Bank businesses.

Merrill does not make voting decisions for clients. Clients cannot delegate to Merrill, and Merrill does not accept or assume from clients, proxy voting authority for any securities held in their accounts.

Generally, Bank of America N.A.’s (“BANA”) Private Bank clients delegate authority to the Private Bank to vote proxies on their behalf for the securities held in their Private Bank accounts. They also have the option to retain proxy voting authority with respect to the shares held in their accounts (unless the Private Bank is corporate trustee for the account). If Private Bank clients specifically mandate that their shares be voted in accordance with socially responsible principles, the Private Bank will rely on the voting recommendations of its proxy vendor, an unaffiliated proxy advisory firm, based on the proxy vendor’s guidelines. Otherwise, the Private Bank will abstain from voting on shareholder proposals involving those topics.

7. How does your institution assess the market and reputational risk of investing in firearm retailers or manufacturers, even if just through passive investments?

Answer: The Bank does not act as an investment adviser to mutual funds, exchange-traded funds, closed-end funds, unit investment trusts, hedge funds, private equity funds, or other comingled investment vehicles (collectively, “funds”). Instead, the Bank offers its Merrill and Private Bank clients a wide range of funds advised by third party investment advisers, which are neither owned nor controlled by the Bank. While Bank of America conducts due diligence on such third-party funds to assess whether they are appropriate for clients, it has no input regarding the purchase or sale of individual securities held by such funds (such as those issued by companies

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that are firearm retailers or manufacturers). The Bank through its subsidiaries also offers its Merrill and Private Bank clients investment advisory services as well as investment strategies (“separately managed accounts”), which may be managed by a third party investment adviser or the Bank’s subsidiaries. While a majority of the separately managed accounts are comprised of third-party funds, other separately managed accounts may include or be comprised of individual equity or other securities. For separately managed accounts managed by the Bank’s subsidiaries, the Bank’s subsidiaries will take direction from the client regarding exclusion of securities. Finally, in response to client demand or to fulfill certain mandates, the Bank’s subsidiaries may offer its Merrill and Private Bank clients funds that are specifically constructed with the intent to exclude certain securities.

8. Despite making net-zero commitments, banks are continuing to fund fossil fuel projects, with JP Morgan Chase, Citi, Wells Fargo, Bank of America, Morgan Stanley, and Goldman Sachs among the largest financers of these projects. Meanwhile, major oil and energy are dropping their sustainability pretenses: Shell announced it will not increase spending on renewable energy, Exxon dropped a longstanding biofuel project, and BP rolled back its own pledge to cut greenhouse gas emissions.
- a. What is your company doing to ensure your oil and gas clients are transitioning to clean energy and aligned with your net-zero commitments?
 - b. Are you currently providing project financing for fossil fuel projects?
 - i. If so, how much in total project financing for fossil fuel projects have you provided to date in 2023, and in each of the last five calendar years?
 - ii. Will you commit to ending financing of fossil fuel projects? If so, by what date will you do so?
 - c. Does your bank have a policy against funding new oil and gas projects?
 - i. If not, will you commit to implementing a policy?
 - d. How are you evaluating the progress of your oil and gas clients in meeting emissions targets?

Answer: Our approach to achieving our 2030 Financing Activity Targets includes working with clients across every sector of the economy as they implement their own transition plans. Many of our clients have their own net zero goals. We have established a dedicated workstream within the Global Banking business, partnering with enterprise-wide functional teams, to design a framework and deploy tools to actively manage our 2030 Financing Activity Targets and use our expertise and knowledge to support our clients. Primary elements of this framework include analyzing and reporting on the portfolio, and understanding our clients’ goals. The framework

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and our efforts to work with clients are discussed in detail in our TCFD, and performance is included in our Global Reporting Initiative Index Reports (see https://about.bankofamerica.com/content/dam/about/report-center/esg/2022/BofA_2023_PDS_GRI_secured.pdf).

As stated in our ESRP Framework, our goal is to reach informed decisions about transactions and client relationships in sensitive areas in an efficient and consistent fashion. There are certain business activities, including those in fossil fuel-related activities, that carry significantly heightened risks and for those areas where there is heightened risk, any client relationship or transaction must go through enhanced due diligence and the appropriate business escalations process to determine if we will finance such request.

The bank provides very limited project finance across all sectors, due to the risks associated with this type of financing. In the energy sector, our project financing largely focuses on renewable energy tax equity – where we are a leader – and a small number of liquefied natural gas (LNG) infrastructure projects to support fossil fuel transition. We are reviewing the Biden-Harris Administration announcement of a temporary pause on pending LNG export approvals to understand what, if any, implications it may have on business.

9. A March 2023 report by the Institute for Social and Policy Understanding (ISPU) found that, when accessing or seeking access to banking services, 27 percent of Muslims in the U.S. face challenges such as “being denied opening an account, having an account suspended or closed, or having payments you made under investigation.”¹⁹ Muslims face these challenges at a disproportionate rate: according to ISPU, 12 percent of the general public face similar banking challenges.²⁰

Recent reporting from the *New York Times* on account closures suggests that “banks are evicting what appear to be an increasing number of individuals, families and small-business owners.”²¹ The goal of these closures is admirable: “to crack down on fraud, terrorism, money laundering, human trafficking and other crimes.”²² But they can impact innocent individuals and businesses, who often “don’t have the faintest idea why their banks turned

¹⁹ Institute for Social and Policy Understanding, “Banking White Muslim: From closed accounts and denied transactions to investigations, Muslims are the most likely faith group to report challenges with financial institutions,” Youssef Chouhoud, March 14, 2023, <https://www.ispu.org/banking-while-muslim/>.

²⁰ *Id.*

²¹ The New York Times, “Why Banks Are Suddenly Closing Down Customer Accounts,” Ron Lieber and Tara Siegel Bernard, November 5, 2023, <https://www.nytimes.com/2023/11/05/business/banks-accounts-close-suddenly.html>.

²² The New York Times, “Why Banks Are Suddenly Closing Down Customer Accounts,” Ron Lieber and Tara Siegel Bernard, November 5, 2023, <https://www.nytimes.com/2023/11/05/business/banks-accounts-close-suddenly.html>.

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against them.”²³ What’s more, according to the *New York Times*, “[b]anks generally won’t say how often they are closing accounts this way, and they’re not tracking how often they get it wrong.”²⁴ Former bank employees involved in the account closure decision making process described it to the *New York Times* this way, “[t]here is no humanization to any of this, and it’s all just numbers on a screen... It’s not ‘No, that is a single mom running a babysitting business.’ It’s ‘Hey, you’ve checked these boxes for a red flag – you’re out.’”²⁵

- a. Please provide the following data for the period between January 2018 and the present, broken down by calendar year (for 2023, provide the most recent available data if you do not have the data for the full 12 months) :
 - i. How many bank accounts did your bank close, suspend, or cancel as part of its “derisking” or “exiting” processes? Please provide a breakdown of the reasons for these closure, suspension, or cancellation, aggregated into appropriate categories.
- b. Please provide your bank’s internal guidance on and processes for “derisking” or “exiting,” including the categories of ‘suspicious’ activities your bank tracks; whether or how your bank’s reasoning is shared with customers facing account closures; and whether or how customers can appeal “derisking” or “exiting” decisions.
- c. Please provide the following data for the period between January 2018 and the present, broken down by year:
 - i. How many complaints has your bank received regarding account closures, suspensions, or cancellations?
 - ii. How many complaints have resulted in the overturning of your bank’s decision?

Answer: Bank of America is unable to respond with specific data due to strict prohibitions on disclosure of the information requested. Under the Bank Secrecy Act, the Bank is required to, in relevant part, conduct ongoing monitoring to identify and report suspicious transactions and to maintain and update customer information. Suspicious activity reporting is subject to strict

²³ The New York Times, “Why Banks Are Suddenly Closing Down Customer Accounts,” Ron Lieber and Tara Siegel Bernard, November 5, 2023, <https://www.nytimes.com/2023/11/05/business/banks-accounts-close-suddenly.html>.

²⁴ The New York Times, “Why Banks Are Suddenly Closing Down Customer Accounts,” Ron Lieber and Tara Siegel Bernard, November 5, 2023, <https://www.nytimes.com/2023/11/05/business/banks-accounts-close-suddenly.html>.

²⁵ *Id*

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confidentiality requirements and banks are prohibited by law from disclosing any information that would reveal the existence of a suspicious activity report, including their evaluative processes for determining whether to file a suspicious activity report, to anyone but law enforcement or bank regulators.

Clients are notified that their account is scheduled for closure. The communication provides details regarding timeline to withdraw funds, as well as a phone number to call if additional information is needed. Any client complaint received is tracked and reviewed to determine if further action is required. Complaint resolution is communicated with the client.

10. In July 2023, the FDIC issued a Financial Institution Letter stating that it had observed that some insured depository institutions (IDIs) “are not reporting estimated uninsured deposits in accordance with [FDIC] instructions.”²⁶ This is concerning, as it suggests that some IDIs may be misreporting important information in an effort to reduce their share of a special assessment put in place to replenish the Deposit Insurance Fund (DIF) after the failure of Silicon Valley Bank. According to a Wall Street Journal analysis, this letter was sent after “47 banks restated their Dec. 31 uninsured-deposit figures downward by a total of \$198 billion.”²⁷ Because the special assessment is based on uninsured deposits held by banks as of December 31, 2022, lowering those reported numbers reduces banks’ special assessment payments.

- a. Has your bank restated its December 31, 2022 uninsured deposit figures down?
 - i. If so, how many times have you done so? Please list each revision, including:
 - I. The dollar figure by which your bank revised those figures?
 - II. How much the revision reduced or increased your expected payment to the DIF?
 - III. The explanation for the revision.

Answer: Prior to the FDIC’s issuance of its proposed rule for the special assessment, Bank of America recognized that it was including intra-bank deposits within uninsured deposits held by the Bank. As intra-bank deposits are not to be included in the call report, the reporting was amended to exclude those amounts. This comprises the only restatement of the uninsured deposits. The initial figure of \$909 billion of uninsured deposits was revised to \$784 billion.

²⁶ Federal Deposit Insurance Corporation, “Estimated Uninsured Deposits Reporting Expectations,” July 24, 2023, <https://www.fdic.gov/news/financial-institution-letters/2023/fil23037.html>.

²⁷ Wall Street Journal, “FDIC Scolds Banks for Manipulating Deposit Data,” Jonathan Weil and Shane Shifflett, July 24, 2023, <https://www.wsj.com/articles/fdic-scolds-banks-for-manipulating-deposit-data-f7fe93d7>.

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The restatement was completed prior to the FDIC’s issuance of the proposed rule on the special assessment and did not impact Bank of America’s expected payment to the DIF.

11. Earlier this year, Zelle announced a new policy with regard to reimbursing consumers who were victims of scams and fraud. According to reports, “[s]ince June 30, Zelle ... has quietly required banks and credit unions to reverse transfers for customers in qualifying cases when they were tricked into sending money to scammers impersonating banks.”²⁸

- a. What is Zelle’s current policy with regard to providing reimbursements for customers who are victims of scams?
- b. What specific changes were made earlier this year with regard to transactions that took place after June 30, 2023?
- c. For the period from January 1, 2022 – December 1, 2022, how many reports of fraud – as defined by Regulation E – did your bank receive from consumers? Please provide:
 - i. The total number of reported cases of fraud from your customers using Zelle.
 - ii. The total dollar value of reported fraud.
 - iii. The number of cases where your bank provided refunds or reversed transfers for customers.
 - iv. The total value of these refunds/transfer reversals.
 - v. The number of cases where your bank referred fraud to law enforcement or to federal or state bank regulators.

Answer: Beginning in June 2023, participating financial institutions are required by the Zelle network rules to reimburse consumers for Zelle transfers that are initiated in response to certain impersonation scams. Bank of America provided similar protections for imposter scams even before this rule change, including for so-called “me to me” scams. In addition, the Bank provides reimbursement for certain additional scam scenarios consistent with Bank policy. We cannot detail the exact circumstances in which such reimbursement may be provided on the record without exposing the Bank to significant fraud risk. As a result of these changes both to

²⁸ Inc.com, Zelle Just Instituted a Surprisingly Customer-Friendly Policy, Nov. 14, 2023, <https://www.inc.com/jennifer-conrad/zelle-just-instituted-surprisingly-customer-friendly-policy.html>.

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the network rules and the Bank’s policies, Bank of America voluntarily paid over \$23 million to consumers for Zelle scam transfers in 2023 (as of August).

For 2022, .025% of all Zelle payments resulted in a fraud claim. Of that population 52.2% received full reimbursement. Additionally, .029% of all Zelle transactions resulted in a scam claim, where the customer authorized the payment. Of that population 10.5% received full reimbursement.

12. For the period from January 1, 2022 – December 1, 2022, how many reports of scams (transactions “authorized and initiated by a consumer” and thus not unauthorized) but that were induced through deception (e.g., where a third party convinces the consumer to transfer money based on a false pretext, such as an offer to sell nonexistent goods) did your bank receive from consumers? Please provide:
- a. The total number of reported cases of scams from your customers using Zelle.
 - b. The total dollar value of reported scams.
 - c. The number of cases where your bank provided refunds or reversed transfers for customers.
 - d. The total value of these refunds/transfer reversals.
 - e. The number of these scams cases where your bank referred the incident to law enforcement or to federal or state bank regulators.

Answer: For 2022, .025% of all Zelle payments resulted in a fraud claim. Of that population 52.2% received full reimbursement. Additionally, .029% of all Zelle transactions resulted in a scam claim, where the customer authorized the payment. Of that population 10.5% received full reimbursement.

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13. For the period from January 1, 2023 – June 30, 2023, how many reports of fraud – as defined by Regulation E – did your bank receive from consumers? Please provide:
- a. The total number of reported cases of fraud from your customers using Zelle.
 - b. The total dollar value of reported fraud.
 - c. The number of cases where your bank provided refunds or reversed transfers for customers.
 - d. The total value of these refunds/transfer reversals.
 - e. The number of cases where your bank referred fraud to law enforcement or to federal or state bank regulators.

Answer: In 2023*, the percentage of all Zelle payments that resulted in a fraud claim was at .020%, and 51.48% received full reimbursement. The scam population decreased to .023% in 2023, while the percentage that received full reimbursement increased to 25.6%.

* Results are based on information as of 08/31/23.

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14. For the period from January 1, 2023 – June 30, 2023, how many reports of scams (transactions “authorized and initiated by a consumer” and thus not unauthorized) but that were induced through deception (e.g., where a third party convinces the consumer to transfer money based on a false pretext, such as an offer to sell nonexistent goods)” did your bank receive from consumers? Please provide:
- a. The total number of reported cases of scams from your customers using Zelle.
 - b. The total dollar value of reported scams.
 - c. The number of cases where your bank provided refunds or reversed transfers for customers.
 - d. The total value of these refunds/transfer reversals.
 - e. The number of these scams cases where your bank referred the incident to law enforcement or to federal or state bank regulators.

Answer: See response to Question 13.

15. For the period from June 30, 2023 – present, how many reports of fraud – as defined by Regulation E – did your bank receive from consumers? Please provide:
- a. The total number of reported cases of fraud from your customers using Zelle.
 - b. The total dollar value of reported fraud.
 - c. The number of cases where your bank provided refunds or reversed transfers for customers.
 - d. The total value of these refunds/transfer reversals.
 - e. The number of cases where your bank referred fraud to law enforcement or to federal or state bank regulators.

Answer: See response to Question 13.

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16. For the period from June 30, 2023 – present, how many reports of scams (transactions “authorized and initiated by a consumer” and thus not unauthorized) but that were induced through deception (e.g., where a third party convinces the consumer to transfer money based on a false pretext, such as an offer to sell nonexistent goods) did your bank receive from consumers? Please provide:
- a. The total number of reported cases of scams from your customers using Zelle.
 - b. The total dollar value of reported scams.
 - c. The number of cases where your bank provided refunds or reversed transfers for customers.
 - d. The total value of these refunds/transfer reversals.
 - e. The number of these scams cases where your bank referred the incident to law enforcement or to federal or state bank regulators.

[Answer:](#) See response to Question 13.

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17. According to a Wall Street Journal analysis, of the 47 banks that restated their December 31 uninsured-deposit figures downward, the largest revision was by Bank of America – the country’s second largest bank²⁹ – which restated its uninsured deposits by \$125 billion, 14 percent lower than what it originally reported.³⁰ With its new estimates, Bank of America’s payments to the DIF would be reduced by \$310 million.³¹
- a. Has Bank of America ever revised its uninsured-deposit figures down by 14 percent?
 - b. To what do you attribute such a significant change in your bank’s assessment of its uninsured deposits?
 - c. Have you made any further revisions to your reporting of uninsured deposits? If so, when were these changes made, what was the explanation for them, and how much did they increase or decrease your expected payments to the DIF?

Answer: As described in response to Question 10, the cited revision was completed prior to issuance of the FDIC proposed rule on the special assessment. Other than this instance, Bank of America has not revised its uninsured-deposit figures down by 14 percent.

Bank of America has made no further revisions to the reporting of its uninsured deposits.

²⁹ Federal Reserve Statistical Release, “Insured U.S.-Chartered Commercial Banks that Have Consolidated Assets of \$300 Million or More, Ranked by Consolidated Assets,” March 31, 2023, <https://www.federalreserve.gov/releases/lbr/current/>.

³⁰ Wall Street Journal, “FDIC Scolds Banks for Manipulating Deposit Data,” Jonathan Weil and Shane Shifflett, July 24, 2023, <https://www.wsj.com/articles/fdic-scolds-banks-for-manipulating-deposit-data-77e93d7>.

³¹ *Id.*

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Questions for Mr. Jamie Dimon, Chairman and CEO of JPMorgan Chase & Co., from Chairman Sherrod Brown:

- 1. Please provide 2022 year-end and 2023 third quarter capital and leverage ratios, profits, and annual dollar value of dividends, stock buybacks, and other capital distributions.**

A full description of our earnings can be found in our publicly available financial statements. Our [Annual Report](#) and our [third quarter](#) financial results can all be found on our website.

- 2. Please describe the extent of JPMorgan Chase’s leveraged lending, lending to private equity, credit, and hedge funds, and repo market business.**

When new restrictions on leveraged lending were placed on large banks following the financial crisis, large banks pulled back from extending credit in this space, and non-banks stepped in. Since 2012, the private credit market has tripled to become a roughly \$1.5 trillion market, and nearly all of the largest providers in this space are not banks. In just the last few years, we have seen at least 50 loans of \$1 billion or more go to the private markets, versus what would have historically been done by large banks. As this lending activity moves away from regulated markets, lawmakers should be concerned about their lack of visibility into risks brewing outside the regulatory perimeter, and inability to foresee the next crisis.

- 3. Please provide the annual amount of fee income generated in 2022 and 2023.**

Details about our firm’s revenue can be found in our [Annual Report](#).

- 4. Please provide the ratio of your total compensation (salary and all deferred compensation) to median employee compensation.**

The independent Board of Directors determines my compensation and outlines its criteria in our proxy statement. As disclosed in our 2023 [Proxy Statement](#), for the year ended December 31, 2022, the annual total CEO compensation was \$34,856,416.1 including Firm-paid employee benefits. The annual total compensation of our estimated median employee was \$88,730, including Firm-paid employee benefits. This represents a ratio of 393 to 1.

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5. Since last year’s hearing, Zelle, co-owned by your bank, has committed to reimbursing customers who are subject imposter scams. What other policies and practices have you instituted or planned to institute that will make victims of fraud whole? Second, are there any existing gaps in the Electronic Funds Transfer Act that need to be addressed to create industry-wide standards for protecting consumers from fraud and making victims of fraud whole?

Chase has worked closely with Early Warning Services to develop and implement policies that allow Chase to go beyond Regulation E requirements and provide best-in-class consumer protections to our customers. This includes reimbursing customers for disputed transactions related to certain types of scams, following an investigation.

Since May 2022, Chase has reimbursed certain verified “Me-to-Me” scam transfers where a Chase customer was led to believe they were sending money to their own account “to reverse fraud” or correct some other purported account issue at the instruction of someone pretending to be a Chase employee; in reality, the bad actor registered the sender’s email address or phone number as the bad actor’s own Zelle token which resulted in the bad actor receiving the payment instead. Additionally, since June 2023, Chase has reimbursed qualifying imposter scams where a bad actor recipient deceives a customer into sending a Zelle payment by falsely portraying an affiliation with a government or law enforcement agency or another trusted institution.

When it comes to protecting customers on Zelle, prevention of fraud and scams in the first instance is critical. In an effort to protect Chase Zelle users from bad actors, Chase has deployed, and continues to deploy, substantial resources to educate its customers, and to monitor for, prevent, and block Zelle transfers that are the result of fraud or scams before payments leave customers’ accounts. In 2022, for example, Chase rolled out new in-app warning screens to help prevent customers from initiating scam transfers. These warning screens create friction in the process by requiring customers to confirm that they have read the messaging before certain payments are processed. Chase also has sophisticated risk algorithms used to monitor payments for potential fraud and scams at multiple stages of the transaction. Chase blocks certain flagged payments entirely, and, for others, Chase requires its customers to confirm they intended to send the payments. Chase also holds, and has its employees manually review and confirm, certain payments that are flagged by Chase’s risk algorithms. Chase employees manually review, and then either approve or cancel, hundreds of thousands of Zelle payments every year, a process which in many cases includes contacting customers to confirm their payments are not the result of a fraud or scam.

Overall, and relative to the volume of Chase Zelle transactions, customer disputes related to Chase Zelle transactions are rare. Since 2019, 99.9% of the time a Chase customer sends a payment through Zelle, they do not contact Chase to dispute their payment or seek reimbursement.

While Zelle is a safer platform than other person-to-person options to send money to another person, Chase recognizes bad actors use Zelle. Scams often start on platforms outside of bank channels like technology, social media and AI and are used to scale efforts to prey on the vulnerable. The need exists for a formalized public-private partnership between financial institutions, government and law enforcement to help investigate and prosecute these crimes. Chase welcomes the opportunity to work

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with the Senate, law enforcement and other critical stakeholders to further efforts to prevent fraud and scams, and to protect consumers from becoming victims to this criminal activity.

- 6. Since the launch of FedNow, more banks are sending and receiving real-time payments. A recent study found that the current instant payments market, valued at approximately \$16 billion, will expand by a 33 percent compound annual growth rate to a market value of \$277 billion by the end of 2032.¹ Real-time payments are processed and settled individually and continuously. This means that real-time payment network participants must maintain adequate balances to settle transactions at any time and have sufficient liquidity to cover changes in the supply and demand for cash. As these transactions become more prevalent, what policies and practices is your institution putting in place to manage liquidity risk?**

At JPMorgan Chase, we have a robust system to manage liquidity risk. Our Liquidity Risk Management function is responsible for identifying, monitoring and reporting on a variety of liquidity risk metrics, including the risks that have come with the successful launch of FedNow. We also regularly conduct our own internal stress tests to ensure that the Firm would have sufficient liquidity for a variety of adverse economic scenarios. All liquidity stress tests assume all of the Firm’s contractual financial obligations are met. More on our approach to the Firm’s liquidity management is outlined in our [Annual Report](#).

- 7. On November 3, 2023, a manual processing error by The Clearing House’s Electronic Payments Network led to a widespread ACH outage disrupting approximately 867,000 transactions. Can you share how you communicated to impacted customers about the outage and the events being taken to remediate the issue? Please provide details on who received communications—were communications general to all customers or specific to those impacted. Also, please specify what channels were used to contact impacted customers and how were customers able to get in contact with your customer services to receive support through the disruption.**

In response to TCH’s November 3rd processing issue, we used multiple channels to reach a broad range of customers, as we were unable to quickly identify impacted customers due to the nature of the issue. We recorded a message for customers contacting our call centers and provided a similar update to our branch staff and call center specialists around the country to help answer questions from impacted customers. We then worked closely with The Clearing House to identify impacted transactions and clients to monitor transaction returns. By Monday, November 6th, we were able to identify most affected customers—about 1% of checking accounts—and we automatically refunded any associated overdraft fees for their accounts. We instructed customers who called into our call centers or visited a branch to check their accounts and contact us if they didn’t see the refund.

¹ <https://www.factmr.com/report/real-time-payments-market>.

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- 8. With the introduction of ChatGPT and other large language models, the financial sector is equally working on developing advanced AI tools for tasks ranging from financial advising to streamlining internal processes. How do you plan to protect the jobs and livelihoods of all of your employees, especially front-line staff, when deploying these tools?**

Advancements in technology, including AI, will enable our workforce to be more productive and focus on tasks that require human intelligence. We remain focused on attracting the best talent across the globe.

- 9. How are you going to ensure your bank’s use of AI does not unfairly discriminate against customers and potential customers?**

As with any models impacting consumers, AI models are subject to robust controls around data use and model risk, as well as independent fair lending review designed to identify and mitigate potential bias risk.

- 10. During the hearing, when asked about the impact to JPMorgan’s mortgage lending if the bank were to lose the qualified mortgage safe harbor to the CFPB’s Ability to Repay rule, you stated that the impact “completely depends on the actual detail on the ruling.” But in response to a 2011 proposed rule to implement the Dodd-Frank Act’s Ability to Repay requirement, JPMorgan Chase, in a letter submitted when you were CEO, stated that “‘Qualified Mortgage’ Must Be a Safe Harbor From Liability for Ability-to-Repay to Ensure that Consumers Have Access to Affordable and Reasonably Priced Mortgage Loans.”²**

- a. Would JPMorgan support eliminating the CFPB’s qualified mortgage safe harbor to the Ability to Repay requirement in the Dodd-Frank law? Please explain.
- b. If the safe harbor were eliminated tomorrow, would JPMorgan alter its mortgage lending in any way? Please explain.

We do not support eliminating the safe harbor protections for originating a Qualified Mortgage. As indicated in our November 2022 comment letter filed in response to the Bureau’s Request for Information on Mortgage Refinances and Forbearances, Chase supports the current safe harbor as an appropriate protection for consumers’ ability to access credit and achieve successful and sustainable home ownership. (See Chase, Comment CFPB-2022-0059-0102, available at <https://www.regulations.gov/comment/CFPB-2022-0059-0102>.)

- 11. For each of the past five years, please provide:**

² See “Letter from JPMorgan Chase & Company to the Board of Governors of the Federal Reserve System Re: Regulation Z; Truth in Lending; Docket No. R-1417; RIN No. 7100-AD75,” July 22, 2011, available at <https://www.regulations.gov/comment/CFPB-2011-0008-0893>.

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- a. The number of owner-occupied, single-family purchase mortgage loans that JPMorgan originated;
- b. The number of those owner-occupied, single-family purchase mortgage loans that JPMorgan originated to low- or moderate-income buyers;
- c. The number of those owner-occupied, single-family purchase mortgage loans to low- or moderate-income buyers that JPMorgan retained (did not sell);
- d. The number of those owner-occupied, single-family purchase mortgage loans to low- or moderate-income buyers with a loan-to-value ratio higher than 80% that JPMorgan retained (did not sell); and
- e. The number of those owner-occupied, single-family purchase mortgage loans with a loan-to-value ratio of higher than 80% that JPMorgan retained (did not sell).

We are one of the leading mortgage lenders and servicers in the country. Looking at 2022, the most recent year with final HMDA reporting, JPMC has increased its share of mortgage originations from prior years. In 2022, we originated 49,896 single-family purchase mortgage loans. Of those, 10,919 were made to low- or moderate-income borrowers. That translates to 22% of our purchase originations being made to low- or moderate-income customers and 16% were made in low- or moderate-income communities. We have seen growth over the years. Since 2019, the share of our originations to low- or moderate-income customers improved from 20% to 22% of purchase originations, and the share of our originations to low- or moderate-income communities has improved from 14% to 16% of purchase originations.

Additionally, we are proud of our lending to diverse communities. In 2022, 45% of our purchase originations were made to minority customers, and we exceeded the industry in Hispanic and Asian customer purchase originations.

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12. Mr. Dimon, in his questioning of you, Senator Daines seemed to suggest capital requirements that might be imposed under the Basel III agreement, or some other regulation, might adversely affect the availability of credit for oil and gas development. In your response, you did not expressly respond to that suggestion, but did testify that “We have to finance transition. You need secure, safe, affordable oil and gas to do that.”
- a. Since it is known that JPMorgan Chase has financed upwards of \$400 billion in fossil fuel development since the Paris Agreement, would it be correct to state that JPMorgan Chase is doing all it can do to make sure that there is safe, secure oil and gas going forward?
 - b. To the best of the bank’s collective knowledge, will any cost increases projected to result from the capital requirements of the Basel III proposal or any other domestic regulatory proposal prevent fossil developers from borrowing from JP Morgan Chase?
 - c. Can you explain to the Committee how any proposed capital requirements would prevent JPMorgan Chase from making investments in the “safe, affordable oil and gas” you were so insistent is needed?

Ongoing sanctions and supply chain disruptions reinforce the global need for providing energy that is secure, reliable and affordable. There is also a need to accelerate progress in addressing climate change. These objectives are not mutually exclusive. We can and must do both. JPMorgan is among the largest financiers of both traditional and clean energy. Working with clients and private and public sector partners, we are helping promote energy affordability and security, and remain fully committed to reducing emissions and scaling investments in new green technologies that create more supply. The Basel III proposal would have predictable and harmful outcomes on the economy, markets, businesses of all sizes, and American households, in ways the Federal Reserve has not studied, contemplated or shared. The proposal will undermine efforts to advance a green economy, including blunting the effects of the Inflation Reduction Act. The risk of higher capital requirements in the proposal is already stopping the pipeline of green energy projects. Developers started to feel the impact of the draft when it was released in July. As a result of the capital proposal, banks may need to exit markets that will no longer make economic sense to participate in.

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- 13. When your institution is making decisions on investing in particular client projects, or even entire categories of business activities, are you making those decisions based on your independent, arms-length appraisal of a project’s or category’s value as a business proposition, relying on the best available information regarding that line of business or application of technology, with as full knowledge of all risks involved as can be determined by your employees in the exercise of their due diligence, and with due deference to those employees’ professional judgment and prudence, or are you doing things that do not make business sense just to appear “woke,” or to engage in “culture war battles,” or to otherwise appease individuals or groups outside your corporation and its shareholders?**

We are not driven by swings in the political or social environment. We make independent business decisions for the Firm. We work on behalf of our shareholders through exceptional service to our clients, customers and communities around the world, serving people, businesses of all sizes, and vital institutions like hospitals, schools, and governments.

- 14. Are the physical or transition risks associated with climate change, including the risks associated with continued funding of vectors of climate change, legitimate financial risks to be taken under consideration in the exercise of your responsibility to shareholders and employers?**

- a. **If not, please describe for the Committee the reason or reasons your institution can ignore physical or transition risks in your business decisions.**
- b. **If physical or transition risks associated with climate change are legitimate financial risks, please explain to the Committee what the effects of ignoring these risks be to your institution or the broader economy.**

We integrate climate risk into our risk management, governance, and strategy. We are applying the suite of industry-recognized climate scenario analysis as one of our climate risk management tools, which helps us assess future risks from climate change.

We believe supporting our clients, through advice and capital, to accelerate their low-carbon transition objectives creates positive environmental benefits and generates long-term financial returns for our shareholders. These efforts are guided by three pillars of our environment sustainability strategy – scaling green solutions; balancing environmental, social, and economic needs; and minimizing our operational impact.

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15. From January to October 2023, according to the Financial Crimes Enforcement Network, depository institutions filed more than 440,000 suspicious activity reports related to check fraud. Check fraud is costing consumers millions of dollars every year.

a. What policies has JPMorgan Chase put in place to ensure that consumers receive a timely resolution when fraud occurs?

Check fraud is an industry-wide problem that requires strong partnerships between banks and law enforcement.

At Chase, we recently extended the time our customers can report check fraud from 30 days to 60 days after they receive their statement. Also, we increased the threshold for temporary credit on check fraud so our customers can gain faster access to more of their funds when they are victimized by check fraud. As a result of our enhancements, the vast majority of all valid and eligible check claims made by our customers are credited within five (5) business days of filing the claim and submitting any relevant documentation.

We continue to work closely with other banks through the American Bankers Association to help speed up and improve the way banks file check claims with each other.

Questions for Mr. Jamie Dimon, Chairman and CEO of JPMorgan Chase & Co., from Senator Catherine Cortez Masto:

1. Which Home Loan Bank, or Federal Home Loan Banks, does your financial institution belong as a member?

JPMC has one active FHLB membership with FHLB Cincinnati. The member institution is JPMorgan Chase Bank, N.A. The Firm holds residual stock at a number of FHLBanks as remaining obligations are managed to maturity.

2. How much did your financial institution receive in dividends from a Federal Home Loan Bank/Banks in 2022 and so far – Q1-Q3 – in 2023?

The FHLB system is a cooperative member-provided capital base. Members are required to capitalize all advances by buying capital stock, typically at 4.0% to 5.0% of advance principal borrowed, and the FHLBs can elect to pay dividends on the capital stock owned.

In total, the Firm received FHLB dividends of \$15.9 million in 2022, and \$62.5 million in 2023.

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The Federal Home Loan Banks assert they should continue to be lender of last resort (LOLR), just as they were for Silicon Valley Bank, Signature Bank, and First Republic Bank. However, the Federal Housing Finance Agency (FHFA) has clarified the Federal Reserve (“Fed”) is the only official LOLR.

3. **Does JPMC consider the Federal Reserve or the Federal Home Loan Banks to be the lender of last resort?**

JPMC recognizes that the FHLB banks are a reliable liquidity provider through a fully-collateralized lending model. The Federal Reserve can create their own liquidity, something that the FHLB cannot do, and be a true Lender of Last Resort. However, since the underlying collateral can be posted at both facilities, we strongly support FHFA's recommendation that the FHLBs partner with Federal Reserve Banks and large FHLB members to ensure collateral can move freely between both facilities.

4. **When the new CRA rules become effective in 2026, how will you seek to invest in Native American communities? Do you have any plans for specific investments with our tribal communities in Nevada?**

JPMC conducts lending and investment activity in tribal areas across the country – including mortgage lending, small business lending, community development lending and investments. As the bank prepares for the new rule to take effect, it will continue to explore opportunities to serve Native American communities.

5. **If Congress wanted to enact legislation allowing cannabis businesses access to bank accounts, loans and credit card payments, what would be necessary changes in statute?**
6. **If the Secure and Fair Enforcement Regulation (SAFER) Banking Act (S. 2860) was signed into law, would your bank provide debt or equity financing to state-sanctioned cannabis businesses?**

Please see below in response to questions 5 and 6:

It is appropriate for Congress and regulators to address potential conflicts between state laws and federal regulations. Should the SAFER Act become law, we will review the details and determine the implications for our business.

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In Nevada, Latinos comprise 30 percent of the state’s population.³ However, engagement of the Latino community from the biggest banks continues to lag and has even been declining since 2018. JPMorgan Chase & Co. consistently and significantly outspends its peers in Spanish-language advertising.

7. What has been the benefits of Spanish-language advertising to JPMorgan?

Chase has been advertising in Spanish language for over 20 years. We bank nearly 80 million consumers and nearly 6 million small business, many of which are Spanish speaking.

It’s good business to market to communities we serve. There are 42 million people in the U.S. who speak Spanish as their first language. Additionally, Latinos in the U.S. have \$2.8 trillion economic output. Hispanic and Latino owned businesses contribute \$800 billion to the economy, and we project that 7 in 10 new homeowners will be Hispanic over the next two decades.

According to Home Mortgage Disclosure Act (HMDA) data,⁴ JPMorgan Chase’s loan and application filings have declined by 237,977 in just two years. Despite claims that Basel III Endgame will reduce mortgage lending among banks, the data shows mortgage lending has already been declining for years sans any new capital requirements.

8. Why has JPMorgan Chase’s mortgage lending declined substantially in only two years?

We are one of the leading mortgage lenders and servicers in the country, and continue conversations with regulators to advocate for meaningful change so regulated banks can continue to affordably offer these products.

It is increasingly difficult for banks to stay in the mortgage business. The cost of origination and servicing along with the complexity of regulations create a costly business with significant legal and operational challenges. In addition, given capital requirements and the lack of a healthy securitization market, it is not always prudent for banks to hold mortgages or mortgage-servicing rights.

In past years, both the Federal Reserve’s decrease in rates and other market conditions resulted in unprecedented origination volume and the largest market the industry has seen on record. The rapid rate hikes, elevated home prices and historically low inventory have created unprecedented market affordability challenges and caused the mortgage market to shrink dramatically in 2022. Our firm responded to market changes and trends consistent with the broader housing finance industry. Despite industry headwinds, we remain among the top ten mortgage lenders in the U.S. by volume and by dollar amount. As a part of our long-term strategy, we continue to focus our efforts on expanding participation in Special Purpose Credit Programs, government lending programs, as well as delivering on our community lending targets and our \$30 billion Racial Equity Commitment. Our fortress balance sheet allows the bank to remain poised to respond to improving market conditions.

³ “QuickFacts Nevada.” United States Census Bureau:
<https://www.census.gov/quickfacts/fact/table/NV/POP060210>
⁴ <https://ffiec.cfbp.gov/data-browser/graphs/quarterly/info/filers>

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Questions for Mr. Jamie Dimon, Chairman and CEO of JPMorgan Chase & Co., from
Senator John Fetterman:

1. You said “Even if you’re a very liberal Democrat, I urge you, help Nikki Haley, too.” I personally wouldn’t support someone who wants to raise the Social Security retirement age or ban abortion. Under Biden the Dow is up almost 17% and the S&P500 up over 20%. Can you explain why you felt the need to do that? What part of her economic vision did you think was worth supporting?

I believe that we should all support any leader, regardless of political affiliation, who wants to work together to solve complex problems and promote public policies that will help keep America competitive and help the American economy grow. When our economy grows, jobs are created, new businesses are developed, and all parts of society are lifted.

2. The pilot on your private jet has to get drug tested to make sure he doesn’t crash the plane. Maybe bankers who could crash the economy should get drug-tested too. If the pilots and security guards for Chase have to piss in a cup, why shouldn’t you?

Since the Great Financial Crisis, America’s largest banks have nearly tripled the amount of high-quality capital we hold in reserve to an astounding \$900 billion. Our regulators have repeatedly commented that large banks are strong and resilient, and demonstrated that strength and resiliency through COVID and last year’s regional bank turmoil. In both instances, it was America’s largest banks that were ports in the storm to support a struggling economy.

3. You all spent much of the hearing talking about how much you value your employees, which was great to hear, but at the end of the day, some of you make 400 or 500 times what an average teller or security guard at your bank makes. Do you really think you’re 500 times more valuable to your bank than a security guard or a bank teller?

Our independent Board of Directors determines my compensation and outlines its criteria in our proxy statement. My compensation is aligned to the Firm’s short-, medium- and long-term performance, with approximately 85% of the variable pay deferred into equity, of which 100% is in at-risk performance share units.

We provide excellent jobs – and careers – for Americans. JPMorgan Chase employs over 180,000 Americans with competitive compensation and excellent benefits. For our entry-level employees – often a first job or first step on a career ladder – we pay a good living wage with full benefits, paid time off and with meaningful career growth opportunities. In the last six years, we have more than doubled our average minimum pay with steady increases for entry-level employees. We’ve increased starting pay to at least \$20 to \$25 per hour, depending on location, with a starting benefits package worth more than \$15,000 a year. We’re proud of our track record of building careers, and not just a point-in-time job.

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Questions for Mr. Jamie Dimon, Chairman and CEO of JPMorgan Chase & Co., from Senator JD Vance:

1. Please identify for the Committee the total interchange revenue your bank received on credit card transactions in the U.S. for each of the past 5 years (2019-2023).
2. Please identify for the Committee the total amount of funds your bank has paid to each airline company in the world each year for the past 5 years to purchase airline miles to be given to cardholders.
3. Please identify for the Committee the total amount of funds your bank has paid in total to all non-airline businesses (such as sellers of goods) in the world each year for the past 5 years to purchase products or other rewards for cardholders. This does not need to be broken down by company – just the total amount spent per year.

Please see below in response to questions 1-3:

An overview of our card revenue, which includes interchange and other income from credit and debit card transactions, and processing for merchants, is all disclosed in [our 10-K](#).

We will not provide confidential contractual information about our partners, or other proprietary non-public information about our business operations, particularly given the highly competitive nature of the card market.

4. Please identify for the Committee the total amount of fraud losses (in dollars) on the credit cards issued by your bank in the United States for each of the past 5 years, and the total dollar amount of chargebacks to merchants on the credit cards issued by your bank in the United States for each of the past 5 years as well as the total dollar amount of fraud losses borne by cardholders on the credit cards issued by your bank in the United States for each of the past 5 years.

Our financial crimes and cybersecurity experts work around the clock to identify and block nation-state and cybercriminal threats to protect accounts and stop more than \$14 billion in fraud attempts. By our estimate, industry-wide, banks absorb \$10 billion in fraud costs and prevent ~\$75-90 billion in fraudulent transactions each year.

Credit card networks are the most stable in the world, offering security features like zero liability protection and fraud monitoring and are backed by decades of investment in security and fraud protection. In addition, studies show that basket size, or the size of an individual transaction, typically increases when a consumer uses a debit or credit card versus another payment form. Debit and credit card transactions are two to four times larger than cash, and when a merchant begins accepting card payments, they experience a 10% - 15% increase in average transaction size.

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5. Does Visa have any rule preventing you from enabling more than one network on credit cards on which Visa is enabled? Please specify what rule or rules prevent multiple networks on your credit cards.
6. Does Mastercard have any rule preventing you from enabling more than one network on credit cards on which Mastercard is enabled? Please specify what rule or rules prevent multiple networks on your credit cards.

Please see below in response to questions 5 and 6:

The networks that enable credit card transactions are nothing less than extraordinary – the result of decades of innovation and investment to provide the most secure and trusted networks in the world. Card acceptance fees paid by merchants to the four leading credit card networks – American Express, Discover, Mastercard, and Visa – to facilitate the processing of credit card transactions has made this possible.

Today, other than these four payment networks, there is no other payment network that has even the most basic functionality to process credit transactions (although there are several others that process debit – which is an entirely different type of processing). We believe it could take years for a new entrant to develop even the most basic functionality of credit processing, which would by definition not come close to matching the decades and billions of dollars the existing networks have invested in developing the fraud protection and payments innovation that are unmatched globally.

Our customers should have the choice where their transactions and their own money are routed, and they made that choice when they selected their credit card.

7. The U.S. Department of Justice successfully sued Visa and Mastercard over their “exclusionary rules” in a case upheld by the 2nd Circuit Court of Appeals in 2003, *United States v. Visa U.S.A.*, 344 F.3d 229 (2d Cir. 2003). The rules in question prohibited banks that issued credit cards enabled with either the Visa or Mastercard networks from issuing credit cards enabled with other credit card networks (such as American Express or Discover). Don’t Visa and Mastercard rules preventing your bank from enabling other networks on cards that include Visa or Mastercard present many of the same antitrust law issues as the “exclusionary rules” that resulted in a decision for the Department of Justice in the aforementioned case? Please explain how the antitrust laws are or are not implicated in similar ways.

The current payments landscape is highly competitive and continues to evolve. In addition to credit cards, merchants have the opportunity to accept cash, checks, debit cards, and a long list of electronic payment options like Venmo, Cash App, PayPal, Klarna, Afterpay, Shop pay, and ACH.

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8. As drafted, the Credit Card Competition Act (S.1838), which I co-sponsor, would prohibit issuers and networks from requiring merchants to exclusively use security technologies for processing transactions, including authentication and tokenization ones, that could not also be used by all other networks enabled on the card. Financial institutions claim this would reduce security on card networks, while retailers claim this would drive competition in security and services that networks provide. How would this provision impact security and fraud risks in an ever-evolving threat landscape?

Threats to the payments ecosystem are on the rise and growing more sophisticated. Visa and Mastercard prevented tens of billions of dollars of fraud in 2022 alone. Chase and other financial institutions rely on the network providers' fraud and risk tools that could not coexist with a dual routing mandate and the lower prices anticipated by merchants. There are no other networks that provide even basic credit card processing, and certainly none that come even close to providing the same level of, or investment in, fraud prevention and security that Visa and MasterCard provide. If enacted, this bill would create a race to the bottom for network security and fraud would increase.

Questions for Mr. Jamie Dimon, Chairman and CEO of JPMorgan Chase & Co., from Senator Raphael Warnock:

1. In response to my question of whether you support the SAFER Banking Act (S. 2860 in the 118th Congress⁵, referred to hereafter as “SAFER Banking”), Mr. Moynihan responded, “we all support the intent of it, but the problem is that it does not fix the problem.”
- a. Do you agree with this characterization? Why or why not?
 - b. If you agree with this statement, what problem does SAFER Banking fail to address?
 - c. Does JPMorgan Chase support SAFER Banking?

It is appropriate for Congress and regulators to address potential conflicts between state laws and federal regulations. Should the SAFER Banking Act become law, we will review the details and determine the implications for our business.

2. Do you believe the War on Drugs resulted in economic harms for communities with high rates of cannabis-related arrests and imprisonment?
- a. Should Congress play a role in addressing the economic harms of the War on Drugs?
 - b. Do financial institutions play a role in addressing the economic harms of the War on Drugs?

⁵ S. 2860, 118th Cong. (2023).

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c. What steps has your firm taken to address the specific economic harms of the War on Drugs?

JPMorgan Chase is committed to giving people with arrest or conviction histories a second chance by supporting their reentry into the workforce, communities, and local economies.

Policymakers and businesses increasingly recognize that providing education, skills training and employment opportunities to people with arrest or conviction histories helps reduce recidivism, increase public safety, build stronger communities, and strengthen the economy. JPMorgan Chase is reducing barriers to employment and economic opportunity for people with criminal backgrounds through its hiring practices, its philanthropy, and by advocating for federal and state policy changes.

Over the last three years, roughly 10 percent of the firm’s new hires annually in the U.S. are people with criminal backgrounds. In 2018, the firm removed questions about criminal backgrounds from job applications, conducting individualized assessments only after a conditional offer of employment has been made. Robust processes for reviewing applicants with criminal histories ensure both that they receive full consideration and that they can be hired without presenting undue risk to our employees, customers or the general public. Additionally, JPMorgan Chase works with community partners to establish recruiting channels for individuals whose histories fit within industry regulatory guidelines and share best practices with other financial institutions and businesses that choose to adopt fair chance hiring policies.

As of 2022, the firm has announced nearly \$13 million in community investments to support people with criminal backgrounds. These investments are focused on career development, financial health, and entrepreneurship, as well as to encourage more companies in growing industries to enhance their Second Chance efforts. The firm hosts pro-bono expungement clinics at community branches, which has helped hundreds of residents begin the process of moving on from their records.

As a part of the firm’s efforts to drive long-term change, JPMorgan Chase has supported commonsense policy reforms, including passage of state Clean Slate laws to help individuals to seal or expunge criminal records, the federal Clean Slate Act (H.R. 2930) to create a federal automatic process to automatically seal certain arrest records, and the Fresh Start Act (H.R. 2983) to authorize the Department of Justice to allow states to use existing funding to implement Clean Slate automatic expungement or sealing laws.

*Further details about our firm’s Second Chance work can be found on our website:
<https://www.jpmorganchase.com/impact/our-approach/policy-center/second-chance-agenda>*

A more detailed list of public policies recommended for state and federal lawmakers are available on this document: <https://jam-jpmorgan-aem-preview-tr-jpmchase.net/content/dam/jpmc/jpmorgan-chase-and-co/documents/the-power-of-a-second-chance.pdf>

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3. The revised Community Reinvestment Act⁶ sets out new standards for how your firms meet the needs of underserved communities across a variety of outcomes, including access to housing, lending to small businesses, and identifying investment opportunities.⁷
- a. In response to my question, you stated that you would support revised standards to improve equity. What specific steps will your firm be taking to improve equity?
 - b. Will you commit to ensuring your firm upholds the Act’s standards to the highest levels across all outcomes?
 - c. What specific steps is your firm taking to address the revised standards?

JPMorgan Chase supports the goals of the CRA and is committed to being responsive to low- and moderate-income community needs across all markets in which we are present. We deliver complex, responsive and innovative solutions to support underserved communities, and our footprint and capabilities support our strong CRA performance. In our five CRA exams, since its formation in 2000, our firm has received Satisfactory or Outstanding ratings. Our commitment to underserved communities extends beyond what is required by CRA.

4. Black women are the fastest growing set of entrepreneurs in the country⁸, yet companies led by Black women typically receive less than 1% of all venture capital funding.⁹

One organization working to address this problem is the Fearless Fund, which is based out of Atlanta, Georgia, and invests in businesses led by women of color.¹⁰ The Fearless Fund runs a contest called the “Fearless Strivers Grant Contest” that provides awards to small businesses owned by Black women.¹¹

Unfortunately, the Fearless Fund has been sued by a group that wants to stop the Strivers Contest.¹² The man leading this group has also previously sued to overturn

⁶ Federal Register Notice, “Community Reinvestment Act,” Federal Reserve (Oct. 24, 2023), <https://www.federalreserve.gov/aboutthefed/boardmeetings/files/frn-cra-20231024.pdf>.

⁷ Press Release, *Agencies Issue Final Rule to Strengthen and Modernize Community Reinvestment Act Regulations*, Federal Deposit Insurance Corporation (Oct. 24, 2023), <https://www.fdic.gov/news/press-releases/2023/pr23086.html>

⁸ Elana Dure, *Black Women Are the Fastest Growing Group of Entrepreneurs. But the Job Isn’t Easy*, JPMorgan Chase & Co. (Oct. 12, 2021), <https://www.jpmorgan.com/insights/business/business-planning/black-women-are-the-fastest-growing-group-of-entrepreneurs-but-the-job-isnt-easy>.

⁹ Shriya Bhattacharya et al., *Meet the 71 Black Women Who Raised \$1 Million or More in VC Funding Since 2021*, Business Insider (Apr. 21, 2023), <https://www.businessinsider.com/black-female-founders-raised-millions-in-vc-this-year-2021-9>.

¹⁰ *About*, Fearless Fund, <https://www.fearless.fund/about>.

¹¹ Kristen Wright, *A Federal Appeals Court Blocks a Grant Program for Black Female Entrepreneurs*, NPR (Oct. 3, 2023), <https://www.npr.org/2023/10/03/1203221945/affirmative-action-black-female-entrepreneurs>.

¹² *Id.*

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portions of the Voting Rights Act as well as affirmative action programs in college admissions.¹³ In October 2023, the 11th Circuit Court of Appeals temporarily blocked the Fearless Fund from continuing to run the Strivers Contest.¹⁴

Your firm, JPMorgan Chase, is an investor in the Fearless Fund.¹⁵ I appreciate your support of this organization.

- a. Will JPMorgan Chase commit to continuing to support organizations that specifically support women of color founders, including potentially through race-conscious measures?
- b. Why is it important to support organizations like the Fearless Fund?
- c. Outside of this effort, what specific steps have you taken to support entrepreneurs from underrepresented backgrounds, such as women of color?

We aim to be the bank for all and remain committed to supporting underserved communities as part of our mission to help build a more inclusive economy that benefits everyone. We're focused on helping to power economic growth by breaking down barriers and creating opportunities in communities across the globe. These investments are good for communities, customers, and shareholders.

Small businesses are the backbone of the economy. Their success lends itself to stronger communities by creating new jobs, driving local economic growth, and offering residents more options and opportunities. As the nation's leading small business bank, we're proud to serve nearly six million small businesses. Across communities, from small towns to big cities, we offer resources to help business owners overcome obstacles through mentorship, training and access to capital that can support their growth plans.

We recognize that some communities, including Black, Hispanic and Latino business owners, face barriers when it comes to growing and scaling their small businesses. Through products, funds, loans, and community investments, we seek to break down barriers to create opportunities that support and uplift all entrepreneurs.

Specifically, JPMorgan Chase's \$30 billion Racial Equity Commitment, launched in 2020, is focused on closing the racial wealth gap, including expanding affordable housing, increasing homeownership, growing small businesses, improving financial health and accelerating workforce diversity.

Additionally, the firm's Small Business Forward initiative is a \$150 million effort to help entrepreneurs access the capital and the technical assistance they need to expand.

Some of our dedicated programs and efforts to support underserved entrepreneurs, including Black, Hispanic and Latino business owners include:

¹³ Tessa Stuart, *The Conservative Activist Who Brought Down Affirmative Action Has a New Target*, Rolling Stone (Aug. 19, 2023), <https://www.rollingstone.com/politics/politics-features/fearless-fund-vc-fund-edward-blum-affirmative-action-1234808930>.

¹⁴ Wright, *supra* note [Error! Bookmark not defined.](#)

¹⁵ *Investors & Partners*, Fearless Fund, *supra* note 18.

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- *Special Purpose Credit Program: We’re helping expand access to credit in majority Black, Hispanic and Latino communities. The first of its kind program offers opportunity to business owners who might not otherwise be approved for credit or receive it on less favorable terms.*
- *One-On-One Coaching: We’ve trained Senior Business Consultants in nearly two dozen U.S. cities to provide mentoring and advice to entrepreneurs. Since launching its mentorship program in 2020, the firm has mentored thousands of small business owners.*
- *Accelerator Programs: We collaborate with industry and advocacy organizations to help reach and support business leaders through access to business education, coaching, and key resources to accelerate their growth.*
- *Investing in Minority Depository Institutions: We appreciate the unique role that Minority Depository Institutions (MDIs) play in our communities. Over the last two years, we have invested more than \$100 million of equity in diverse-owned and -led MDIs and Community Development Financial Institutions.*
- *Increasing Supplier Diversity: We believe that diversifying our ecosystem of suppliers is good for our stakeholders—including the businesses we work with, the communities in which they live and serve and for our own firm.*
- *Educational Resources: In 2023, we launched a new resource center that provides educational content and advice to help early-stage and established entrepreneurs achieve their goals.*
- *Advocating for Entrepreneurs: The JPMorgan Chase PolicyCenter works to advance policies that enable growth and sustained success of small businesses.*

Learn more about the firm’s impact [here](#).

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5. According to the Federal Reserve Bank of St. Louis, the average 30-year mortgage rate is over 7%.¹⁶ A basic Chase savings account offers a maximum interest rate of just 0.01%.¹⁷
- a. Please explain this spread, how your firm determines savings account interest rates for customers, and how these rates are or are not affected by the Federal Reserve’s benchmark overnight interest rate.
 - b. Do you offer savings products that pay customers higher interest rates, and if so, do you take steps to direct your customers to those higher interest rate products from savings accounts with lower interest rates? Please describe any steps you take.
 - c. Do you plan on raising interest rates on savings accounts or other deposit accounts for your customers?

In a competitive market, there are a variety of factors that determine rates: overall deposit levels, prevailing market rates, and monetary and macroprudential policies.

For instance, macroprudential policies influence the value of deposits for banks and thus the rates paid on deposits. Liquidity and capital rules require that banks maintain a larger share of deposits held in high-quality liquid assets. The resultant decline in loan-to-deposit ratios across the industry is reflective of diminished value of deposit deployment. Additionally, the leverage capital rules have increased the cost of bank balance sheets, requiring total Tier 1 capital of 6% for every dollar of balance sheet growth—including deposits held at the Central Bank. These costs affect the economic value and therefore the rate paid on deposits.

There are many reasons customers choose a bank – with interest rates being only one factor. Customers continually tell us that they choose Chase for our convenient branch and ATM network, digital choices, and security.

Bank deposit pricing is a function of supply, demand and future interest rate expectations. The marketplace for deposits is competitive and accessible to consumers across the U.S., in particular given advances in technology and mobile banking, which allow customers to easily transfer money to and from savings and checking accounts, as well as to make informed decisions about investment options. We meet our customers’ preference for yield through Certificates of Deposit (CDs) and wealth management offerings. We recently raised both short- and medium-term CD rates nationally. Our 9-month CD and 2-month CD earn customers up to 5%.

In addition to deposit accounts, we also offer our customers wealth management tools and investment opportunities to help them determine the right financial products to meet their long-term goals. The true

¹⁶ 30-Year Fixed Rate Mortgage Average in the United States, Federal Reserve Bank of St. Louis (updated Dec. 7, 2023), <https://fred.stlouisfed.org/series/MORTGAGE30US>.

¹⁷ Chase SavingsSM Interest Rates, Chase Bank (accessed Dec. 12, 2023), <https://www.chase.com/personal/savings/savings-account/interest-rates> (based on data for ZIP code 20515).

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strength of our approach is that we offer access to experts who can provide advice in-person or over the phone on both traditional banking and investment products.

Questions for Mr. Jamie Dimon, Chairman and CEO of JPMorgan Chase & Co., from Senator Elizabeth Warren:

1. The Department of the Treasury (Treasury), recognizing that over 100 U.S. firms and financial institutions have independently made voluntary net-zero commitments in recent years, recently issued its *Principles for Net-Zero Financing and Investing*.¹⁸ The principles aim to “promote consistency and credibility in financial institutions’ approaches to these commitments” and reflect that ‘credible’ commitments to net-zero emissions depend on robust net-zero plans that include short- and medium-term targets that align with limiting the increase in global average temperature to 1.5 degrees Celsius, while also ensuring that engagement practices with clients, portfolio companies, and other stakeholders align to these commitments. The principles also establish the importance of transparency, and that financial institutions should publicly disclose progress towards their targets.
 - a. Has your bank made a net-zero commitment?
 - i. If yes, have you ensured that it meets the Principles for Net-Zero Financing & Investing released by Treasury?
 - ii. If no, when do you plan to do so?
 - b. Do you commit to publicly disclosing progress towards your bank’s short- and long-term targets to limit the increase in global average temperature to 1.5 degrees Celsius?
 - c. Reports list you among a group of banks that “are undermining their commitment to cutting carbon emissions by lobbying against climate regulation.” Is this report accurate and are you lobbying against climate regulations, including the Securities and Exchange Commission’s climate disclosure rule?
 - i. Does your public policy engagement contradict net-zero commitments that you have made?
 - ii. If yes, do you commit to correcting this discrepancy and aligning your public engagement efforts with your net-zero commitments?

¹⁸ U.S. Department of the Treasury, “Principles for Net-Zero Financing & Investment,” September 2023, <https://home.treasury.gov/system/files/136/NetZeroPrinciples.pdf>.

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Our net-zero aligned targets are in line with our principles that the window for action to avert the costliest impacts of global climate change is closing. At the same time, ongoing wars and impact on energy supply is forcing countries and companies to plan for energy security. The need to provide energy affordability and reliability today, as well as make necessary investments to decarbonize for tomorrow, shows inextricable links between economic growth, energy security, and climate change.

We publish an annual climate report which includes our metrics and targets for achieving our net-zero commitment. Our latest [Climate Report](#) is available online.

We’ve been a leader on climate reporting, and we support effective disclosure that is decision-useful for investors about how companies are managing material risk to their business. We have concerns with Scope 3 disclosure requirements included in the SEC’s proposal because measurement capabilities are nascent and, as a result, are imprecise. In addition, consistent industry reporting standards are not yet mature. The SEC received a record-breaking number of comments on this proposal, and we’re looking forward to seeing how the SEC addresses those comments in its final rule.

- 2. The International Standards Organization established a merchant category code for gun and ammunition stores in September 2022 (“gun store code”). This year, Visa, MasterCard, American Express, and Discover announced a pause on implementation of the code. The Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation bank examination standards require banks to use accurate merchant category codes when underwriting new merchant clients in order to manage risk. Is your institution able to comply with risk management examination expectations given that you’re not able to assign the gun store code until it is implemented by the payment networks?**

We comply with MCC requirements state-by-state, since several states have taken divergent approaches – prohibiting the use of the MCC or mandating its use. The firm has a framework in place to assess operational and legal implications and risks to ensure compliance with state laws.

- 3. To what extent do you provide financial services to and/or invest assets in each of the following:**
- a. Retailers that exclusively sell firearms, ammunition, and associated accessories?**
 - b. Diversified retailers that sell firearms, ammunition, and/or associated accessories, along with other goods?**
 - c. Any firearm manufacturers?**
 - d. Retailers or manufacturers that sell military-grade assault weapons to civilians (such as the AK47 or AR15 firearm)?**
 - e. Do you have any specific criteria for evaluating the appropriateness of providing the financial services or investments noted above?**

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- 4. If your institution provides financial services to firearm manufacturers or retailers, what due diligence do you conduct of financial relationships and transactions involving those entities?**

Please see below in response to questions 3 and 4:

We do not have a blanket prohibition against the firearms industry and do not prevent any customer from legally purchasing a firearm. We consider a variety of risks when making business decisions, including risks such as credit, market, reputational, compliance and legal. As it relates to firearms specifically, we do not finance manufacturers of military-style weapons for civilian use but do serve manufacturers of these weapons for military and law enforcement. When financing other parts of the firearms sector we leverage the ATF database to ensure customers, clients and prospects are following the rules of the ATF and operating with current licenses.

- 5. If your institution relies on index funds developed by third-party index providers, what criteria does your institution use to determine whether to exclude a security in an index from your index fund?**

As part of JPMorgan's global asset management business, J.P. Morgan Investment Management Inc. (“JPMIM”) offers clients a broad range of investment strategies to meet their long-term objectives including both passively-managed (index) funds and actively managed funds. Funds that replicate an index hold substantially all of the securities in the index. Funds that are not able to fully replicate the index (for example, due to the number of holdings) use an algorithmic optimizer to create a representative sample of the index. In both cases, the objective is to track the performance of the index; As adviser to these Funds, JPMIM does not use investment discretion to exclude securities that are held in the index.

- 6. If your institution votes on shareholder resolutions, what have been your votes on any shareholder resolutions focused on firearm manufacturers or retailers in the past five years?**

- a. If your institution has voted for any such resolutions, has your institution taken any steps to ensure that the companies implemented those resolutions?**

As part of JPMorgan's global asset management business, JPMIM focuses on offering clients a broad range of investment strategies to meet their long-term objectives. JPMIM evaluates proxy proposals based on the facts and circumstances specific to each company. We utilize our own proxy voting guidelines and in-house research and analysis and exercise our independent, fiduciary judgement as to what is in our clients' economic interests. We are transparent in how we manage our portfolios, and our investors appreciate the expertise behind our voting and decision making.

- 7. How does your institution assess the market and reputational risk of investing in firearm retailers or manufacturers, even if just through passive investments?**

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As a fiduciary to its clients and as an active manager, our asset management business acts in the best of its client accounts and in accordance with its clients’ investment guidelines and objectives, and legal requirements. When investing in equity securities as an active asset manager, our primary method of analysis is research oriented; as part of this fundamental research process, we typically rely on research analysts whose primary focus is to research and analyze industries and companies, portfolio managers who utilize the research provided by analysts and their own investment insights to buy and sell equity securities and construct portfolios, as well as stock screening procedures, using a database of equity securities that tracks historical earnings, forecasted earnings and earnings growth rates, free cash flow, and stock price history. For our passive investment strategies, please see our response to Question 5.

8. Despite making net-zero commitments, banks are continuing to fund fossil fuel projects, with JP Morgan Chase, Citi, Wells Fargo, Bank of America, Morgan Stanley, and Goldman Sachs among the largest financers of these projects. Meanwhile, major oil and energy are dropping their sustainability pretenses: Shell announced it will not increase spending on renewable energy, Exxon dropped a longstanding biofuel project, and BP rolled back its own pledge to cut greenhouse gas emissions.

- a. What is your company doing to ensure your oil and gas clients are transitioning to clean energy and aligned with your net-zero commitments?
- b. Are you currently providing project financing for fossil fuel projects?
 - i. If so, how much in total project financing for fossil fuel projects have you provided to date in 2023, and in each of the last five calendar years?
 - ii. Will you commit to ending financing of fossil fuel projects? If so, by what date will you do so?
- c. Does your bank have a policy against funding new oil and gas projects?
 - i. If not, will you commit to implementing a policy?
- d. How are you evaluating the progress of your oil and gas clients in meeting emissions targets?
- e. Do you have a plan to reduce exposure to fossil fuel clients that fail to transition in alignment with the goal of meeting net-zero commitments?

To date, we have set net-zero aligned targets for eight sectors — Oil & Gas, Electric Power, Auto Manufacturing, Iron & Steel, Cement, Aviation, and Shipping and Aluminum. Our net-zero aligned targets are currently constructed for 2030 as portfolio-level targets by sector, using an emissions intensity reduction metric. We have increased our Oil & Gas Operational target from 35% to 45% to align with the International Energy Agency Net Zero Emissions scenario. While the overall emissions reduction

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framework and decarbonization levers remain unchanged, we aim to continue our engagement with our clients on key impact areas.

9. A March 2023 report by the Institute for Social and Policy Understanding (ISPU) found that, when accessing or seeking access to banking services, 27 percent of Muslims in the U.S. face challenges such as “being denied opening an account, having an account suspended or closed, or having payments you made under investigation.”¹⁹ Muslims face these challenges at a disproportionate rate: according to ISPU, 12 percent of the general public face similar banking challenges.²⁰

Recent reporting from the *New York Times* on account closures suggests that “banks are evicting what appear to be an increasing number of individuals, families and small-business owners.”²¹ The goal of these closures is admirable: “to crack down on fraud, terrorism, money laundering, human trafficking and other crimes.”²² But they can impact innocent individuals and businesses, who often “don’t have the faintest idea why their banks turned against them.”²³ What’s more, according to the *New York Times*, “[b]anks generally won’t say how often they are closing accounts this way, and they’re not tracking how often they get it wrong.”²⁴ Former bank employees involved in the account closure decision making process described it to the *New York Times* this way, “[t]here is no humanization to any of this, and it’s all just numbers on a screen... It’s not ‘No, that is a single mom running a babysitting business.’ It’s ‘Hey, you’ve checked these boxes for a red flag – you’re out.’”²⁵

- a. Please provide the following data for the period between January 2018 and the present, broken down by calendar year (for 2023, provide the most recent available data if you do not have the data for the full 12 months) :

¹⁹ Institute for Social and Policy Understanding, “Banking White Muslim: From closed accounts and denied transactions to investigations, Muslims are the most likely faith group to report challenges with financial institutions,” Youssef Chouhoud, March 14, 2023, <https://www.ispu.org/banking-while-muslim/>.

²⁰ *Id.*

²¹ The New York Times, “Why Banks Are Suddenly Closing Down Customer Accounts,” Ron Lieber and Tara Siegel Bernard, November 5, 2023, <https://www.nytimes.com/2023/11/05/business/banks-accounts-close-suddenly.html>.

²² The New York Times, “Why Banks Are Suddenly Closing Down Customer Accounts,” Ron Lieber and Tara Siegel Bernard, November 5, 2023, <https://www.nytimes.com/2023/11/05/business/banks-accounts-close-suddenly.html>.

²³ The New York Times, “Why Banks Are Suddenly Closing Down Customer Accounts,” Ron Lieber and Tara Siegel Bernard, November 5, 2023, <https://www.nytimes.com/2023/11/05/business/banks-accounts-close-suddenly.html>.

²⁴ The New York Times, “Why Banks Are Suddenly Closing Down Customer Accounts,” Ron Lieber and Tara Siegel Bernard, November 5, 2023, <https://www.nytimes.com/2023/11/05/business/banks-accounts-close-suddenly.html>.

²⁵ *Id.*

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- i. How many bank accounts did your bank close, suspend, or cancel as part of its “derisking” or “existing” processes? Please provide a breakdown of the reasons for these closure, suspension, or cancellation, aggregated into appropriate categories.
- b. Please provide your bank’s internal guidance on and processes for “derisking” or “existing,” including the categories of ‘suspicious’ activities your bank tracks; whether or how your bank’s reasoning is shared with customers facing account closures; and whether or how customers can appeal “derisking” or “existing” decisions.
- c. Please provide the following data for the period between January 2018 and the present, broken down by year:
 - i. How many complaints has your bank received regarding account closures, suspensions, or cancellations?
 - ii. How many complaints have resulted in the overturning of your bank’s decision?

We want to build long-term relationships with our clients, which is why accounts are closed only after appropriate review and consideration of the facts. When we have concerns about a client’s transactions – such as when someone may be using our bank or our customers to commit potentially unlawful activity, or when we receive information from law enforcement -- we act in accordance with our compliance program, consistent with our regulatory obligations. We know this can be frustrating to clients but we make these decisions in support of sound controls and legal requirements. We do not close accounts based on race, ethnicity, national origin, or religious or political beliefs.

10. In July 2023, the FDIC issued a Financial Institution Letter stating that it had observed that some insured depository institutions (IDIs) “are not reporting estimated uninsured deposits in accordance with [FDIC] instructions.”²⁶ This is concerning, as it suggests that some IDIs may be misreporting important information in an effort to reduce their share of a special assessment put in place to replenish the Deposit Insurance Fund (DIF) after the failure of Silicon Valley Bank. According to a Wall Street Journal analysis, this letter was sent after “47 banks restated their Dec. 31 uninsured-deposit figures downward by a total of \$198 billion.”²⁷ Because the special assessment is based on uninsured deposits held by banks as of December 31, 2022, lowering those reported numbers reduces banks’ special assessment payments.

²⁶ Federal Deposit Insurance Corporation, “Estimated Uninsured Deposits Reporting Expectations,” July 24, 2023, <https://www.fdic.gov/news/financial-institution-letters/2023/fil23037.html>.

²⁷ Wall Street Journal, “FDIC Scolds Banks for Manipulating Deposit Data,” Jonathan Weil and Shane Shifflett, July 24, 2023, <https://www.wsj.com/articles/fdic-scolds-banks-for-manipulating-deposit-data-f7fe93d7>.

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- a. Has your bank restated its December 31, 2022 uninsured deposit figures down?
- i. If so, how many times have you done so? Please list each revision, including:
- I. The dollar figure by which your bank revised those figures?
 - II. How much the revision reduced or increased your expected payment to the DIF?
 - III. The explanation for the revision.

In July 2023, the FDIC issued a Financial Institution Letter (FIL) to provide additional clarification and requirements on reporting of affiliated deposits and collateralized deposits as uninsured deposits due to inconsistency in IDIs reporting in the Call Report. JPMorgan Chase N.A. has been compliant with the requirements noted in the FIL and as such no revisions were required for this.

Separately, JPMorgan Chase N.A. has restated its December 31, 2022 Call Report. The updated Call Report can be accessed through the FFIEC website (<https://cdr.ffiec.gov/>)

The impact to the DIF payment can be calculated using the updated Call Report and applicable rate noted in the current FDIC rules. With respect to the payment, the FDIC noted in the final rule that they would conduct periodic assessment of the actual losses pursuant to the systemic risk determination which may change this impact in the future.

11. Earlier this year, Zelle announced a new policy with regard to reimbursing consumers who were victims of scams and fraud. According to reports, “[s]ince June 30, Zelle ... has quietly required banks and credit unions to reverse transfers for customers in qualifying cases when they were tricked into sending money to scammers impersonating banks.”²⁸

- a. What is Zelle’s current policy with regard to providing reimbursements for customers who are victims of scams?
- b. What specific changes were made earlier this year with regard to transactions that took place after June 30, 2023?
- c. For the period from January 1, 2022 – December 1, 2022, how many reports of fraud – as defined by Regulation E – did your bank receive from consumers? Please provide:

²⁸ Inc.com, Zelle Just Instituted a Surprisingly Customer-Friendly Policy, Nov. 14, 2023, <https://www.inc.com/jennifer-conrad/zelle-just-instituted-surprisingly-customer-friendly-policy.html>.

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- i. The total number of reported cases of fraud from your customers using Zelle.
- ii. The total dollar value of reported fraud.
- iii. The number of cases where your bank provided refunds or reversed transfers for customers.
- iv. The total value of these refunds/transfer reversals.
- v. The number of cases where your bank referred fraud to law enforcement or to federal or state bank regulators.

12. For the period from January 1, 2022 – December 1, 2022, how many reports of scams (transactions “authorized and initiated by a consumer” and thus not unauthorized) but that were induced through deception (e.g., where a third party convinces the consumer to transfer money based on a false pretext, such as an offer to sell nonexistent goods) did your bank receive from consumers? Please provide:

- a. The total number of reported cases of scams from your customers using Zelle.
- b. The total dollar value of reported scams.
- c. The number of cases where your bank provided refunds or reversed transfers for customers.
- d. The total value of these refunds/transfer reversals.
- e. The number of these scams cases where your bank referred the incident to law enforcement or to federal or state bank regulators.

13. For the period from January 1, 2023 – June 30, 2023, how many reports of fraud – as defined by Regulation E – did your bank receive from consumers? Please provide:

- a. The total number of reported cases of fraud from your customers using Zelle.
- b. The total dollar value of reported fraud.
- c. The number of cases where your bank provided refunds or reversed transfers for customers.
- d. The total value of these refunds/transfer reversals.

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- e. The number of cases where your bank referred fraud to law enforcement or to federal or state bank regulators.
14. For the period from January 1, 2023 – June 30, 2023, how many reports of scams (transactions “authorized and initiated by a consumer” and thus not unauthorized) but that were induced through deception (e.g., where a third party convinces the consumer to transfer money based on a false pretext, such as an offer to sell nonexistent goods)” did your bank receive from consumers? Please provide:
- a. The total number of reported cases of scams from your customers using Zelle.
 - b. The total dollar value of reported scams.
 - c. The number of cases where your bank provided refunds or reversed transfers for customers.
 - d. The total value of these refunds/transfer reversals.
 - e. The number of these scams cases where your bank referred the incident to law enforcement or to federal or state bank regulators.
15. For the period from June 30, 2023 – present, how many reports of fraud – as defined by Regulation E – did your bank receive from consumers? Please provide:
- a. The total number of reported cases of fraud from your customers using Zelle.
 - b. The total dollar value of reported fraud.
 - c. The number of cases where your bank provided refunds or reversed transfers for customers.
 - d. The total value of these refunds/transfer reversals.
 - e. The number of cases where your bank referred fraud to law enforcement or to federal or state bank regulators.
16. For the period from June 30, 2023 – present, how many reports of scams (transactions “authorized and initiated by a consumer” and thus not unauthorized) but that were induced through deception (e.g., where a third party convinces the consumer to transfer money based on a false pretext, such as an offer to sell nonexistent goods)” did your bank receive from consumers? Please provide:

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- a. **The total number of reported cases of scams from your customers using Zelle.**
- b. **The total dollar value of reported scams.**
- c. **The number of cases where your bank provided refunds or reversed transfers for customers.**
- d. **The total value of these refunds/transfer reversals.**
- e. **The number of these scams cases where your bank referred the incident to law enforcement or to federal or state bank regulators.**

Please see below in response to questions 11 through 16:

As detailed below, Chase has designed and implemented controls specifically for Zelle and they have proven effective. This holds true when Zelle is compared to competing P2P money transfer services in the marketplace: Zelle has both a lower dispute rate and a lower actual fraud rate than Zelle's primary competing services, according to an industry study.¹¹

In an effort to protect Chase Zelle users from bad actors, every Chase Zelle transaction is scanned for risk. Chase has deployed, and continues to deploy, substantial resources to educate its customers, and to monitor for, prevent, and block Zelle transfers that are the result of fraud or scams before payments leave customers' accounts. Chase also employs measures to proactively slow down payments based on various risk factors, and we manually review hundreds of thousands of transactions. In some cases, certain payments will not be processed until a live Chase representative contacts the customer to confirm the payment.

Chase's careful, risk-based system for flagging and interrupting problematic transactions has been effective. Disputes related to Chase Zelle transactions that are filed due to scams are infrequent relative to the size of the network. In 2022, customers disputed .019% of transactions due to scams and are set to dispute even fewer in 2023.

We also work closely with external partners to try to ensure bad actors are not able to propagate scams across the platform. For instance, Chase has worked closely with Early Warning Services to develop and implement policies that allow Chase to go beyond Regulation E requirements and provide best-in-class consumer protections to our customers. This includes reimbursing customers for disputed transactions related to certain types of scams, following an investigation. Since May 2022, Chase has reimbursed certain verified “Me-to-Me” scam transfers where a Chase customer was led to believe they were sending money to their own account “to reverse fraud” or correct some other purported account issue at the instruction of someone pretending to be a Chase employee; in reality, the bad actor registered the sender's email address or phone number as the bad actor's own Zelle token which resulted in the bad actor receiving the payment instead. Additionally, since June 2023, Chase has reimbursed qualifying imposter scams where a bad actor recipient deceives a customer into sending a Zelle payment by falsely portraying an affiliation with a government or law enforcement agency or another trusted institution.

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Chase continuously monitors the Zelle platform for fraud and scam trends, and Chase identifies and refers suspicious activity through Suspicious Activity Reports (SARs) filed with the Financial Crimes Enforcement Network, which law enforcement may access to assist with their investigations. However, especially at the local level, we recognize that law enforcement has limited resources to pursue many cases of scams – especially so-called “small dollar scams,” which are still considerable for the victims but largely go unprosecuted and uninvestigated by law enforcement.

Chase welcomes the opportunity to work with the Senate, law enforcement, and other critical stakeholders to further efforts to prevent fraud and scams, and to protect consumers in the marketplace.

¹¹¹ See Bank Policy Institute, “The Data Shows that Zelle Is the Safest Way for Consumers to Move Their Money,” (Sept. 19, 2021), available at <https://bpi.com/the-data-shows-that-zelle-is-the-safest-way-for-consumers-to-move-their-money/>

**Questions for the Record for Jane Fraser
Senate Committee on Banking, Housing and Urban Affairs**

Questions for Ms. Jane Fraser, CEO of Citigroup, from Chairman Sherrod Brown:

1. Since the launch of FedNow, more banks are sending and receiving real-time payments. A recent study found that the current instant payments market, valued at approximately \$16 billion, will expand by a 33 percent compound annual growth rate to a market value of \$277 billion by the end of 2032.¹ Real-time payments are processed and settled individually and continuously. This means that real-time payment network participants must maintain adequate balances to settle transactions at any time and have sufficient liquidity to cover changes in the supply and demand for cash. As these transactions become more prevalent, what policies and practices is your institution putting in place to manage liquidity risk?
2. With the introduction of ChatGPT and other large language models, the financial sector is equally working on developing advanced AI tools for tasks ranging from financial advising to streamlining internal processes. How do you plan to protect the jobs and livelihoods of all of your employees, especially front-line staff, when deploying these tools?
3. How are you going to ensure your bank's use of AI does not unfairly discriminate against customers and potential customers?
4. During the hearing, when asked about the impact to Citi's mortgage lending if the bank were to lose the qualified mortgage safe harbor to the CFPB's Ability to Repay rule, you stated that you would "need to understand the specifics more." But in response to a 2011 proposed rule to implement the Dodd-Frank Act's Ability to Repay requirement, the Housing Policy Council, which listed Citibank as a member in the letter, stated that "loans for which a clearly delineated safe harbor is not available will not be made in significant numbers."²

Would Citi support eliminating the CFPB's qualified mortgage safe harbor to the Ability to Repay requirement in the Dodd-Frank law? Please explain.

If the safe harbor were eliminated tomorrow, would Citi alter its mortgage lending in any way? Please explain.

5. For each of the past five years, please provide:
 - a. The number of owner-occupied, single-family purchase mortgage loans that Citi originated
 - b. The number of those owner-occupied, single-family purchase mortgage loans that Citi originated to low- or moderate-income buyers;

¹<https://www.factmr.com/report/real-time-payments-market>.

² See "Letter from the Housing Policy Council of the Financial Services Roundtable to the Board of Governors of the Federal Reserve System Re: Docket No. R-1417; RIN No. AD 7100-AD75," July 22, 2011, available at <https://www.regulations.gov/comment/CFPB-2011-0008-0878>.

- c. The number of those owner-occupied, single-family purchase mortgage loans to low- or moderate-income buyers that Citi retained (did not sell); and
 - d. The number of those owner-occupied, single-family purchase mortgage loans with a loan-to-value ratio of higher than 80% that Citi retained (did not sell).
6. In each of the last five years, Citi has reported originating fewer than 30 home purchase VA mortgage loans. In each of the past two years, Citi reported fewer than 10 purchase VA mortgage loans.
- a. Why does Citi originate such a small volume of VA mortgage loans?
 - b. How does Citi ensure that its veteran and servicemember customers have access to affordable mortgage credit while offering so few VA loans?
7. When your institution is making decisions on investing in particular client projects, or even entire categories of business activities, are you making those decisions based on your independent, arms-length appraisal of a project's or category's value as a business proposition, relying on the best available information regarding that line of business or application of technology, with as full knowledge of all risks involved as can be determined by your employees in the exercise of their due diligence, and with due deference to those employees' professional judgment and prudence, or are you doing things that do not make business sense just to appear "woke," or to engage in "culture war battles," or to otherwise appease individuals or groups outside your corporation and its shareholders?
8. Are the physical or transition risks associated with climate change, including the risks associated with continued funding of vectors of climate change, legitimate financial risks to be taken under consideration in the exercise of your responsibility to shareholders and employers?
- a. If not, please describe for the Committee the reason or reasons your institution can ignore physical or transition risks in your business decisions.
 - b. If physical or transition risks associated with climate change are legitimate financial risks, please explain to the Committee what the effects of ignoring these risks be to your institution or the broader economy.
9. Congress passed the Servicemembers Civil Relief Act (SCRA) to ease servicemembers' financial burdens during military service with interest rate caps at 6% for any financial obligations incurred before going into active duty.

However, forced arbitration is making it difficult for servicemembers to receive the benefits to which they are entitled and for which they fought.

- a. Should servicemembers be given the choice of how best to pursue justice, or be forced into mandatory arbitration?
- b. Would you agree that forced arbitration undermines the very SCRA protections Congress had intended for servicemembers?

10. From January to October 2023, according to the Financial Crimes Enforcement Network, depository institutions filed more than 440,000 suspicious activity reports related to check fraud. Check fraud is costing consumers millions of dollars every year.

- a. What policies has Citi put in place to ensure that consumers receive a timely resolution when fraud occurs?

Citi Responses to Chairman Sherrod Brown:

Real-Time Payments (Question 1)

Citi manages its Payment Clearing and Settlement activities through its liquidity risk management framework governed by Citi's Liquidity Risk Management Policy and related procedures.

While instant payment schemes can differ, Citi generally follows an approach based on two main pillars for managing liquidity of real-time payment systems:

- On a regular basis - sizing and anticipating the appropriate pre-funding requirements based on historical observations and projected new activity.
- In real time - continuously monitoring the use of the pre-allocated liquidity resources and utilization of pre-established escalation processes to take funding actions as needed.

Citi is encouraged by the rapid developments in the payment space, including the expansion of the instant payments market. As such, the firm continues to i) enhance its platforms intended to increase payment processing capacity and speeds, ii) expands systemic liquidity controls and iii) evolve its policies and procedures in line with the development of payment systems.

Artificial Intelligence (Questions 2, 3)

For Citi, generative AI is viewed as a complement to human ingenuity, helping our employees become more productive by taking over the burden of routine tasks. In 2019 Citi became one of the world's first corporations to create its own set of ethical principles for AI and machine learning ("ML"), drafted with global AI/ML ethical frameworks from the OECD and jurisdictions such as the EU and Singapore in mind. Chief among our ethical principles is protecting against any form of bias or discrimination, and we continue to assess the suitability of our principles in this dynamic space. All our AI/ML models undergo a rigorous vetting process and reviews by groups which could include, and are not limited to, our Office of Fair Lending, Privacy Office, Chief Information Security Office, Legal, Enterprise Architecture, and, critically, Model Risk Management, to mitigate risks such as bias and potential discrimination and to ensure explainable outcomes.

Mortgages (Questions 4-6)

Qualified Mortgage Safe Harbor

Citi, like all other mortgage lenders, currently uses the safe harbor to streamline the mortgage process for the benefit of consumers, and we do not support the elimination of the safe harbor as it would have a negative impact on credit access for homebuyers. We would support tweaks to the Ability-To-Repay and Qualified Mortgage rules. As illustrated by recent comment filings by trade associations of which Citi is a member (CFPB-2022-0059-0001, [ABA, Housing Policy Council, MBA](#)), there are ways to make marginal changes to the rules that would maintain crucial consumer protections, while lowering the costs and barriers to becoming a homeowner.

2019-2023 Mortgage Data

Mortgage originations are not a major product for Citi. The following are the number of mortgage loans for the past five years:

- Owner-occupied, single-family purchase mortgage loans that Citi originated: 31,576
- Owner-occupied, single-family purchase mortgage loans that Citi originated to low- or moderate-income buyers: 4,339
- Owner-occupied, single-family purchase mortgage loans that Citi originated to low- or moderate-income buyers that Citi retained (did not sell): 322
- Owner-occupied, single-family purchase mortgage loans with a loan-to-value ratio of higher than 80% that Citi retained (did not sell): 221

Veteran and Servicemember Loan Programs

At Citi we have had the Mortgage through the Department of Veterans Affairs (VA) product as part of our mortgage offerings for over 20 years. In addition, we have several other affordable lending products that can assist veterans and servicemembers with their homeownership needs.

Our HomeRun program offers down payment requirements as low as 3% and no mortgage insurance requirement for eligible borrowers. Our Lender Paid Assistance program is a non-repayable Citi lender credit, up to a maximum of \$5,000, available toward allowable closing costs for eligible borrowers. As part of these offerings to veterans, in August 2022, we launched a Special Purpose Credit Program that expanded the eligibility of our HomeRun and Lender Paid Assistance programs to increase the reach of those products to not just veterans but all families looking to become homeowners.

On Veteran's Day 2023 Citi executed a relaunch of our VA lending efforts to drive more business specifically to veterans and servicemembers. These efforts included reduction in our origination fee, changes to our credit policies that provided increased flexibility to clients and a VA education and awareness training completed by all sales and operations staff. Citi utilizes multiple awareness tactics to ensure our consumers, inclusive of veterans and servicemembers, have awareness of the products and services that can assist their lending needs. Citi provides marketing collateral to potential clients both inside and outside our bank branch footprint. Citi

sponsors the diverse realtor organizations of the Asian Real Estate Association of America, the National Association of Real Estate Brokers and the National Association of Hispanic Real Estate Professionals, which provide our loan officers the opportunity to educate member realtors with our product offering that can help their clients who are looking for a mortgage. Citi also has relationships established with non-profit partners across all of our in-footprint markets that provide Citi client outreach opportunities to provide education on our mortgage process as well as our product offering.

Risk Management (Question 7)

As a regulated financial institution, Citi works to comply with applicable laws and regulatory guidance in the jurisdictions in which it operates, including guidance from both the FRB and OCC regarding the need to assess the totality of risks associated with client relationships and assessing risks relating to making a minority investment in portfolio companies, such as credit, interest rate, liquidity, operational, compliance, strategic, and reputation risk. Clients and portfolio companies in different industrial sectors have different risk profiles, and our policies and practices in providing financing or making equity investments are tailored to the risks in each sector or financial product.

Citi maintains numerous policies that guide the analysis and due diligence of those risks in making decisions about individual clients and portfolio companies, including its Know Your Customer, Environmental & Social Risk Management and credit policies. A summary of Citi's Environmental and Social Risk Management policy is [available online within the Environment and Social Policy Framework](#).

Climate and Energy (Question 8)

As one of the largest financial institutions in the world, Citi is committed to having a seat at the table when issues of global importance are being discussed. In March 2021 Citi announced a commitment to reach net zero by 2050. We made this decision following an assessment of investor expectations, future business opportunities and anticipated regulatory demands. In addition, we determined that committing to net zero was consistent with Citi's efforts to mitigate its climate risk, which Citi is required to evaluate by U.S. and international regulatory regimes. We have a two-pronged climate strategy: 1) supporting our clients in their decarbonization and transition as well as where we can best identify opportunities to increase revenues associated with transition finance and 2) identifying opportunities for Citi to support clean and renewable technologies and grow our revenues and businesses in these areas. These efforts are not mutually exclusive. We strive to ensure that our net zero transition is consistent with other sustainable development objectives. We will also assess how our financing decisions could affect lower-income communities, developing countries and communities dependent on carbon-intensive sectors, balancing the need for carbon reduction with the potential negative impacts on access to energy and economic dislocation.

Through that transition, we continue to finance traditional energy, as well as providing project-related financing for renewable energy. We believe that the transition to a low-carbon economy is important to our business and presents an opportunity to grow our business and help our

clients. Our objective is to meet our clients where they are and help them identify opportunities to decarbonize, with consideration for energy security. Our clients are also focused on how they can contribute to reducing GHG emissions, from methane abatement to green hydrogen development to carbon capture and management. We have worked to develop a client transition engagement process, developed over the past two years for the energy and power sectors, which we believe is critical in positioning Citi to identify and develop new business opportunities in this space.

Participating in the policy-making process on climate issues, including submitting public comments on rule-making proposals, is fully consistent with our public commitments. Our net zero commitment is detailed in [our most recent](#) Taskforce on Climate-Related Financial Disclosures (TCFD) Report. You will also find key measurements of our progress toward our commitments in this report as well as our [annual ESG report](#).

Servicemembers Civil Relief Act (Question 9)

Under Citibank's credit card and retail bank agreements, customers (including servicemembers) may elect to resolve disputes in court by opting out of arbitration after they open their account.

Arbitration advances the goals of the Servicemembers Civil Relief Act (SCRA) and other consumer protection statutes by providing those servicemembers who have a valid claim with a forum that is cheaper, more-user friendly, and faster than the state and federal courts. A study conducted by the U.S. Chamber of Commerce Institute for Legal Reform in 2022 determined that consumers win more often and win larger judgments in arbitration than they do in court.

Additionally, as explained in response to Chairman Brown's letter of December 12 regarding proactively checking authorized military databases like the DMDC's SCRA site, Citi proactively checks the DMDC SCRA site to identify active-duty customers that may be eligible for SCRA benefits. Citi automatically applies SCRA benefits for the majority of the consumer products Citibank services including credit cards, installment loans and other bank products. While Citibank no longer services mortgage loans, Citibank's mortgage sub-servicer does have a proactive SCRA enrollment process.

Fraud (Question 10)

Check Fraud

We are seeing an increase in check fraud as digital technology makes it more difficult to target banks, and many bad actors are returning to more traditional fraud tactics such as check fraud. We proactively employ measures to detect and prevent this type of fraud. In 2023 we enhanced our ongoing fraud monitoring by introducing new technology that leverages the most up-to-date image analysis and artificial intelligence to detect check anomalies. Citi has also enhanced its manual screening processes by which an analyst may review a check before it is paid.

Customer education is an integral part of our fraud prevention program. As trends in fraud evolve, we educate clients about these emerging trends and ways clients can protect themselves. In June 2023 we featured a story on our Citi Fraud Landing Page titled "What's old is new again."

Low-Tech Fraud is on the Rise.” Useful fraud prevention tips are also routinely provided to clients with their periodic account statement.

When clients are victims of check fraud, getting funds back to clients is also a priority. We have automated the check return process to allow for quicker resolution of check fraud claims. Citi was also a key participant in an industry working group to identify solutions for shortening the time it takes for financial institutions to respond to other financial institutions for reimbursement of check fraud claims. This effort led to the establishment of a bank contact directory, specific to check claims, to enable financial institutions to contact other financial institutions more quickly and expedite resolution timeframes.

Money Movement Fraud

Scams and associated money movement fraud remain severe threats and we continue to invest / introduce new technologies and enhanced authentication protocols to detect and prevent customers falling victim to scams. Enhancements vary, from AI models detecting and flagging highly suspicious transactions and beneficiaries to customer pop up messages warning customers when they attempt to send funds to a potentially fraudulent account. Additionally, extensive client education and awareness campaigns (including through national media, local media, an educational series on various channels and platforms such as TikTok, and frequent updates to our Fraud Landing Page) are in place to help us protect our customers. While fraud and attack rates are on the rise globally, as a bank we’ve kept fraud rates fairly flat.

With respect to digital money movement, customer losses in wire transfers and Zelle have been reduced by 43% compared to 2022. Citi is in compliance with the policy change regarding reimbursement for qualifying imposter scams that Zelle’s parent Early Warning Services implemented in June 2023 and communicated publicly in November 2023. We refer you to Early Warning Services for more information on that policy. Citi is not an owner bank of Zelle’s parent Early Warning Services.

Questions for Ms. Jane Fraser, CEO of Citigroup, from Senator Catherine Cortez Masto:

1. Which Home Loan Bank, or Federal Home Loan Banks, does your financial institution belong as a member?
2. How much did your financial institution receive in dividends from a Federal Home Loan Bank/Banks in 2022 and so far – Q1-Q3 – in 2023?

The Federal Home Loan Banks assert they should continue to be lender of last resort (LOLR), just as they were for Silicon Valley Bank, Signature Bank, and First Republic Bank. However, the Federal Housing Finance Agency (FHFA) has clarified the Federal Reserve (“Fed”) is the only official LOLR.

3. Does Citigroup consider the Federal Home Loan Banks or the Federal Reserve to be the lender of last resort?
4. When the new CRA rules become effective in 2026, how will you seek to invest in Native American communities? Do you have any plans for specific investments with our tribal communities in Nevada?
5. If Congress wanted to enact legislation allowing cannabis businesses access to bank accounts, loans and credit card payments, what would be necessary changes in statute?
6. If the Secure and Fair Enforcement Regulation (SAFER) Banking Act (S. 2860) was signed into law, would your bank provide debt or equity financing to state-sanctioned cannabis businesses?
7. In Nevada, Latinos comprise 30 percent of the state’s population.³ However, engagement of the Latino community from the biggest banks continues to lag and has even been declining since 2018. How does Citigroup utilize Spanish-language media to reach Latinos? How could Citigroup better engage the Latino community so Spanish-speakers have access to critical information that can help them start businesses, build wealth, and buy homes?

Citi Responses to Senator Catherine Cortez Masto:**Federal Home Loan Banks (Questions 1-3)**

Citi is a member of the Federal Home Loan Bank of New York and received \$26,286,891 in FHLB dividends in 2022 and \$70,878,650 in 2023. Citi considers the Federal Reserve the lender of last resort.

³ “QuickFacts Nevada.” United States Census Bureau:
<https://www.census.gov/quickfacts/fact/table/NV/POP060210>

Community Reinvestment Act (Question 4)

Complying with the Community Reinvestment Act (CRA) is a priority for Citi and we currently maintain an “Outstanding” rating. We are analyzing the new CRA rules and trying to understand the scope of the new rules and how best to take them into account. Citi has been a longtime supporter of Native American Community Development Financial Institutions (CDFIs) and other Native American economic opportunity focused programs, although we do not have any specific investments in Nevada CDFIs.

Marijuana Banking (Questions 5, 6)

Were it to be passed into law, the Secure and Fair Enforcement Regulation (SAFER) Banking Act (S. 2860) would not be sufficient to resolve the risk concerns for Citi. In the United States, marijuana is a Schedule I Drug under the Controlled Substance Act of 1970 (see 21 U.S.C. § 812(e)). As long as marijuana remains a Schedule I Drug, banks such as Citi may need to err on side of caution and decline business with clients with a marijuana nexus to avoid the risk of processing a transaction that could be deemed to be the proceeds of crime.

Spanish-Language Engagement (Question 7)

Engaging with the Latino community is important to help expand access to critical information on banking products and services. Examples of how Citi reaches into Latino communities include bilingual Home Loan Officer or Mortgage representatives, bilingual processors, the creation of Community Loan Officer position with Spanish-language representation and partnering or sponsoring locally with non-profits, housing counselors and industry trade groups, like the National Association of Hispanic Real Estate Professionals. Starting last year and continuing into 2024, Citi has a Univision multimarket television and radio campaign to address common myths and misunderstandings on the home buying process, building and understanding credit (including non-traditional credit) and down payments, and harnessing the power homeownership can have on building generational wealth. More details about the work and collaboration of Citi and the Citi Foundation with Latino communities can be found [here](#).

Questions for Ms. Jane Fraser, CEO of Citigroup, from Senator John Fetterman:

1. You all spent much of the hearing talking about how much you value your employees, which was great to hear, but at the end of the day, some of you make 400 or 500 times what an average teller or security guard at your bank makes. Do you really think you're 500 times more valuable to your bank than a security guard or a bank teller?

Citi Response to Senator John Fetterman:

Compensation (Question 1)

Citi values the contributions of every employee, and we want them to build careers at Citi. CEO compensation is aligned with the long-term interests of Citi and tied to performance. It is set and approved annually by the Board.

Questions for Ms. Jane Fraser, CEO of Citigroup, from Senator JD Vance:

1. For each country in which you issue credit cards, please provide the following information for each of the past 5 years (2019-2023):
 - a. The total number of Citi credit cardholders in that country;
 - b. The total number of transactions conducted on Citi credit cards that were issued to cardholders in that country;
 - c. The total amount of interchange fees charged for Citi credit cards issued to cardholders in that country;
 - d. The total monetary value of rewards issued to Citi credit cardholders in that country;
 - e. The total monetary value of rewards that that country's Citi credit cardholders actually redeemed each year;
 - f. The total monetary value of rewards redeemed by the Citi credit cardholders in the highest 10% of that country's Citi cardholders redeeming rewards;
 - g. The average monetary value of the rewards issued to that country's holders of Citi credit cards that offer rewards each year;
 - h. The average monetary value of the rewards actually redeemed by that country's holders of Citi credit cards that offer rewards each year;
 - i. The average monetary value of the rewards redeemed by the Citi credit cardholders in the highest 10% of that country's Citi cardholders redeeming rewards.
2. Please identify for the Committee the total interchange revenue your bank received on credit card transactions in the U.S. for each of the past 5 years (2019-2023).
3. Please identify for the Committee the total amount of funds your bank has paid to each airline company in the world each year for the past 5 years to purchase airline miles to be given to cardholders.
4. Please identify for the Committee the total amount of funds your bank has paid in total to all non-airline businesses (such as sellers of goods) in the world each year for the past 5 years to purchase products or other rewards for cardholders. This does not need to be broken down by company – just the total amount spent per year.
5. Please identify for the Committee the total amount of fraud losses (in dollars) on the credit cards issued by your bank in the United States for each of the past 5 years, and the total dollar amount of chargebacks to merchants on the credit cards issued by your bank in the United States for each of the past 5 years as well as the total dollar amount of fraud losses

borne by cardholders on the credit cards issued by your bank in the United States for each of the past 5 years.

6. Does Visa have any rule preventing you from enabling more than one network on credit cards on which Visa is enabled? Please specify what rule or rules prevent multiple networks on your credit cards.
7. Does Mastercard have any rule preventing you from enabling more than one network on credit cards on which Mastercard is enabled? Please specify what rule or rules prevent multiple networks on your credit cards.
8. The U.S. Department of Justice successfully sued Visa and Mastercard over their “exclusionary rules” in a case upheld by the 2nd Circuit Court of Appeals in 2003, *United States v. Visa U.S.A.*, 344 F.3d 229 (2d Cir. 2003). The rules in question prohibited banks that issued credit cards enabled with either the Visa or Mastercard networks from issuing credit cards enabled with other credit card networks (such as American Express or Discover). Don’t Visa and Mastercard rules preventing your bank from enabling other networks on cards that include Visa or Mastercard present many of the same antitrust law issues as the “exclusionary rules” that resulted in a decision for the Department of Justice in the aforementioned case? Please explain how the antitrust laws are or are not implicated in similar ways.
9. As drafted, the Credit Card Competition Act (S.1838), which I co-sponsor, would prohibit issuers and networks from requiring merchants to exclusively use security technologies for processing transactions, including authentication and tokenization ones, that could not also be used by all other networks enabled on the card. Financial institutions claim this would reduce security on card networks, while retailers claim this would drive competition in security and services that networks provide. How would this provision impact security and fraud risks in an ever-evolving threat landscape?

Citi Responses to Senator JD Vance:

Credit Cards and Interchange (Questions 1-9)

Citi serves tens of millions of consumer and corporate card holders in the U.S. and globally. Over the past two years, we have acquired 13 million U.S. consumer credit card accounts per year, as disclosed in our recent earnings report. In the United States, we are the second ranked credit card issuer by ending balances and purchase sales across our general purpose and private label portfolios, as of FY2022. In FY2023, customers made ~\$10.6B in purchase sales on our credit cards, across our Branded Cards, Citi Retail Services, and Commercial Cards business in the United States.

Our credit cards enable customers to borrow funds, build credit history, consolidate debt, and pay for goods and services. Our credit cards under the existing payments system also enable customers to earn rewards on their spending in the form of cash back and loyalty points (ThankYou) on our proprietary cards, and partner currency on our co-branded credit cards. Citi

purchases points directly from our partners in the form of “sold points.” Today, over 80% of credit cards in the U.S. offer rewards enabling customers to save money and generate value on their everyday spend. We believe that the Credit Card Competition Act, if enacted, could significantly uproot many of these rewards programs. Following the implementation of the original Durbin Amendment in Regulation II in 2011, debit card rewards disappeared almost entirely, and consumers faced higher fees for checking accounts and other debit products. Further, a 2015 Federal Reserve Bank of Richmond study shows that any cost savings gained by merchants from the debit interchange cap were not passed along to customers. If interchange revenue, which helps to fund rewards programs and other customer benefits, is reduced by CCCA, issuers will likely consider adjusting pricing, tightening credit appetite and reducing card products with zero annual fees.

Finally, we have significant concerns with the potential fraud and cybersecurity risk impact of CCCA. One important reason issuers choose Visa and Mastercard is because of their experience and investment in preventing fraud. Visa alone invested \$9 billion on reducing fraud and enhancing network security over a five-year period through 2022. Fraudsters continue to innovate and [Nilson](#) projects that U.S. Card fraud losses are projected to top \$19 billion by 2031. If issuers are forced through CCCA to offer cards with newer and less experienced networks, we are concerned that fraud prevention capabilities will decrease just as the fraud threat reaches an all-time high. If newer network entrants can bring innovation to fraud prevention, they will likely find a receptive audience among issuers. However, we think it would be a mistake for the government to mandate adoption of new networks by regulation.

In response to the Senator's questions about our credit card portfolio we provided an overview of the number of card holders we serve as well as the most recent sales volume on the cards they hold. The number included for FY2023 purchase sales in our response was incorrect and should have been reported as approximately \$592B in spend for our credit cards, across our Branded Cards, Citi Retail Services, and Commercial Cards business in the United States. We apologize for the error and request that any further dissemination or publication of the response include the correct number.

Questions for Ms. Jane Fraser, CEO of Citigroup, from Senator Raphael Warnock:

1. In response to my question of whether you support the SAFER Banking Act (S. 2860 in the 118th Congress⁴, referred to hereafter as “SAFER Banking”), Mr. Moynihan responded, “we all support the intent of it, but the problem is that it does not fix the problem.”
 - a. Do you agree with this characterization? Why or why not?
 - b. If you agree with this statement, what problem does SAFER Banking fail to address?
 - c. Does Citigroup support SAFER Banking?
2. Do you believe the War on Drugs resulted in economic harms for communities with high rates of cannabis-related arrests and imprisonment?
 - a. Should Congress play a role in addressing the economic harms of the War on Drugs?
 - b. Do financial institutions play a role in addressing the economic harms of the War on Drugs?
 - c. What steps has your firm taken to address the specific economic harms of the War on Drugs?
3. The revised Community Reinvestment Act⁵ sets out new standards for how your firms meet the needs of underserved communities across a variety of outcomes, including access to housing, lending to small businesses, and identifying investment opportunities.⁶
 - a. In response to my question, you stated that you would support revised standards to improve equity. What specific steps will your firm be taking to improve equity?
 - b. Will you commit to ensuring your firm upholds the Act’s standards to the highest levels across all outcomes?
 - c. What specific steps is your firm taking to address the revised standards?

⁴ S. 2860, 118th Cong. (2023).

⁵ Federal Register Notice, “Community Reinvestment Act,” Federal Reserve (Oct. 24, 2023), <https://www.federalreserve.gov/aboutthefed/boardmeetings/files/frn-cra-20231024.pdf>.

⁶ Press Release, *Agencies Issue Final Rule to Strengthen and Modernize Community Reinvestment Act Regulations*, Federal Deposit Insurance Corporation (Oct. 24, 2023), <https://www.fdic.gov/news/press-releases/2023/pr23086.html>

4. Black women are the fastest growing set of entrepreneurs in the country⁷, yet companies led by Black women typically receive less than 1% of all venture capital funding.⁸

One organization working to address this problem is the Fearless Fund, which is based out of Atlanta, Georgia, and invests in businesses led by women of color.⁹ The Fearless Fund runs a contest called the “Fearless Strivers Grant Contest” that provides awards to small businesses owned by Black women.¹⁰

Unfortunately, the Fearless Fund has been sued by a group that wants to stop the Strivers Contest.¹¹ The man leading this group has also previously sued to overturn portions of the Voting Rights Act as well as affirmative action programs in college admissions.¹² In October 2023, the 11th Circuit Court of Appeals temporarily blocked the Fearless Fund from continuing to run the Strivers Contest.¹³

- a. Do you believe that supporting entrepreneurs from underrepresented backgrounds, such as women of color, is important? Why or why not?
- b. What specific steps have you taken to support entrepreneurs from underrepresented backgrounds, such as women of color?
- c. Will your firm commit to supporting organizations that proactively work to support entrepreneurs from underrepresented backgrounds? Why or why not?
- d. Do you support race-conscious measures to direct resources to underserved communities? Why or why not?

Citi Responses to Senator Raphael Warnock:

Marijuana Banking (Question 1)

Were it to be passed into law, the Secure and Fair Enforcement Regulation (SAFER) Banking Act (S. 2860) would not be sufficient to resolve the risk concerns for Citi. In the United States, marijuana is a Schedule I Drug under the Controlled Substance Act of 1970 (see 21 U.S.C. § 812(c)). As long as marijuana remains a Schedule I Drug, banks such as Citi may need to err on

⁷ Elana Dure, *Black Women Are the Fastest Growing Group of Entrepreneurs. But the Job Isn't Easy*, JPMorgan Chase & Co. (Oct. 12, 2021), <https://www.jpmorgan.com/insights/business/business-planning/black-women-are-the-fastest-growing-group-of-entrepreneurs-but-the-job-isnt-easy>.

⁸ Shriya Bhattacharya et al., *Meet the 71 Black Women Who Raised \$1 Million or More in VC Funding Since 2021*, Business Insider (Apr. 21, 2023), <https://www.businessinsider.com/black-female-founders-raised-millions-in-vc-this-year-2021-9>.

⁹ About, Fearless Fund, <https://www.fearlessfund/about>.

¹⁰ Kristen Wright, *A Federal Appeals Court Blocks a Grant Program for Black Female Entrepreneurs*, NPR (Oct. 3, 2023), <https://www.npr.org/2023/10/03/1203221945/affirmative-action-black-female-entrepreneurs>.

¹¹ *Id.*

¹² Tessa Stuart, *The Conservative Activist Who Brought Down Affirmative Action Has a New Target*, Rolling Stone (Aug. 19, 2023), <https://www.rollingstone.com/politics/politics-features/fearless-fund-vc-fund-edward-blum-affirmative-action-1234808930>.

¹³ Wright, *supra* note.

side of caution and decline business with clients with a marijuana nexus to avoid the risk of processing a transaction that could be deemed to be the proceeds of crime.

Fostering Economic Opportunity (Questions 2, 4)

Increasing access to financial services is a priority for Citi. Communities of color face disproportionate challenges, and wealth gaps are real concerns. Citi does not have a specific program focused on the War on Drugs but using the breadth of the firm's business capabilities, expertise and volunteers, as well as the Citi Foundation's philanthropy, we help break down barriers to drive financial inclusion, enabling growth and economic progress in underserved communities.

We have a long-standing track record of driving financial inclusion in underserved communities. Our recent three-year commitment to help close the racial wealth gap while sparked by a painful crisis moment in 2020, was also driven by a recognition, supported by economic data, that positive gains in closing the racial wealth gap can drive positive economic benefits for the national economy more broadly. In the next few years, we will continue our progress through ongoing business integration, doubling down on community investing innovation and collaborating with partners, including diverse financial institutions, who are equally invested in finding solutions to financial inclusion and economic opportunity gaps.

Another way Citi has and will continue to support underserved entrepreneurs is through the [Citi Impact Fund](#), which was launched with \$150 million of Citi's capital in 2020 and expanded to \$500 million in 2022. To date, the Fund has invested over \$150 million in start-ups across the U.S. The Fund focuses on inclusive investing, and at present over 70% of the companies in the portfolio are led by women and/or racially diverse founders. In addition, the majority of the Fund's investments are targeted towards solutions for underserved and underrepresented communities across the spectrum of financial inclusion and resilience as well as access to healthcare, education, housing and quality jobs. For example, the Fund invested in Cityblock in 2021. Cityblock is a value-based healthcare provider for marginalized and underserved populations focused on seniors, founded and led by a black woman. It collaborates with insurance payors to provide free care, working with teams of local doctors, mental health providers, social workers and community-based organizations and plans to serve at least 10 million Americans by 2030. The Fund has invested in several Black-woman founded and co-founded start-ups such as: Medhaul, non-emergency medical transport for underserved communities; Sweeten, a company that matches consumers with contractors; and Cayaba Care, a maternal care solution for diverse, underserved communities. And in 2023, the Fund invested in Ulu Ventures, which is the first Afro Latina, woman-led venture fund in Silicon Valley.

Community Reinvestment Act (Question 3)

Complying with the Community Reinvestment Act (CRA) is a priority for Citi and we currently maintain an "Outstanding" rating. We are analyzing the new CRA rules and trying to understand the scope of the new rules and how best to take them into account.

Questions for Ms. Jane Fraser, CEO of Citigroup, from Senator Elizabeth Warren:

1. The Department of the Treasury (Treasury), recognizing that over 100 U.S. firms and financial institutions have independently made voluntary net-zero commitments in recent years, recently issued its *Principles for Net-Zero Financing and Investing*.¹⁴ The principles aim to “promote consistency and credibility in financial institutions’ approaches to these commitments” and reflect that ‘credible’ commitments to net-zero emissions depend on robust net-zero plans that include short- and medium-term targets that align with limiting the increase in global average temperature to 1.5 degrees Celsius, while also ensuring that engagement practices with clients, portfolio companies, and other stakeholders align to these commitments. The principles also establish the importance of transparency, and that financial institutions should publicly disclose progress towards their targets.
 - a. Has your bank made a net-zero commitment?
 - i. If yes, have you ensured that it meets the Principles for Net-Zero Financing & Investing released by Treasury?
 - ii. If no, when do you plan to do so?
 - b. Do you commit to publicly disclosing progress towards your bank’s short- and long-term targets to limit the increase in global average temperature to 1.5 degrees Celsius?
 - c. Reports list you among a group of banks that “are undermining their commitment to cutting carbon emissions by lobbying against climate regulation.” Is this report accurate and are you lobbying against climate regulations, including the Securities and Exchange Commission’s climate disclosure rule?
 - i. Does your public policy engagement contradict net-zero commitments that you have made?
 - ii. If yes, do you commit to correcting this discrepancy and aligning your public engagement efforts with your net-zero commitments?
2. The International Standards Organization established a merchant category code for gun and ammunition stores in September 2022 (“gun store code”). This year, Visa, MasterCard, American Express, and Discover announced a pause on implementation of the code. The Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation bank examination standards require banks to use accurate merchant category codes when underwriting new merchant clients in order to manage risk. Is your institution able to comply with risk management examination expectations given that you’re not able to assign the gun store code until it is implemented by the payment networks?

¹⁴ U.S. Department of the Treasury, “Principles for Net-Zero Financing & Investment,” September 2023, <https://home.treasury.gov/system/files/136/NetZeroPrinciples.pdf>.

3. To what extent do you provide financial services to and/or invest assets in each of the following:
 - a. Retailers that exclusively sell firearms, ammunition, and associated accessories?
 - b. Diversified retailers that sell firearms, ammunition, and/or associated accessories, along with other goods?
 - c. Any firearm manufacturers?
 - d. Retailers or manufacturers that sell military-grade assault weapons to civilians (such as the AK47 or AR15 firearm)?
 - e. Do you have any specific criteria for evaluating the appropriateness of providing the financial services or investments noted above?
4. If your institution provides financial services to firearm manufacturers or retailers, what due diligence do you conduct of financial relationships and transactions involving those entities?
5. If your institution relies on index funds developed by third-party index providers, what criteria does your institution use to determine whether to exclude a security in an index from your index fund?
6. If your institution votes on shareholder resolutions, what have been your votes on any shareholder resolutions focused on firearm manufacturers or retailers in the past five years?
 - a. If your institution has voted for any such resolutions, has your institution taken any steps to ensure that the companies implemented those resolutions?
7. How does your institution assess the market and reputational risk of investing in firearm retailers or manufacturers, even if just through passive investments?
8. Despite making net-zero commitments, banks are continuing to fund fossil fuel projects, with JP Morgan Chase, Citi, Wells Fargo, Bank of America, Morgan Stanley, and Goldman Sachs among the largest financers of these projects. Meanwhile, major oil and energy are dropping their sustainability pretenses: Shell announced it will not increase spending on renewable energy, Exxon dropped a longstanding biofuel project, and BP rolled back its own pledge to cut greenhouse gas emissions.
 - a. What is your company doing to ensure your oil and gas clients are transitioning to clean energy and aligned with your net-zero commitments?
 - b. Are you currently providing project financing for fossil fuel projects?
 - i. If so, how much in total project financing for fossil fuel projects have you provided to date in 2023, and in each of the last five calendar years?

- ii. Will you commit to ending financing of fossil fuel projects? If so, by what date will you do so?
 - c. Does your bank have a policy against funding new oil and gas projects?
 - i. If not, will you commit to implementing a policy?
 - d. How are you evaluating the progress of your oil and gas clients in meeting emissions targets?
 - e. Do you have a plan to reduce exposure to fossil fuel clients that fail to transition in alignment with the goal of meeting net-zero commitments?
9. A March 2023 report by the Institute for Social and Policy Understanding (ISPU) found that, when accessing or seeking access to banking services, 27 percent of Muslims in the U.S. face challenges such as “being denied opening an account, having an account suspended or closed, or having payments you made under investigation.”¹⁵ Muslims face these challenges at a disproportionate rate: according to ISPU, 12 percent of the general public face similar banking challenges.¹⁶

Recent reporting from the *New York Times* on account closures suggests that “banks are evicting what appear to be an increasing number of individuals, families and small-business owners.”¹⁷ The goal of these closures is admirable: “to crack down on fraud, terrorism, money laundering, human trafficking and other crimes.”¹⁸ But they can impact innocent individuals and businesses, who often “don’t have the faintest idea why their banks turned against them.”¹⁹ What’s more, according to the *New York Times*, “[b]anks generally won’t say how often they are closing accounts this way, and they’re not tracking how often they get it wrong.”²⁰ Former bank employees involved in the account closure decision making process described it to the *New York Times* this way, “[t]here is no humanization to any of

¹⁵ Institute for Social and Policy Understanding, “Banking White Muslim: From closed accounts and denied transactions to investigations, Muslims are the most likely faith group to report challenges with financial institutions,” Youssef Chouhoud, March 14, 2023, <https://www.ispu.org/banking-white-muslim/>.

¹⁶ *Id.*

¹⁷ The New York Times, “Why Banks Are Suddenly Closing Down Customer Accounts,” Ron Lieber and Tara Siegel Bernard, November 5, 2023, <https://www.nytimes.com/2023/11/05/business/banks-accounts-close-suddenly.html>.

¹⁸ The New York Times, “Why Banks Are Suddenly Closing Down Customer Accounts,” Ron Lieber and Tara Siegel Bernard, November 5, 2023, <https://www.nytimes.com/2023/11/05/business/banks-accounts-close-suddenly.html>.

¹⁹ The New York Times, “Why Banks Are Suddenly Closing Down Customer Accounts,” Ron Lieber and Tara Siegel Bernard, November 5, 2023, <https://www.nytimes.com/2023/11/05/business/banks-accounts-close-suddenly.html>.

²⁰ The New York Times, “Why Banks Are Suddenly Closing Down Customer Accounts,” Ron Lieber and Tara Siegel Bernard, November 5, 2023, <https://www.nytimes.com/2023/11/05/business/banks-accounts-close-suddenly.html>.

this, and it's all just numbers on a screen... It's not 'No, that is a single mom running a babysitting business.' It's 'Hey, you've checked these boxes for a red flag – you're out.'"²¹

- a. Please provide the following data for the period between January 2018 and the present, broken down by calendar year (for 2023, provide the most recent available data if you do not have the data for the full 12 months) :
 - i. How many bank accounts did your bank close, suspend, or cancel as part of its “derisking” or “existing” processes? Please provide a breakdown of the reasons for these closure, suspension, or cancellation, aggregated into appropriate categories.
- b. Please provide your bank’s internal guidance on and processes for “derisking” or “exiting,” including the categories of ‘suspicious’ activities your bank tracks; whether or how your bank’s reasoning is shared with customers facing account closures; and whether or how customers can appeal “derisking” or “exiting” decisions.
- c. Please provide the following data for the period between January 2018 and the present, broken down by year:
 - i. How many complaints has your bank received regarding account closures, suspensions, or cancellations?
 - ii. How many complaints have resulted in the overturning of your bank’s decision?

10. In July 2023, the FDIC issued a Financial Institution Letter stating that it had observed that some insured depository institutions (IDIs) “are not reporting estimated uninsured deposits in accordance with [FDIC] instructions.”²² This is concerning, as it suggests that some IDIs may be misreporting important information in an effort to reduce their share of a special assessment put in place to replenish the Deposit Insurance Fund (DIF) after the failure of Silicon Valley Bank. According to a Wall Street Journal analysis, this letter was sent after “47 banks restated their Dec. 31 uninsured-deposit figures downward by a total of \$198 billion.”²³ Because the special assessment is based on uninsured deposits held by banks as of December 31, 2022, lowering those reported numbers reduces banks’ special assessment payments.

- a. Has your bank restated its December 31, 2022 uninsured deposit figures down?

²¹ *Id*

²² Federal Deposit Insurance Corporation, “Estimated Uninsured Deposits Reporting Expectations,” July 24, 2023, <https://www.fdic.gov/news/financial-institution-letters/2023/fil23037.html>.

²³ Wall Street Journal, “FDIC Scolds Banks for Manipulating Deposit Data,” Jonathan Weil and Shane Shifflett, July 24, 2023, <https://www.wsj.com/articles/fdic-scolds-banks-for-manipulating-deposit-data-f7fe93d7>.

i. If so, how many times have you done so? Please list each revision, including:

- I. The dollar figure by which your bank revised those figures?
- II. How much the revision reduced or increased your expected payment to the DIF?
- III. The explanation for the revision.

11. Earlier this year, Zelle announced a new policy with regard to reimbursing consumers who were victims of scams and fraud. According to reports, “[s]ince June 30, Zelle ... has quietly required banks and credit unions to reverse transfers for customers in qualifying cases when they were tricked into sending money to scammers impersonating banks.”²⁴

- a. What is Zelle’s current policy with regard to providing reimbursements for customers who are victims of scams?
- b. What specific changes were made earlier this year with regard to transactions that took place after June 30, 3023?
- c. For the period from January 1, 2022 – December 1, 2022, how many reports of fraud – as defined by Regulation E – did your bank receive from consumers? Please provide:
 - i. The total number of reported cases of fraud from your customers using Zelle.
 - ii. The total dollar value of reported fraud.
 - iii. The number of cases where your bank provided refunds or reversed transfers for customers.
 - iv. The total value of these refunds/transfer reversals.
 - v. The number of cases where your bank referred fraud to law enforcement or to federal or state bank regulators.

12. For the period from January 1, 2022 – December 1, 2022, how many reports of scams (transactions “authorized and initiated by a consumer” and thus not unauthorized) but that were induced through deception (e.g., where a third party convinces the consumer to transfer money based on a false pretext, such as an offer to sell nonexistent goods) did your bank receive from consumers? Please provide:

²⁴ Inc.com, Zelle Just Instituted a Surprisingly Customer-Friendly Policy, Nov. 14, 2023, <https://www.inc.com/jennifer-conrad/zelle-just-instituted-surprisingly-customer-friendly-policy.html>.

- a. The total number of reported cases of scams from your customers using Zelle.
 - b. The total dollar value of reported scams.
 - c. The number of cases where your bank provided refunds or reversed transfers for customers.
 - d. The total value of these refunds/transfer reversals.
 - e. The number of these scams cases where your bank referred the incident to law enforcement or to federal or state bank regulators.
13. For the period from January 1, 2023 – June 30, 2023, how many reports of fraud – as defined by Regulation E – did your bank receive from consumers? Please provide:
- a. The total number of reported cases of fraud from your customers using Zelle.
 - b. The total dollar value of reported fraud.
 - c. The number of cases where your bank provided refunds or reversed transfers for customers.
 - d. The total value of these refunds/transfer reversals.
 - e. The number of cases where your bank referred fraud to law enforcement or to federal or state bank regulators.
14. For the period from January 1, 2023 – June 30, 2023, how many reports of scams (transactions “authorized and initiated by a consumer” and thus not unauthorized) but that were induced through deception (e.g., where a third party convinces the consumer to transfer money based on a false pretext, such as an offer to sell nonexistent goods)” did your bank receive from consumers? Please provide:
- a. The total number of reported cases of scams from your customers using Zelle.
 - b. The total dollar value of reported scams.
 - c. The number of cases where your bank provided refunds or reversed transfers for customers.
 - d. The total value of these refunds/transfer reversals.
 - e. The number of these scams cases where your bank referred the incident to law enforcement or to federal or state bank regulators.

15. For the period from June 30, 2023 – present, how many reports of fraud – as defined by Regulation E – did your bank receive from consumers? Please provide:
- a. The total number of reported cases of fraud from your customers using Zelle.
 - b. The total dollar value of reported fraud.
 - c. The number of cases where your bank provided refunds or reversed transfers for customers.
 - d. The total value of these refunds/transfer reversals.
 - e. The number of cases where your bank referred fraud to law enforcement or to federal or state bank regulators.
16. For the period from June 30, 2023 – present, how many reports of scams (transactions “authorized and initiated by a consumer” and thus not unauthorized) but that were induced through deception (e.g., where a third party convinces the consumer to transfer money based on a false pretext, such as an offer to sell nonexistent goods)” did your bank receive from consumers? Please provide:
- a. The total number of reported cases of scams from your customers using Zelle.
 - b. The total dollar value of reported scams.
 - c. The number of cases where your bank provided refunds or reversed transfers for customers.
 - d. The total value of these refunds/transfer reversals.
 - e. The number of these scams cases where your bank referred the incident to law enforcement or to federal or state bank regulators.

Citi Responses to Senator Elizabeth Warren:

Climate and Energy (Questions 1, 8)

As one of the largest financial institutions in the world, Citi is committed to having a seat at the table when issues of global importance are being discussed. In March 2021 Citi announced a commitment to reach net zero by 2050. We made this decision following an assessment of investor expectations, future business opportunities and anticipated regulatory demands. In addition, we determined that committing to net zero was consistent with Citi’s efforts to mitigate its climate risk, which Citi is required to evaluate by U.S. and international regulatory regimes. We have a two-pronged climate strategy: 1) supporting our clients in their decarbonization and transition as well as where we can best identify opportunities to increase revenues associated with transition finance and 2) identifying opportunities for Citi to support clean and renewable

technologies and grow our revenues and businesses in these areas. These efforts are not mutually exclusive. We strive to ensure that our net zero transition is consistent with other sustainable development objectives. We will also assess how our financing decisions could affect lower-income communities, developing countries and communities dependent on carbon-intensive sectors, balancing the need for carbon reduction with the potential negative impacts on access to energy and economic dislocation.

Through that transition, we continue to finance traditional energy, as well as providing project-related financing for renewable energy. We believe that the transition to a low-carbon economy is important to our business and presents an opportunity to grow our business and help our clients. Our objective is to meet our clients where they are and help them identify opportunities to decarbonize, with consideration for energy security. Our clients are also focused on how they can contribute to reducing GHG emissions, from methane abatement to green hydrogen development to carbon capture and management. We have worked to develop a client transition engagement process, developed over the past two years for the energy and power sectors, which we believe is critical in positioning Citi to identify and develop new business opportunities in this space.

Participating in the policy-making process on climate issues, including submitting public comments on rule-making proposals, is fully consistent with our public commitments. Our net zero commitment is detailed in [our most recent](#) Taskforce on Climate-Related Financial Disclosures (TCFD) Report. You will also find key measurements of our progress toward our commitments in this report as well as our [annual ESG report](#).

Risk Management & Firearms Policy (Questions 2-7)

As a regulated financial institution, Citi works to comply with applicable laws and regulatory guidance in the jurisdictions in which it operates, including guidance from both the FRB and OCC regarding the need to assess the totality of risks associated with client relationships and assessing risks relating to making a minority investment in portfolio companies, such as credit, interest rate, liquidity, operational, compliance, strategic, and reputation risk. Clients and portfolio companies in different industrial sectors have different risk profiles, and our policies and practices in providing financing or making equity investments are tailored to the risks in each sector or financial product.

Citi maintains numerous policies that guide the analysis and due diligence of those risks in making decisions about individual clients and portfolio companies, including its Know Your Customer, Environmental & Social Risk Management and credit policies. A summary of Citi's Environmental and Social Risk Management policy is [available online within the Environment and Social Policy Framework](#) and it summarizes Citi's policy with respect to Commercial Firearms. Citi's policy applies to firearm retailers. It does not impact debit or credit customers using their Citi cards to buy firearms at any retailer.

Citi has ongoing business relationships with retail outlets that sell a wide variety of products and services to the general public, including firearms and/or ammunition. Citi does not apply unique

transaction monitoring processes for retailers that distribute firearms. Citi does not disclose numbers about its institutional customers by the categories requested here.

Citi is able to meet regulatory expectations for risk management in its merchant acquiring activity without a specific Merchant Category Code (MCC) for gun and ammunition stores. Citi will continue to implement procedures pursuant to its risk management policies regardless of any implementation of an MCC for gun and ammunition stores.

As it relates to shareholder resolutions, in certain situations, Citi may be asked to vote on shareholder resolutions in connection with its own equity investments in portfolio companies, but to the best of our knowledge, no shareholder resolutions have been brought before these businesses that relate to firearm manufacturers or retailers in the past few years. In instances where Citi holds securities in its own name as a hedge, Citi generally does not exercise its right to vote because Citi seeks to remain neutral and not influence the outcome of the vote.

Account Closures (Question 9)

The decision to close a customer account is never made lightly. Citi complies with various laws and regulations that are designed to deter and mitigate potential money laundering, terrorist financing, and other financial crime activity within the financial system. Citi has established a comprehensive system of controls that are designed to protect Citi's clients, its franchise, and the financial system from those risks.

For example, Citi's Global AML Program includes a system of controls to identify and mitigate AML risks and comply with AML laws and regulations. Each Citi customer's transactional activity is unique, and Citi's Global AML Program integrates industry standards, including protocols and transactional typologies issued by various governmental agencies, including FinCEN and others, to assist in identifying potentially suspicious activity. Customers and their given transactional activity are assessed on an individual basis considering, among other things, a customer's transactional activity, the customer's profile, and expected transactional activity in determining what products and services to offer them.

Uninsured Deposits (Question 10)

The estimated uninsured deposit figures for year end 2022 were revised down in Citibank, N.A.'s Call Report in August 2023. The revisions were compliant with FDIC rules and reported in publicly transparent communications. The revision to the uninsured deposit figure had an impact on Citi's special assessment that can be calculated based on the final rule.

Fraud (Questions 11-16)

Check Fraud

We are seeing an increase in check fraud as digital technology makes it more difficult to target banks, and many bad actors are returning to more traditional fraud tactics such as check fraud. We proactively employ measures to detect and prevent this type of fraud. In 2023 we enhanced

our ongoing fraud monitoring by introducing new technology that leverages the most up-to-date image analysis and artificial intelligence to detect check anomalies. Citi has also enhanced its manual screening processes by which an analyst may review a check before it is paid.

Customer education is an integral part of our fraud prevention program. As trends in fraud evolve, we educate clients about these emerging trends and ways clients can protect themselves. In June 2023 we featured a story on our Citi Fraud Landing Page titled “What’s old is new again. Low-Tech Fraud is on the Rise.” Useful fraud prevention tips are also routinely provided to clients with their periodic account statement.

When clients are victims of check fraud, getting funds back to clients is also a priority. We have automated the check return process to allow for quicker resolution of check fraud claims. Citi was also a key participant in an industry working group to identify solutions for shortening the time it takes for financial institutions to respond to other financial institutions for reimbursement of check fraud claims. This effort led to the establishment of a bank contact directory, specific to check claims, to enable financial institutions to contact other financial institutions more quickly and expedite resolution timeframes.

Money Movement Fraud

Scams and associated money movement fraud remain severe threats and we continue to invest / introduce new technologies and enhanced authentication protocols to detect and prevent customers falling victim to scams. Enhancements vary, from AI models detecting and flagging highly suspicious transactions and beneficiaries to customer pop up messages warning customers when they attempt to send funds to a potentially fraudulent account. Additionally, extensive client education and awareness campaigns (including through national media, local media, an educational series on various channels and platforms such as TikTok, and frequent updates to our Fraud Landing Page) are in place to help us protect our customers. While fraud and attack rates are on the rise globally, as a bank we’ve kept fraud rates fairly flat.

With respect to digital money movement, customer losses in wire transfers and Zelle have been reduced by 43% compared to 2022. Citi is in compliance with the policy change regarding reimbursement for qualifying imposter scams that Zelle’s parent Early Warning Services implemented in June 2023 and communicated publicly in November 2023. We refer you to Early Warning Services for more information on that policy. Citi is not an owner bank of Zelle’s parent Early Warning Services.

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Questions for Mr. Ronald O’Hanley, CEO of State Street, from Chairman Sherrod Brown:

1. Please describe the extent of State Street’s derivatives exposure, leveraged lending, lending to private equity, credit, and hedge funds, and repo market business.

State Street specializes in the provision of financial services to institutional investor clients and derives most of its revenue from fee-related activities (78% as of Q3 2023). Our balance sheet is primarily comprised of large portfolios of high-quality assets, such as US Treasuries and agency mortgage-backed securities, with well-controlled duration and credit risk. We make very few loans and we do not have extensive trading operations.

Our derivatives exposures are limited and are primarily intended to help manage potential interest rate risk in our balance sheet. We offer targeted extensions of credit to our custody clients, including private equity and hedge funds, primarily discretionary overdraft protection and short-dated loans to address certain liquidity needs. We do not engage in leveraged lending and have minimal exposure to leveraged loans (about 1% of total assets). We operate as a sponsored member of the Fixed Income Clearing Corporation, which enables us to offer our clients access to cleared repo services.

As a specialized custody bank, State Street does not use the FedNow payment system, which is primarily intended for lower-dollar value consumer and commercial transactions. The large majority of our dollar payment activity is processed through the Federal Reserve FedWire Funds Service system.

2. Since the launch of FedNow, more banks are sending and receiving real-time payments. A recent study found that the current instant payments market, valued at approximately \$16 billion, will expand by a 33 percent compound annual growth rate to a market value of \$277 billion by the end of 2032.¹ Real-time payments are processed and settled individually and continuously. This means that real-time payment network participants must maintain adequate balances to settle transactions at any time and have sufficient liquidity to cover changes in the supply and demand for cash. As these transactions become more prevalent, what policies and practices is your institution putting in place to manage liquidity risk?

As a specialized custody bank, State Street does not use the FedNow payment system, which is primarily intended for lower-dollar value consumer and commercial transactions. The large majority of our dollar payment activity is processed through the Federal Reserve FedWire Funds Service system.

3. When your institution is making decisions on investing in particular client projects, or even entire categories of business activities, are you making those decisions based on your independent, arms-length appraisal of a project’s or category’s value as a business proposition, relying on the best available information regarding that line of business or

¹ <https://www.factmr.com/report/real-time-payments-market>.

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application of technology, with as full knowledge of all risks involved as can be determined by your employees in the exercise of their due diligence, and with due deference to those employees’ professional judgment and prudence, or are you doing things that do not make business sense just to appear “woke,” or to engage in “culture war battles,” or to otherwise appease individuals or groups outside your corporation and its shareholders?

We make decisions based on our judgement of the best outcomes for our shareholders, employees, clients, and the communities in which we operate.

4. Are the physical or transition risks associated with climate change, including the risks associated with continued funding of vectors of climate change, legitimate financial risks to be taken under consideration in the exercise of your responsibility to shareholders and employers?
 - a. If not, please describe for the Committee the reason or reasons your institution can ignore physical or transition risks in your business decisions.
 - b. If physical or transition risks associated with climate change are legitimate financial risks, please explain to the Committee what the effects of ignoring these risks be to your institution or the broader economy.

Yes. Climate changes have the potential to impact us broadly, including through the direct impacts of climate-related risks on our balance sheet and our physical footprint and operations and through second order impacts to our business strategy. Such risks are also the subject of regulatory mandates and guidance in many jurisdictions, including with the US Federal Reserve. Please see this link for additional information: [Federal Reserve Board - Agencies issue principles for climate-related financial risk management for large financial institutions.](https://www.federalreserve.gov/newsevents/pressreleases/bcreg20231024b.htm)²

Questions for Mr. Ronald O’Hanley, CEO of State Street, from Senator Catherine Cortez Masto:

1. Which Home Loan Bank, or Federal Home Loan Banks, does your financial institution belong as a member?

Federal Home Loan Bank of Boston.

2. How much did your financial institution receive in dividends from a Federal Home Loan Bank/Banks in 2022 and so far, – Q1-Q3 – in 2023?

2022	FY	\$2,129,494.78
2023	Q1	\$874,321.03

² <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20231024b.htm>.

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Q2	\$1,370,952.16
Q3	\$1,045,158.95
YTD	\$3,290,432.14

The Federal Home Loan Banks assert they should continue to be lender of last resort (LOLR), just as they were for Silicon Valley Bank, Signature Bank, and First Republic Bank. However, the Federal Housing Finance Agency (FHFA) has clarified the Federal Reserve (“Fed”) is the only official LOLR.

3. Do you consider the Federal Reserve or the Federal Home Loan Banks to be the lender of last resort?

The Federal Reserve.

4. If the Secure and Fair Enforcement Regulation (SAFER) Banking Act (S. 2860) was signed into law, would your bank provide equity financing to state-sanctioned cannabis businesses?

State Street does not provide the commercial or retail banking services addressed in the SAFER Banking Act and has no informed view on the effectiveness of the proposed changes.

Questions for Mr. Ronald O’Hanley, CEO of State Street, from Senator John Fetterman:

1. You all spent much of the hearing talking about how much you value your employees, which was great to hear, but at the end of the day, some of you make 400 or 500 times what an average teller or security guard at your bank makes. Do you really think you’re 500 times more valuable to your bank than a security guard or a bank teller?

At State Street, my compensation is set by our Board of Directors. My incentive compensation awards are entirely discretionary, so the full amount of my bonus is linked to my performance. Additionally, a significant portion of my total compensation is delivered in deferred equity-based vehicles. The amount and value of this deferred equity when it vests are linked to State Street’s financial performance as well as our share price.

Questions for Mr. Ronald O’Hanley, CEO of State Street, from Senator Raphael Warnock:

1. In response to my question of whether you support the SAFER Banking Act (S. 2860 in the 118th Congress³, referred to hereafter as “SAFER Banking”), Mr. Moynihan responded, “we all support the intent of it, but the problem is that it does not fix the problem.”
- a. Do you agree with this characterization? Why or why not?

³ S. 2860, 118th Cong. (2023).

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State Street does not provide the commercial or retail banking services addressed in the SAFER Banking Act and has no informed view on the effectiveness of the proposed changes.

- b. If you agree with this statement, what problem does SAFER Banking fail to address?
- c. Does State Street support SAFER Banking?

State Street does not provide the commercial or retail banking services addressed in the SAFER Banking Act and has no informed view on the effectiveness of the proposed changes.

- 2. Do you believe the War on Drugs resulted in economic harms for communities with high rates of cannabis-related arrests and imprisonment?

We believe federal, state and local governments, including Congress, are the most appropriate bodies to address this question.

- a. Should Congress play a role in addressing the economic harms of the War on Drugs?

It is entirely appropriate for Congress to review how illegal drugs are treated in our nation.

- b. Do financial institutions play a role in addressing the economic harms of the War on Drugs?

We are certainly willing to work with Congress and other bodies to help address the issues affecting our communities.

- c. What steps has your firm taken to address the specific economic harms of the War on Drugs?

We work to address economic equality generally within our communities. State Street is a founding member of Small Business Strong⁴, a non-profit that provides online resources and personalized consulting services to Massachusetts small businesses (particularly women and minority owned) free of charge. State Street also announced a sustainability bond framework⁵ as part of our commitment to address critical global issues, including our 10 Actions to Address Racism and Inequality. Since the 1970s, the State Street Foundation has made grants to hundreds of nonprofits and non-governmental organizations throughout the world, seeking to create deep-rooted economic benefits through education and workforce development initiatives. For more information about the Foundation, please visit our website⁶ and access our 2022 ESG report⁷.

⁴ <https://smallbstrong.com/>.

⁵ <https://investors.statestreet.com/investor-news-events/press-releases/news-details/2022/State-Street-Announces-Inaugural-500-Million-Bond-Issuance-Under-its-Sustainability-Bond-Framework/default.aspx>.

⁶ <https://www.statestreet.com/us/en/asset-manager/about/our-impact/state-street-foundation>.

⁷ <https://www.statestreet.com/us/en/asset-manager/about/our-impact/esg-report>.

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3. The revised Community Reinvestment Act⁸ sets out new standards for how your firms meet the needs of underserved communities across a variety of outcomes, including access to housing, lending to small businesses, and identifying investment opportunities.⁹
- a. In response to my question, you stated that you would support revised standards to improve equity. What specific steps will your firm be taking to improve equity?

State Street strongly supports the goals of the CRA, and we have designed and operate a comprehensive program that is deeply responsive to the development needs of the low- and moderate-income (LMI) communities in which we operate.

For more than 10 years, State Street Bank and Trust Company, our primary insured depository institution subsidiary, has earned an “Outstanding” rating on our CRA examinations, thus demonstrating our ongoing and unwavering commitment to the principles underlying the CRA, as enacted and as amended.

A wholesale bank since May 1996, State Street’s compliance with the CRA is assessed under the community development test, with State Street achieving its Outstanding rating in the most recent CRA examination period based upon \$1.39 billion in financial commitments to innovative qualifying activities, such as acquiring commercial and non-commercial mortgage-backed securities with LMI components, investing in Massachusetts-based Low-Income Housing Tax Credit programs that promote private investment in affordable housing for LMI populations, issuing grants in support of LMI populations in communities where we operate, and supporting small business investment company (SBIC) programs.

- b. Will you commit to ensuring your firm upholds the Act’s standards to the highest levels across all outcomes?

State Street remains strongly committed to upholding the high standards of the CRA as applied to wholesale and limited purpose banks. As proven by our track record, State Street’s designation as a wholesale bank has allowed us to support a CRA program that reflects, and draws strength from, the unique characteristics of our custody bank business model, which specializes in the provision of financial services to pension plans, mutual funds, and other institutional investors. We continuously look for ways to enhance the quality, complexity, and innovativeness of our efforts, including in the context of the revised requirements found in the October 2023 final rule.

- c. What specific steps is your firm taking to address the revised standards?

⁸ Federal Register Notice, “Community Reinvestment Act,” Federal Reserve (Oct. 24, 2023), <https://www.federalreserve.gov/aboutthefed/boardmeetings/files/fm-cra-20231024.pdf>.

⁹ Press Release, *Agencies Issue Final Rule to Strengthen and Modernize Community Reinvestment Act Regulations*, Federal Deposit Insurance Corporation (Oct. 24, 2023), <https://www.fdic.gov/news/press-releases/2023/pr23086.html>.

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Under recent amendments to the CRA, our designation as a wholesale bank will automatically change to that of a limited purpose bank, though we will continue to be subject to the community development test, as amended. We are examining those amendments to identify even more ways to be impactful in the communities we serve. Given our longstanding commitment to the CRA and to equity more generally, we look forward to finding new ways to align our commitment and goals with recent CRA amendments.

4. Black women are the fastest growing set of entrepreneurs in the country¹⁰, yet companies led by Black women typically receive less than 1% of all venture capital funding.¹¹

One organization working to address this problem is the Fearless Fund, which is based out of Atlanta, Georgia, and invests in businesses led by women of color.¹² The Fearless Fund runs a contest called the “Fearless Strivers Grant Contest” that provides awards to small businesses owned by Black women.¹³

Unfortunately, the Fearless Fund has been sued by a group that wants to stop the Strivers Contest.¹⁴ The man leading this group has also previously sued to overturn portions of the Voting Rights Act as well as affirmative action programs in college admissions.¹⁵ In October 2023, the 11th Circuit Court of Appeals temporarily blocked the Fearless Fund from continuing to run the Strivers Contest.¹⁶

- a. Do you believe that supporting entrepreneurs from underrepresented backgrounds, such as women of color, is important? Why or why not?

We do. Entrepreneurs are the backbone of our economy, and an important resource in the communities they serve. As mentioned previously, State Street supports entrepreneurs (particularly women and minority owned) as a founding member of Small Business Strong¹⁷.

- b. What specific steps have you taken to support entrepreneurs from underrepresented backgrounds, such as women of color?

¹⁰ Elana Dure, *Black Women Are the Fastest Growing Group of Entrepreneurs. But the Job Isn't Easy.*, JPMorgan Chase & Co. (Oct. 12, 2021), <https://www.jpmorgan.com/insights/business/business-planning/black-women-are-the-fastest-growing-group-of-entrepreneurs-but-the-job-isnt-easy>.

¹¹ Shriya Bhattacharya et al., *Meet the 71 Black Women Who Raised \$1 Million or More in VC Funding Since 2021*, Business Insider (Apr. 21, 2023), <https://www.businessinsider.com/black-female-founders-raised-millions-in-vc-this-year-2021-9>.

¹² *About, Fearless Fund*, <https://www.fearless.fund/about>.

¹³ Kristen Wright, *A Federal Appeals Court Blocks a Grant Program for Black Female Entrepreneurs*, NPR (Oct. 3, 2023), <https://www.npr.org/2023/10/03/1203221945/affirmative-action-black-female-entrepreneurs>.

¹⁴ *Id.*

¹⁵ Tessa Stuart, *The Conservative Activist Who Brought Down Affirmative Action Has a New Target*, Rolling Stone (Aug. 19, 2023), <https://www.rollingstone.com/politics/politics-features/fearless-fund-vc-fund-edward-blum-affirmative-action-1234808930>.

¹⁶ Wright, *supra* note 5.

¹⁷ <https://smallbstrong.com/>.

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Though State Street does not have investment, commercial or retail banking operations, we do support entrepreneurs from underrepresented backgrounds. Since February 2021, State Street has partnered with diverse firms to underwrite over \$11.35 billion of debt issuances (10 total issuances). Please see the latest press release for additional information.¹⁸

- c. Will your firm commit to supporting organizations that proactively work to support entrepreneurs from underrepresented backgrounds? Why or why not?

State Street has supported our communities through programs such as Small Business Strong¹⁹ and the bond transactions mentioned cited above.

- d. Do you support race-conscious measures to direct resources to underserved communities? Why or why not?

State Street has and will continue to support all of our local communities.

¹⁸ <https://newsroom.statestreet.com/press-releases/press-release-details/2023/State-Street-Partners-with-Diverse-Firms-to-Underwrite-1-Billion-of-Senior-Debt-and-0.5-Billion-of-Senior-Subordinated-Debt/default.aspx>

¹⁹ <https://smallstrong.com/>

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Questions for Mr. Ronald O’Hanley, CEO of State Street, from Senator Elizabeth Warren:

- I. The Department of the Treasury (Treasury), recognizing that over 100 U.S. firms and financial institutions have independently made voluntary net-zero commitments in recent years, recently issued its *Principles for Net-Zero Financing and Investing*.²⁰ The principles aim to “promote consistency and credibility in financial institutions’ approaches to these commitments” and reflect that ‘credible’ commitments to net-zero emissions depend on robust net-zero plans that include short- and medium-term targets that align with limiting the increase in global average temperature to 1.5 degrees Celsius, while also ensuring that engagement practices with clients, portfolio companies, and other stakeholders align to these commitments. The principles also establish the importance of transparency, and that financial institutions should publicly disclose progress towards their targets.
 - a. Has your bank made a net-zero commitment?
 - i. If yes, have you ensured that it meets the Principles for Net-Zero Financing & Investing released by Treasury?
 - ii. If no, when do you plan to do so?

State Street Bank and Trust Company (SSBTC) has not adopted a net zero commitment, but we are continually evaluating our position as a custody bank under the existing framework. Our asset manager, State Street Global Advisors (SSGA) is a signatory of the Net Zero Asset Managers initiative (NZAM). In connection with its participation in NZAM, SSGA has set interim targets regarding net zero emissions reductions in client portfolios based on the net zero preferences of its clients.

- b. Do you commit to publicly disclosing progress towards your bank’s short- and long-term targets to limit the increase in global average temperature to 1.5 degrees Celsius?

State Street voluntarily discloses progress towards our 1.5 degrees Celsius target, representing a 46.2% reduction in carbon emissions (covering all Scope 1 and Scope 2 emissions under operational control) by 2030. This information can be found in State Street’s annual ‘ESG Report’ online²¹.

- c. Reports list you among a group of banks that “are undermining their commitment to cutting carbon emissions by lobbying against climate regulation.” Is this report

²⁰ U.S. Department of the Treasury, “Principles for Net-Zero Financing & Investment,” September 2023, <https://home.treasury.gov/system/files/136/NetZeroPrinciples.pdf>.

²¹ <https://www.statestreet.com/gb/en/asset-manager/about/our-impact/esp-report> (See pg. 77-81).

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accurate and are you lobbying against climate regulations, including the Securities and Exchange Commission’s climate disclosure rule?

- i. Does your public policy engagement contradict net-zero commitments that you have made?
- ii. If yes, do you commit to correcting this discrepancy and aligning your public engagement efforts with your net-zero commitments?

Our public policy engagement is consistent with our overall approach to climate and wider environmental matters. Our company view on all public policy proposals can be found online.²²

2. The International Standards Organization established a merchant category code for gun and ammunition stores in September 2022 (“gun store code”). This year, Visa, MasterCard, American Express, and Discover announced a pause on implementation of the code. The Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation bank examination standards require banks to use accurate merchant category codes when underwriting new merchant clients in order to manage risk. Is your institution able to comply with risk management examination expectations given that you’re not able to assign the gun store code until it is implemented by the payment networks?

This does not apply to State Street because we do not provide services to such merchant clients.

3. To what extent do you provide financial services to and/or invest assets in each of the following:
 - a. Retailers that exclusively sell firearms, ammunition, and associated accessories?
 - b. Diversified retailers that sell firearms, ammunition, and/or associated accessories, along with other goods?
 - c. Any firearm manufacturers?
 - d. Retailers or manufacturers that sell military-grade assault weapons to civilians (such as the AK47 or AR15 firearm)?
 - e. Do you have any specific criteria for evaluating the appropriateness of providing the financial services or investments noted above?

²² <https://www.statestreet.com/disclosures-and-disclaimers/regulatory-industry-government-affairs>.

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SSBTC provides financial services to institutional investors globally. Our client-base---asset managers and owners, insurance companies, official institutions, and central banks---are generally focused on investments and financial services activities. Companies engaged in firearm manufacturing or sales may be direct or indirect investors or clients of these companies.

SSGA provides passive and index-based investment products, including index-tracking ETFs, common and collective funds and separate accounts for institutional clients. This entails providing investment management services to a wide variety of institutional clients, typically retirement plans such as pension plans and defined contribution plans for employee beneficiaries and endowments. SSGA’s retirement plan clients are separate entities from the employer sponsors of the retirement plans. SSGA does not restrict the investment management services it provides to retirement plan clients based on whether the employer sponsor of the client is a firearms manufacturer or retailer.

As an index manager, SSGA is required to invest a client’s assets in firearm manufacturers and retailers if they are included in an index tracked by the client. Of SSGA’s \$4.1 trillion of total assets under management, as of December 31, 2023, 84.9% (\$3.5 trillion) are index strategies. Of the \$2.51 trillion of total equity assets that SSGA managed as of December 31, 2023, 98.1% (\$2.46 trillion) are index strategies. Indexes are created by third parties and when managing to the index, SSGA’s role is to match the performance of the third-party index as closely as possible. Where a fund or client account seeks to track an index that includes an issuer involved in the manufacture or sale of firearms, SSGA will seek to invest the fund’s or account’s assets in the firearm-related issuer in the same proportion as the issuer included in the relevant index. As a matter of law, where SSGA has disclosed to a client or an investor in a fund that it will manage the client’s or fund’s assets to an index, SSGA is not able to exclude an issuer from the index.

4. If your institution provides financial services to firearm manufacturers or retailers, what due diligence do you conduct of financial relationships and transactions involving those entities?

For SSBTC, see response to Q3. As discussed in that response, SSGA’s investment management clients are generally institutional investors such as retirement plans, not the employer sponsors of the retirement plans. When onboarding investment management clients, SSGA performs the due diligence required by applicable anti-money laundering and know-your-client regulations.

5. If your institution relies on index funds developed by third-party index providers, what criteria does your institution use to determine whether to exclude a security in an index from your index fund?

As discussed in response to Q3 above, in managing an index fund, SSGA seeks to match the performance of the third-party index as closely as possible by investing the fund’s assets in the securities comprising the underlying index in the same weights as they are included in the index.

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As a matter of law, where SSGA has disclosed to a client or an investor in a fund that it will manage the client’s or fund’s assets to an index, SSGA is not able to exclude an issuer from the index.

In contrast, where a client asks SSGA to apply a firearms screen to an index or follow a firearms-screened index, SSGA will build a screened product that excludes firearms manufacturers and retailers from a benchmark index. The screens and screened indexes SSGA employs are generally provided by, or in the case of internally-developed screens, based on data provided by, third-party data providers. The screen and its intended exclusions are disclosed to the client or to the investors in the screened fund.

6. If your institution votes on shareholder resolutions, what have been your votes on any shareholder resolutions focused on firearm manufacturers or retailers in the past five years?
- a. If your institution has voted for any such resolutions, has your institution taken any steps to ensure that the companies implemented those resolutions?

Please see below for SSGA’s voting record in respect of shareholder resolutions that focused on firearms issues that were included on the proxy ballots of issuers that SSGA has identified as firearm manufacturers and/or retailers:

Sturm, Ruger & Company, Inc.

<i>Year</i>	<i>Proposal Ask</i>	<i>SSGA Vote</i>
2023	Report Assessing Risks Related to Marketing Practices of Firearms	Against
2022	Oversee and Report a Third Party Human Rights Impact Assessment	For

Smith & Wesson Brands, Inc. (formerly American Outdoor Brands Corporation)

<i>Year</i>	<i>Proposal Ask</i>	<i>SSGA Vote</i>
2023	Oversee and Report a Third Party Human Rights Impact Assessment	For
2022	Adopt a Comprehensive Human Rights Policy	For
2021	Adopt a Comprehensive Human Rights Policy	For
2019	Adopt a Comprehensive Human Rights Policy	Abstain

SSGA’s policy is to hold companies accountable for a lack of responsiveness to shareholder proposals that receive majority shareholder support. Because the proposals listed above did not meet that threshold, SSGA did not take steps to ensure the companies implemented those

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resolutions. When engaging with portfolio companies held in its clients’ accounts, SSGA encourages alignment with what it considers to be best practices for disclosure and oversight on relevant topics for a particular issuer, in accordance with SSGA’s proxy voting and engagement guidelines.

7. How does your institution assess the market and reputational risk of investing in firearm retailers or manufacturers, even if just through passive investments?

Everything we do at SSGA in terms of managing our clients’ assets is grounded in our fiduciary duty to act in the best interests of our clients. As an investment manager, our focus is helping clients achieve their investment goals. When a fund or client account seeks to track an index that includes an issuer involved in the manufacture or sale of firearms, SSGA will seek to invest the fund’s or account’s assets in the firearm-related issuer in the same proportion as the issuer is included in the relevant index.

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Questions for Mr. Robin Vince, CEO of BNY Mellon, from Chairman Sherrod Brown:

1. Since the launch of FedNow, more banks are sending and receiving real-time payments. A recent study found that the current instant payments market, valued at approximately \$16 billion, will expand by a 33 percent compound annual growth rate to a market value of \$277 billion by the end of 2032.¹ Real-time payments are processed and settled individually and continuously. This means that real-time payment network participants must maintain adequate balances to settle transactions at any time and have sufficient liquidity to cover changes in the supply and demand for cash. As these transactions become more prevalent, what policies and practices is your institution putting in place to manage liquidity risk?

As a US GSIB, we are subject to the highest capital and liquidity requirements in the world and frequently go above these requirements for our own risk management. BNY Mellon has been a leader in the real-time payment space since 2017, as the first institution to send the first transaction via the Clearing House’s Real-Time Payments network and was proud to be an early adopter of the FedNow Service. We have a number of processes and controls in place to monitor instant payment network activity compared to the size of our liquid balance sheet and to accordingly manage liquidity risk. We continue to explore further enhancements to these processes and controls as the market grows.

2. When your institution is making decisions on investing in particular client projects, or even entire categories of business activities, are you making those decisions based on your independent, arms-length appraisal of a project’s or category’s value as a business proposition, relying on the best available information regarding that line of business or application of technology, with as full knowledge of all risks involved as can be determined by your employees in the exercise of their due diligence, and with due deference to those employees’ professional judgment and prudence, or are you doing things that do not make business sense just to appear “woke,” or to engage in “culture war battles,” or to otherwise appease individuals or groups outside your corporation and its shareholders?

We make business decisions based on our strategy centered on client demand and risk management. We do not take a one-size-fits all approach. We provide clients with different choices to meet their objectives, and we manage risk in our business opportunities and other decisions.

3. Are the physical or transition risks associated with climate change, including the risks associated with continued funding of vectors of climate change, legitimate financial risks to be taken under consideration in the exercise of your responsibility to shareholders and employers?

¹ <https://www.factmr.com/report/real-time-payments-market>.

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- a. If not, please describe for the Committee the reason or reasons your institution can ignore physical or transition risks in your business decisions.
- b. If physical or transition risks associated with climate change are legitimate financial risks, please explain to the Committee what the effects of ignoring these risks be to your institution or the broader economy.

Climate-related impacts, including risks and opportunities associated with climate change, are relevant to corporations and financial institutions. There is increasing expectation from regulatory and supervisory authorities globally that financial institutions should consider and manage climate-related risks. These authorities closely monitor climate-related systemic risks and assess their current and potential impacts on both local and overall global financial stability. BNY Mellon and many financial institutions are addressing climate-related risks and opportunities by integrating climate-driven risks into enterprise risk management frameworks. At BNY Mellon, identifying, managing, and protecting against different risks and disruptions – regardless of cause – is core to our resiliency strategy and long-term value.

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Questions for Mr. Robin Vince, CEO of BNY Mellon, from Senator Catherine Cortez Masto:

1. If the Secure and Fair Enforcement Regulation (SAFER) Banking Act (S. 2860) was signed into law, would your bank provide equity financing to state-sanctioned cannabis businesses?

We do not discriminate against legal businesses and will follow federal laws.

2. Which Home Loan Bank, or Federal Home Loan Banks, does your financial institution belong as a member?

BNY Mellon, N.A. is a member of the FHL Bank of Pittsburgh.

3. How much did your financial institution receive in dividends from a Federal Home Loan Bank/Banks in 2022 and so far – Q1-Q3 – in 2023?

BNY Mellon respectfully requests to share this confidential information directly with Senator Catherine Cortez Masto or her staff.

The Federal Home Loan Banks assert they should continue to be lender of last resort (LOLR), just as they were for Silicon Valley Bank, Signature Bank, and First Republic Bank. However, the Federal Housing Finance Agency (FHFA) has clarified the Federal Reserve (“Fed”) is the only official LOLR.

4. Does your bank consider the Federal Home Loan Banks or the Federal Reserve to be the lender of last resort?

We consider the Federal Reserve (discount window) as the lender of last resort. We consider Federal Home Loan Banks to be important sources of diversified funding for banks engaging in housing related financing.

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Questions for Mr. Robin Vince, CEO of BNY Mellon, from Senator John Fetterman:

1. You all spent much of the hearing talking about how much you value your employees, which was great to hear, but at the end of the day, some of you make 400 or 500 times what an average teller or security guard at your bank makes. Do you really think you’re 500 times more valuable to your bank than a security guard or a bank teller?

CEO compensation is based on the long-term health and performance of BNY Mellon. It is set by our Board and subject to shareholder vote on pay. Our Board and shareholders review our executives’ pay and performance. This is consistent with the feedback culture we emphasize across our employees.

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Questions for Mr. Robin Vince, CEO of BNY Mellon, from Senator Raphael Warnock:

1. In response to my question of whether you support the SAFER Banking Act (S. 2860 in the 118th Congress², referred to hereafter as “SAFER Banking”), Mr. Moynihan responded, “we all support the intent of it, but the problem is that it does not fix the problem.”

- a. Do you agree with this characterization? Why or why not?
- b. If you agree with this statement, what problem does SAFER Banking fail to address?
- c. Does BNY Mellon support SAFER Banking?

BNY Mellon has not taken a position on the SAFER Banking Act and will follow federal laws. We do not discriminate against legal businesses.

2. Do you believe the War on Drugs resulted in economic harms for communities with high rates of cannabis-related arrests and imprisonment?
- a. Should Congress play a role in addressing the economic harms of the War on Drugs?
 - b. Do financial institutions play a role in addressing the economic harms of the War on Drugs?
 - c. What steps has your firm taken to address the specific economic harms of the War on Drugs?

The use of illegal drugs and the illegal drug trade has had a significant impact on families and communities across our country, which has resulted in economic stress and harm. Lawmakers have a role to set policies and BNY Mellon will follow federal laws.

3. The revised Community Reinvestment Act³ sets out new standards for how your firm meet the needs of underserved communities across a variety of outcomes, including access to housing, lending to small businesses, and identifying investment opportunities.⁴

- a. In response to my question, you stated that you would support revised standards to improve equity. What specific steps will your firm be taking to improve equity?
- b. Will you commit to ensuring your firm upholds the Act’s standards to the highest levels across all outcomes?

² S. 2860, 118th Cong. (2023).

³ Federal Register Notice, “Community Reinvestment Act,” Federal Reserve (Oct. 24, 2023), <https://www.federalreserve.gov/aboutthefed/boardmeetings/files/fm-cra-20231024.pdf>.

⁴ Press Release, *Agencies Issue Final Rule to Strengthen and Modernize Community Reinvestment Act Regulations*, Federal Deposit Insurance Corporation (Oct. 24, 2023), <https://www.fdic.gov/news/press-releases/2023/pr23086.html>

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c. What specific steps is your firm taking to address the revised standards?

BNY Mellon is committed to compliance with the Community Reinvestment Act. To comply with the newly released standards, BNY Mellon is expanding our data collection and reporting functions, updating public notice and filing requirements, and evaluating our CRA portfolio. Additionally, we continue to explore new partnership opportunities with Community Development Financial Institutions (CDFIs), Minority Deposit Institutions (MDI), and community stakeholders focused on increasing access to capital to historically underserved communities.

Consistent with our new designation as a “Limited-Purpose Bank” (formerly designated as “wholesale”), these new standards improve equity by allowing BNY Mellon to serve more communities nationwide, including low- and moderate-income communities.

BNY Mellon continues to invest through lending, investments, and grants to underserved and low-and moderate-income (LMI) communities.

4. Black women are the fastest growing set of entrepreneurs in the country⁵, yet companies led by Black women typically receive less than 1% of all venture capital funding.⁶

One organization working to address this problem is the Fearless Fund, which is based out of Atlanta, Georgia, and invests in businesses led by women of color.⁷ The Fearless Fund runs a contest called the “Fearless Strivers Grant Contest” that provides awards to small businesses owned by Black women.⁸

Unfortunately, the Fearless Fund has been sued by a group that wants to stop the Strivers Contest.⁹ The man leading this group has also previously sued to overturn portions of the Voting Rights Act as well as affirmative action programs in college admissions.¹⁰ In October

⁵ Elana Dure, *Black Women Are the Fastest Growing Group of Entrepreneurs. But the Job Isn't Easy*, JPMorgan Chase & Co. (Oct. 12, 2021), <https://www.jpmorgan.com/insights/business/business-planning/black-women-are-the-fastest-growing-group-of-entrepreneurs-but-the-job-isnt-easy>.

⁶ Shriya Bhattacharya et al., *Meet the 71 Black Women Who Raised \$1 Million or More in VC Funding Since 2021*, Business Insider (Apr. 21, 2023), <https://www.businessinsider.com/black-female-founders-raised-millions-in-vc-this-year-2021-9>.

⁷ *About*, Fearless Fund, <https://www.fearless.fund/about>.

⁸ Kristen Wright, *A Federal Appeals Court Blocks a Grant Program for Black Female Entrepreneurs*, NPR (Oct. 3, 2023), <https://www.npr.org/2023/10/03/1203221945/affirmative-action-black-female-entrepreneurs>.

⁹ *Id.*

¹⁰ Tessa Stuart, *The Conservative Activist Who Brought Down Affirmative Action Has a New Target*, Rolling Stone (Aug. 19, 2023), <https://www.rollingstone.com/politics/politics-features/fearless-fund-vc-fund-edward-blum-affirmative-action-1234808930>.

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2023, the 11th Circuit Court of Appeals temporarily blocked the Fearless Fund from continuing to run the Strivers Contest.¹¹

- a. Do you believe that supporting entrepreneurs from underrepresented backgrounds, such as women of color, is important? Why or why not?

Yes, BNY Mellon believes it is important to support entrepreneurs from various backgrounds, including women of color. Given our role and position in markets, we have an opportunity to leverage our platforms and expertise to expand access to capital, markets and technology for more people and communities. We continually look for ways to help build more resilient economies by collaborating and aligning with our clients and partners.

- b. What specific steps have you taken to support entrepreneurs from underrepresented backgrounds, such as women of color?

We support entrepreneurs from various backgrounds. For example, recognizing small businesses as powerful drivers of economic empowerment, we hosted a small-business-focused Pro Bono Accelerator program. BNY Mellon employees used their expertise to consult and provide strategic advising and technical assistance to a variety of underrepresented and underserved entrepreneurs and small businesses.

To support the development and inclusion of diverse suppliers, we host workshops to educate and offer transparency into our procurement process and supplier engagement protocols. To increase small and diverse-owned business capabilities, BNY Mellon provides guidance and feedback to participants through our Supplier Diversity Mentoring program. Our mentoring program has helped our diverse suppliers develop their capabilities, learn more about our organization and become more competitive in the marketplace.

- c. Will your firm commit to supporting organizations that proactively work to support entrepreneurs from underrepresented backgrounds? Why or why not?

Yes. We are members of many industry organizations, including the Financial Services Roundtable for Supplier Diversity, National Minority Supplier Development Council, New York & New Jersey Minority Supplier Development Council, WEConnect International, Women’s Business Enterprise National Council and Women’s Business Enterprise Council – Metro New York. Our participation demonstrates our commitment to working with diverse vendors. Engagement with local and diverse suppliers can benefit our business as well as local communities through job creation, and revenue and income generation. We regularly host events to advise current and potential diverse vendors.

¹¹ Wright, *supra* note Error! Bookmark not defined..

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- d. Do you support race-conscious measures to direct resources to underserved communities? Why or why not?

As described above, BNY Mellon contributes resources to underserved communities and expects to continue to do so.

Our philanthropic strategy is focused on working with educational and community partners to build diverse talent pipelines for the next generation of workers in technology and financial services.

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Questions for Mr. Robin Vince, CEO of BNY Mellon, from Senator Elizabeth Warren:

1. The Department of the Treasury (Treasury), recognizing that over 100 U.S. firms and financial institutions have independently made voluntary net-zero commitments in recent years, recently issued its *Principles for Net-Zero Financing and Investing*.¹² The principles aim to “promote consistency and credibility in financial institutions’ approaches to these commitments” and reflect that ‘credible’ commitments to net-zero emissions depend on robust net-zero plans that include short- and medium-term targets that align with limiting the increase in global average temperature to 1.5 degrees Celsius, while also ensuring that engagement practices with clients, portfolio companies, and other stakeholders align to these commitments. The principles also establish the importance of transparency, and that financial institutions should publicly disclose progress towards their targets.

a. Has your bank made a net-zero commitment?

i. If yes, have you ensured that it meets the Principles for Net-Zero Financing & Investing released by Treasury?

ii. If no, when do you plan to do so?

Two of our investment firms are members of the Net Zero Asset Managers’ Initiative. This is consistent with client expectations for those firms. BNY Mellon has emissions reduction goals in place and continues to work on these important topics.

b. Do you commit to publicly disclosing progress towards your bank’s short- and long-term targets to limit the increase in global average temperature to 1.5 degrees Celsius?

BNY Mellon is committed to achieving greenhouse gas (GHG) emissions reductions in relevant areas of our Scope 1 and 2 operational emissions and on-balance sheet Scope 3 financed emissions by setting targets for 2030 consistent with 1.5 degrees Celsius pathways. This approach reflects our commitment to prioritize resiliency and sustainability across our business and operations and offer solutions to help our clients meet their own sustainability goals.

c. Reports list you among a group of banks that “are undermining their commitment to cutting carbon emissions by lobbying against climate regulation.” Is this report accurate and are you lobbying against climate regulations, including the Securities and Exchange Commission’s climate disclosure rule?

¹² U.S. Department of the Treasury, “Principles for Net-Zero Financing & Investment,” September 2023, <https://home.treasury.gov/system/files/136/NetZeroPrinciples.pdf>.

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- i. Does your public policy engagement contradict net-zero commitments that you have made?
- ii. If yes, do you commit to correcting this discrepancy and aligning your public engagement efforts with your net-zero commitments?

Public policy engagement is important, and we engage with regulators on climate regulations, among other regulations, to understand impacts to BNY Mellon.

2. The International Standards Organization established a merchant category code for gun and ammunition stores in September 2022 (“gun store code”). This year, Visa, MasterCard, American Express, and Discover announced a pause on implementation of the code. The Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation bank examination standards require banks to use accurate merchant category codes when underwriting new merchant clients in order to manage risk. Is your institution able to comply with risk management examination expectations given that you're not able to assign the gun store code until it is implemented by the payment networks?

BNY Mellon does not currently issue debit or credit cards and does not provide debit or credit merchant services to this segment.

3. To what extent do you provide financial services to and/or invest assets in each of the following:
 - a. Retailers that exclusively sell firearms, ammunition, and associated accessories?
 - b. Diversified retailers that sell firearms, ammunition, and/or associated accessories, along with other goods?
 - c. Any firearm manufacturers?
 - d. Retailers or manufacturers that sell military-grade assault weapons to civilians (such as the AK47 or AR15 firearm)?
 - e. Do you have any specific criteria for evaluating the appropriateness of providing the financial services or investments noted above?

BNY Mellon does not boycott legal businesses and does not have company-wide restrictions on sectors. BNY Mellon Investment Management operates a multi-affiliate model and comprises six individual investment management firms controlled by BNY Mellon, together with a number of affiliated fund operating and central distribution

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companies. Each of these investment firms, consistent with their fiduciary responsibilities, has its own unique investment philosophy and proprietary processes that are designed to meet clients’ varying investment objectives. This may include investment in issuers that are retailers or manufacturers of firearms where they are a constituent of the associated benchmark or investment strategy.

4. If your institution provides financial services to firearm manufacturers or retailers, what due diligence do you conduct of financial relationships and transactions involving those entities?

We do not boycott legal businesses or have company-wide restrictions on sectors. Identifying, managing, and protecting against different risks is core to our strategy and long-term value. BNY Mellon has processes and controls in place to comply with applicable laws and regulations in the U.S. and other jurisdictions in which we have an operating presence.

5. If your institution relies on index funds developed by third-party index providers, what criteria does your institution use to determine whether to exclude a security in an index from your index fund?

In the absence of any specific client-directed restrictions or exclusions, our relevant investment firm (Mellon) does not generally exclude securities from its passively managed index funds and accounts.

6. If your institution votes on shareholder resolutions, what have been your votes on any shareholder resolutions focused on firearm manufacturers or retailers in the past five years?
- a. If your institution has voted for any such resolutions, has your institution taken any steps to ensure that the companies implemented those resolutions?

For those clients that authorize our investment firms to vote at shareholder meetings on their behalf, our firms endeavor to do so in a manner consistent with their clients’ best long-term economic interests and consistent with the investment mandate (the investment objective and investment guidelines/restrictions) articulated by our clients for us to follow.

7. How does your institution assess the market and reputational risk of investing in firearm retailers or manufacturers, even if just through passive investments?

BNY Mellon does not boycott legal businesses and will lead by client choice.

Questions for the Record
David M. Solomon, Chairman and CEO of Goldman Sachs

Senate Committee on Banking, Housing and Urban Affairs, December 6, 2023 Hearing,
"Annual Oversight of Wall Street Firms"

Questions from Chairman Sherrod Brown

1. **Since the launch of FedNow, more banks are sending and receiving real-time payments. A recent study found that the current instant payments market, valued at approximately \$16 billion, will expand by a 33 percent compound annual growth rate to a market value of \$277 billion by the end of 2032.¹ Real-time payments are processed and settled individually and continuously. This means that real-time payment network participants must maintain adequate balances to settle transactions at any time and have sufficient liquidity to cover changes in the supply and demand for cash. As these transactions become more prevalent, what policies and practices is your institution putting in place to manage liquidity risk?**

Goldman Sachs has policies and controls in place designed to ensure that we hold sufficient cash to cover our intraday payment obligations in a stressed scenario. This includes controls designed to ensure that FedNow settlements are appropriately captured in our liquidity risk models and that we project the expected liquidity reserves for the activity. The opportunity to participate directly in FedNow (and RTP) will be reviewed by our new activity governance forums, which are designed to help ensure appropriate controls are in place ahead of our initial participation. Close partnership between our liquidity functions and our business lines leveraging these new capabilities also is intended to help ensure that we have transparency into any planned increased utilization by either our clients or by our firm so that sufficient buffers can be sized and put in place to manage settlements, including in extended hours beyond FedWire cutoffs.

2. **With the introduction of ChatGPT and other large language models, the financial sector is equally working on developing advanced AI tools for tasks ranging from financial advising to streamlining internal processes. How do you plan to protect the jobs and livelihoods of all of your employees, especially front-line staff, when deploying these tools?**

We continue to believe that technological innovation is fundamental to the advancement of our business and our industry. From digital assets to generative AI, technological innovations are changing our businesses and presenting us with new opportunities to help our employees leverage their skillsets to better serve customers and markets. We are focused on exploring how employing AI tools can increase employee productivity and job satisfaction by creating capacity to do more high impact work, enable us to create differentiated products and services, and enhance security, all with the end goal of best serving our clients. As with other technological innovations in the past such as computers and the internet, the deployment of AI tools may change the nature of tasks undertaken by employees, but they will not substitute for the need for human decision making and creativity.

3. **How are you going to ensure your bank's use of AI does not unfairly discriminate against customers and potential customers?**

As part of our firm's governance processes, which includes, among other things, the Goldman Sachs Bank USA Fair Lending Program, our Model Risk Management process, and our recently established AI Risk and Controls Committee, our review framework for new AI use cases includes review for potential biases and risk of inadvertent discrimination. Analysis of potential impacts of AI use has always been a critical part of our risk management framework for responsibly onboarding any new technology given existing regulations and regulator expectations in the context of our consumer lending, brokerage and investment adviser activities. We recognize that the use of AI, and in particular generative AI, may pose novel risks but also will likely provide substantial benefits. We also appreciate that the use of nascent technologies such as generative AI must be evaluated carefully and deployed safely to ensure compliance with all applicable regulations. To that end, we carefully test new AI applications prior to making them available for broader use by the firm in order to allow us appropriately evaluate those technologies, identify potential risks, and take reasonable steps to mitigate those risks.

¹ <https://www.factmr.com/report/real-time-payments-market>

4. **When your institution is making decisions on investing in particular client projects, or even entire categories of business activities, are you making those decisions based on your independent, arms-length appraisal of a project's or category's value as a business proposition, relying on the best available information regarding that line of business or application of technology, with as full knowledge of all risks involved as can be determined by your employees in the exercise of their due diligence, and with due deference to those employees' professional judgment and prudence, or are you doing things that do not make business sense just to appear "woke," or to engage in "culture war battles," or to otherwise appease individuals or groups outside your corporation and its shareholders?**

At Goldman Sachs, we make daily judgments on how we deploy capital and assess risks that affect our business, shareholders, employees and communities. We have a robust reputational risk vetting process, which involves review by specific senior control-side groups and coordination with leadership of our Firmwide Reputational Risk Committee, which is a senior committee chaired by our President and Chief Operating Officer.

5. **Are the physical or transition risks associated with climate change, including the risks associated with continued funding of vectors of climate change, legitimate financial risks to be taken under consideration in the exercise of your responsibility to shareholders and employers?**
- a. **If not, please describe for the Committee the reason or reasons your institution can ignore physical or transition risks in your business decisions.**
 - b. **If physical or transition risks associated with climate change are legitimate financial risks, please explain to the Committee what the effects of ignoring these risks be to your institution or the broader economy.**

Goldman Sachs has a long-standing commitment to address the impacts of climate change and support the transition to a low-carbon economy. We were one of the first major banks to acknowledge the scale and urgency of climate change in 2005. In addition to our work with clients and partner organizations to help drive impact on climate transition in the real economy, we have also developed a strategic framework for addressing the risks posed by climate change on our businesses and operations. As part of our climate risk management program, we examine both physical risk (the risk that asset values may change as a result of changes in the climate) and transition risk (the risk that asset values may change because of changes in climate policies or changes in the underlying economy as it decarbonizes).

Questions from Senator Catherine Cortez Masto

1. **Which Home Loan Bank, or Federal Home Loan Banks, does your financial institution belong as a member?**

Goldman Sachs Bank USA is a member of the Federal Home Loan Bank of New York.

2. **How much did your financial institution receive in dividends from a Federal Home Loan Bank/Banks in 2022 and so far – Q1-Q3 – in 2023?**

Goldman Sachs Bank USA received dividends from the Federal Home Loan Bank of New York totaling \$6,772,670.86 for 2022 and \$6,473,189.15 for the first 3 quarters of 2023.

3. **The Federal Home Loan Banks assert they should continue to be lender of last resort (LCLR), just as they were for Silicon Valley Bank, Signature Bank, and First Republic Bank. However, the Federal Housing Finance Agency (FHFA) has clarified the Federal Reserve ("Fed") is the only official LCLR.**

Does Goldman Sachs consider the Federal Home Loan Banks or the Federal Reserve to be the lender of last resort?

We believe that the Federal Reserve is the lender of last resort.

4. **If the Secure and Fair Enforcement Regulation (SAFER) Banking Act (S. 2860) was signed into law, would your bank provide equity financing to state-sanctioned cannabis businesses?**

Goldman Sachs supports the intent behind the SAFER Banking Act, which is to allow banks to provide financial services to State-sanctioned cannabis businesses. As more states seek to legalize cannabis, we believe that we should work together to mitigate problems and eliminate enforcement risk for those banks which choose to provide services for that industry. We will continue to closely monitor the Act's potential passage in the U.S. Congress, and should the Act get signed into law, we will carefully review the final text of the legislation and proceed in accordance with the law, which could include providing legal banking services to cannabis businesses.

5. **In Nevada, Latinos comprise 30 percent of the state's population.² However, engagement of the Latino community from the biggest banks continues to lag and has even been declining since 2018.**

Does Goldman Sachs invest in Spanish-speaking media? If so, in what ways?

Goldman Sachs engages Spanish-speaking media as part of its overall communications strategy. By way of background, the Goldman Sachs Office of Corporate Engagement develops programs and deploys capital to advance economic growth and opportunity in communities around the world. Since 2008, Goldman Sachs has deployed over \$3.7 billion in charitable giving. Our focus areas include advancing entrepreneurship and job creation, driving economic empowerment and opportunity, and supporting low- and moderate- income communities. Signature programs include *10,000 Small Businesses*, *10,000 Women*, *One Million Black Women*, *Goldman Sachs Gives*, and *Community TeamWorks*. As part of our efforts to communicate with the Latino community, Goldman Sachs engages Spanish-speaking media outlets in targeted outreach in the communities where our programs operate to increase awareness.

6. **How could Goldman Sachs better engage the Latino community so Spanish-speakers have access to critical information that can help them invest and build wealth?**

Goldman Sachs *10,000 Small Businesses* has a long history of supporting Hispanic/Latino business owners. Of the 14,500 entrepreneurs who have completed our business education program, 14% identify as Hispanic/Latino. Additionally, we have long-standing partnerships with Hispanic/Latino-serving organizations on a national level (e.g., US Hispanic Chamber of Commerce) and at the local level (e.g., Camara de Empresarios Latinos de Houston) to ensure we recruit and serve Latino communities.

² "QuickFacts Nevada." United States Census Bureau: <https://www.census.gov/quickfacts/fact#table/NV/POP060210>

Question from Senator John Fetterman

- 1. You all spent much of the hearing talking about how much you value your employees, which was great to hear, but at the end of the day, some of you make 400 or 500 times what an average teller or security guard at your bank makes. Do you really think you're 500 times more valuable to your bank than a security guard or a bank teller?**

At Goldman Sachs, our people are our greatest asset and we seek to manage our people with the same rigor as we manage all other aspects of our firm. The pay ratio between my CEO compensation for 2022 as disclosed pursuant to the SEC's rules and the median compensation amount of our employees is 211:1. Our Compensation Principles apply to all of our people, regardless of role or compensation level, and reflect the importance of (1) paying for performance, (2) encouraging firmwide orientation and culture, (3) discouraging imprudent risk-taking, (4) attracting and retaining talent, and (5) promoting a strong risk management and control environment. We believe that compensation should reward an employee's ability to identify and create value, including in the context of the competitive market for talent. For additional information about the investments that we make in our people at all levels, please see our People Strategy Report available at <https://www.goldmansachs.com/our-commitments/sustainability/2022-people-strategy-report/>.

Questions from Senator Raphael Warnock

1. In response to my question of whether you support the SAFER Banking Act (S. 2860 in the 118th Congress³, referred to hereafter as “SAFER Banking”), Mr. Moynihan responded, “we all support the intent of it, but the problem is that it does not fix the problem.”
 - a. Do you agree with this characterization? Why or why not?
 - b. If you agree with this statement, what problem does SAFER Banking fail to address?
 - c. Does Goldman Sachs support SAFER Banking?

2. Do you believe the War on Drugs resulted in economic harms for communities with high rates of cannabis-related arrests and imprisonment?
 - a. Should Congress play a role in addressing the economic harms of the War on Drugs?
 - b. Do financial institutions play a role in addressing the economic harms of the War on Drugs?
 - c. What steps has your firm taken to address the specific economic harms of the War on Drugs?

Goldman Sachs supports the intent behind the SAFER Banking Act, which is to allow banks to provide financial services to State-sanctioned cannabis businesses. As more states seek to legalize cannabis, we believe that we should work together to mitigate problems and eliminate enforcement risk for those banks which choose to provide services for that industry. We will continue to closely monitor the Act’s potential passage in the U.S. Congress, and should the Act get signed into law, we will carefully review the final text of the legislation and proceed in accordance with the law, which could include providing legal banking services to cannabis businesses.

We are proud of our investments and lending in underserved and economically disadvantaged communities. Our investments address racial, wealth and opportunity gaps across a broad spectrum of impact areas. We view these investments as an opportunity to catalyze economic opportunity and strengthen communities. Within Goldman Sachs, our Urban Investment Group (UIG) invests \$2–3 billion dollars annually in support of affordable housing development and preservation, early childcare and education, community health centers and hospitals, access to healthy food, energy efficiency and electrification upgrades and support for small businesses. UIG also addresses emergency community needs during crises by responding with inclusive and flexible lending capital. The team has a comprehensive approach to community development by making direct investments in communities which allows us to stay closely aligned with community needs and community stakeholders directly impacted by our investments.

To date, UIG has committed more than \$19.7 billion in loan and investment capital to revitalize communities across the country. Since UIG was founded, our investments have spanned 120 cities in 50 states addressing critical community needs, providing capital for over 38,600 small businesses, and supporting the creation and preservation of over 194,000 housing units—the majority of which are affordable to low-, moderate- and middle-income families. Approximately 70% of UIG’s investments are located in or serve minority communities.

3. The revised Community Reinvestment Act⁴ sets out new standards for how your firms meet the needs of underserved communities across a variety of outcomes, including access to housing, lending to small businesses, and identifying investment opportunities.⁵
 - a. In response to my question, you stated that you would support revised standards to improve equity. What specific steps will your firm be taking to improve equity?
 - b. Will you commit to ensuring your firm upholds the Act’s standards to the highest levels across all outcomes?
 - c. What specific steps is your firm taking to address the revised standards?

Goldman Sachs is committed to supporting communities throughout the United States and has a demonstrated track record of fulfilling both the letter and spirit of the Community Reinvestment Act (CRA). We take our community development responsibilities seriously, having deployed significant investment and philanthropic capital to benefit underserved communities, including \$19.7 billion in community development investing and lending – 75% in majority-

³ S. 2860, 118th Cong. (2023).

⁴ Federal Register Notice, “Community Reinvestment Act,” Federal Reserve (Oct. 24, 2023), <https://www.federalreserve.gov/aboutthefed/boardmeetings/files/frn-cra-20231024.pdf>.

⁵ [Press Release, Agencies Issue Final Rule to Strengthen and Modernize Community Reinvestment Act Regulations, Federal Deposit Insurance Corporation \(Oct. 24, 2023\)](https://www.fdic.gov/news/press-releases/2023/pr23086.html), <https://www.fdic.gov/news/press-releases/2023/pr23086.html>

minority communities – and over 38,600 small business loans financed. This commitment will continue under the revised CRA regulations, and we are preparing to be in compliance with all of the applicable provisions of the new rule.

Looking ahead, over the next five years we are committed to deploying \$17.2 billion in community development loans, investments and grants to help meet the credit needs of the communities we serve, including low- and moderate-income (LMI) neighborhoods and individuals. To meet the complex and nuanced needs of communities, our strategy includes investments in timely, innovative solutions to affordable housing and neighborhood revitalization, and partnerships with Community Development Financial Institutions (CDFIs), local nonprofits and other mission-driven partners to deploy critical capital and education addressing pressing issues facing small businesses across the country. As part of these commitments, we recognize that growth that is not inclusive and equitable is not sustainable.

4. **Black women are the fastest growing set of entrepreneurs in the country⁶, yet companies led by Black women typically receive less than 1% of all venture capital funding.⁷ One organization working to address this problem is the Fearless Fund, which is based out of Atlanta, Georgia, and invests in businesses led by women of color.⁸ The Fearless Fund runs a contest called the “Fearless Strivers Grant Contest” that provides awards to small businesses owned by Black women.⁹ Unfortunately, the Fearless Fund has been sued by a group that wants to stop the Strivers Contest.¹⁰ The man leading this group has also previously sued to overturn portions of the Voting Rights Act as well as affirmative action programs in college admissions.¹¹ In October 2023, the 11th Circuit Court of Appeals temporarily blocked the Fearless Fund from continuing to run the Strivers Contest.¹²**
- a. **Do you believe that supporting entrepreneurs from underrepresented backgrounds, such as women of color, is important? Why or why not?**
 - b. **What specific steps have you taken to support entrepreneurs from underrepresented backgrounds, such as women of color?**
 - c. **Will your firm commit to supporting organizations that proactively work to support entrepreneurs from underrepresented backgrounds? Why or why not?**
 - d. **Do you support race-conscious measures to direct resources to underserved communities? Why or why not?**

Goldman Sachs supports entrepreneurs of all kinds, including those from underrepresented backgrounds such as women of color. Our research has shown that one of the fastest ways to accelerate change and effectively begin to address the racial wealth gap is to listen to and invest in Black women. In March 2021, Goldman Sachs released *Black Womenomics: Investing in the Underinvested*, research that focused on the wealth gap, its relationship with economic disadvantages facing Black women across a range of economic measures, and the public and private investment opportunities to help close these gaps.¹³

Informed by *Black Womenomics*, in March 2021 Goldman Sachs launched *One Million Black Women*. This program commits \$10 billion in investment capital and \$100 million in philanthropic capital to impact the lives of at least one million Black women over the next decade. To date, *Goldman Sachs One Million Black Women* has committed \$2.3 billion in investment capital and \$33 million in philanthropic capital, laying the groundwork to positively impact the lives of approximately 200,000 Black women.

⁶ Elana Dure, *Black Women Are the Fastest Growing Group of Entrepreneurs. But the Job Isn't Easy.*, JPMorgan Chase & Co. (Oct. 12, 2021), <https://www.jpmorgan.com/insights/business/business-planning/black-women-are-the-fastest-growing-group-of-entrepreneurs-but-the-job-isnt-easy>.

⁷ Shriya Bhattacharya et al., *Meet the 71 Black Women Who Raised \$1 Million or More in VC Funding Since 2021*, Business Insider (Apr. 21, 2023), <https://www.businessinsider.com/black-female-founders-raised-millions-in-vc-this-year-2021-9>.

⁸ About, Fearless Fund, <https://www.fearlessfund/about>.

⁹ Kristen Wright, *A Federal Appeals Court Blocks a Grant Program for Black Female Entrepreneurs*, NPR (Oct. 3, 2023), <https://www.npr.org/2023/10/03/1203221945/affirmative-action-black-female-entrepreneurs>.

¹⁰ *Id.*

¹¹ Tessa Stuart, *The Conservative Activist Who Brought Down Affirmative Action Has a New Target*, Rolling Stone (Aug. 19, 2023), <https://www.rollingstone.com/politics/politics-features/fearless-fund-vc-fund-edward-blum-affirmative-action-1234808930>.

¹² Wright, *supra* note Error! Bookmark not defined.

¹³ <https://www.goldmansachs.com/intelligence/pages/black-womenomics-report-summary.html>.

As part of *One Million Black Women's* philanthropic efforts, in 2022 Goldman Sachs launched *One Million Black Women: Black in Business*, an education program that supports Black women entrepreneurs with tools and education so they can create jobs, opportunity and economic growth in their communities. *One Million Black Women: Black in Business* builds upon the firm's work in two key areas:

- Our 13-year commitment to small businesses through *10,000 Small Businesses*, which has reached more than 14,500 small business owners across the country, 16% of whom are Black-owned (compared to 2% national average - Annual Survey of Entrepreneurs Census).
- Feedback gathered from thousands of Black women across 60 listening sessions since the launch of *One Million Black Women*, with overwhelming interest from Black women entrepreneurs, many of them sole proprietors.

The *One Million Black Women: Black in Business* education curriculum covers topics core to business growth: goal setting, business processes, understanding your customer, identifying opportunities for growth, business financials, and business pitches. The program has now graduated 600 Black women solopreneurs from across 40 states including Washington D.C.

Through *Goldman Sachs One Million Black Women* and *One Million Black Women: Black in Business*, Goldman Sachs plans to continue serving entrepreneurs, partnering with New York University Stern School of Business on curriculum design and delivery to best support Black women entrepreneurs nationally, along with organizations focused on entrepreneurship and job creation including the Initiative for a Competitive Inner City and JumpStart Inc.

Questions from Senator Elizabeth Warren

1. The Department of the Treasury (Treasury), recognizing that over 100 U.S. firms and financial institutions have independently made voluntary net-zero commitments in recent years, recently issued its *Principles for Net-Zero Financing and Investing*.¹⁴ The principles aim to “promote consistency and credibility in financial institutions’ approaches to these commitments” and reflect that ‘credible’ commitments to net-zero emissions depend on robust net-zero plans that include short- and medium-term targets that align with limiting the increase in global average temperature to 1.5 degrees Celsius, while also ensuring that engagement practices with clients, portfolio companies, and other stakeholders align to these commitments. The principles also establish the importance of transparency, and that financial institutions should publicly disclose progress towards their targets.
- a. Has your bank made a net-zero commitment?
 - i. If yes, have you ensured that it meets the Principles for Net-Zero Financing & Investing released by Treasury?
 - ii. If no, when do you plan to do so?
 - b. Do you commit to publicly disclosing progress towards your bank’s short- and long-term targets to limit the increase in global average temperature to 1.5 degrees Celsius?

Goldman Sachs has been carbon neutral across our operations and business travel since 2015. In 2021, we expanded our operational carbon commitment to also include our supply chain, targeting net zero carbon emissions by 2030. In that same year, we also announced our commitment to align our financing activities with a net zero by 2050 pathway and set 2030 targets for three sectoral financing portfolios where we believe our firm can have the most material impact, and where we have sufficient data available and ability to engage clients in decarbonization – Energy, Power, and Auto Manufacturing.

In the Goldman Sachs 2023 Task Force on Climate-related Financial Disclosures (TCFD) Report that was published on December 15, 2023, we provided an update on our three existing sector portfolios.¹⁵ Our current climate strategy and related reporting incorporates many aspects of the U.S. Treasury Guiding Principles, and we will continue to evolve our approach in line with Transition Plan regulations across jurisdictions.

- c. Reports list you among a group of banks that “are undermining their commitment to cutting carbon emissions by lobbying against climate regulation.” Is this report accurate and are you lobbying against climate regulations, including the Securities and Exchange Commission’s climate disclosure rule?
 - i. Does your public policy engagement contradict net-zero commitments that you have made?
 - ii. If yes, do you commit to correcting this discrepancy and aligning your public engagement efforts with your net-zero commitments?

As a key type of transition risk, public policy can be an accelerant to encourage corporate and investor behavior to meet the ambitions of net zero by 2050. We are supportive of disclosure for financially material, decision-useful information for investors, including as it relates to certain aspects of the proposed SEC Climate Rule and other similar rules and regulations.

Moreover, we have not lobbied to contradict net-zero commitments that we have previously made. As a global financial institution, we recognize the importance of multi-stakeholder engagement with trade associations, industry groups, and policymakers to advance our commercial priorities and our clients’ objectives. Goldman Sachs participates in direct advocacy on certain public policy issues we believe foster global economic growth, promote financial stability, and improve communities and society, all of which impact our firm, our clients, capital markets, and the general economy. Our participation in various trade associations, industry groups, and initiatives supports our ultimate goal of managing risk and creating value for our clients and our firm. We participate in such groups and initiatives to the extent that their objectives align with our own commercial priorities and the needs of our clients. We

¹⁴ U.S. Department of the Treasury, “Principles for Net-Zero Financing & Investment,” September 2023, <https://home.treasury.gov/system/files/136/NetZeroPrinciples.pdf>.

¹⁵ <https://www.goldmansachs.com/our-commitments/sustainability/tcfd-report-2023/>.

aim to contribute our expertise to these organizations and leverage their input where doing so is consistent with our policies and appropriate for our firm.

2. **The International Standards Organization established a merchant category code for gun and ammunition stores in September 2022 ("gun store code"). This year, Visa, MasterCard, American Express, and Discover announced a pause on implementation of the code. The Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation bank examination standards require banks to use accurate merchant category codes when underwriting new merchant clients in order to manage risk. Is your institution able to comply with risk management examination expectations given that you're not able to assign the gun store code until it is implemented by the payment networks?**

We are not a merchant-acquirer and therefore we do not "underwrite new merchant clients." That said, we are committed to complying with our risk management obligations which includes our ongoing engagement with prudential regulators to ensure that we are meeting their expectations.

3. **To what extent do you provide financial services to and/or invest assets in each of the following:**
- Retailers that exclusively sell firearms, ammunition, and associated accessories?**
 - Diversified retailers that sell firearms, ammunition, and/or associated accessories, along with other goods?**
 - Any firearm manufacturers?**
 - Retailers or manufacturers that sell military-grade assault weapons to civilians (such as the AK47 or AR15 firearm)?**
 - Do you have any specific criteria for evaluating the appropriateness of providing the financial services or investments noted above?**

At Goldman Sachs, we make daily judgments on how we deploy capital and assess risks that affect our business, shareholders, employees and communities. For transactions involving firearms, our framework requires us to make business selection decisions on a case-by-case basis taking into consideration various factors, particularly risk management in all of its forms, in the ordinary course of business. We continue to do business with diversified retailers that may sell firearms, ammunition and/or associated accessories as a part of their broader, overall businesses.

4. **If your institution provides financial services to firearm manufacturers or retailers, what due diligence do you conduct of financial relationships and transactions involving those entities?**

We review transactions or investments that involve a company that is primarily engaged in manufacturing firearms as part of our robust reputational risk vetting process, which involves review by specific senior control-side groups and coordination with leadership of our Firmwide Reputational Risk Committee, which is a senior committee chaired by our President and Chief Operating Officer.

5. **If your institution relies on index funds developed by third-party index providers, what criteria does your institution use to determine whether to exclude a security in an index from your index fund?**

We do not rely on index funds. We use indices created by third parties for benchmarks, but we do not work with the index providers to exclude any securities.

6. **If your institution votes on shareholder resolutions, what have been your votes on any shareholder resolutions focused on firearm manufacturers or retailers in the past five years? If your institution has voted for any such resolutions, has your institution taken any steps to ensure that the companies implemented those resolutions?**

Goldman Sachs Asset Management (GSAM) functions as a separate investment advisory business within the Asset & Wealth Management Division of Goldman Sachs Group, Inc. (GS Group). Although GSAM is a business unit of GS Group, GSAM is functionally separate from other parts of GS Group, and GSAM operates independently of GS Group when it engages in stewardship activities, including proxy voting. As a fiduciary, GSAM's guiding principle in

performing proxy voting for public equities is to seek to make decisions in the best interest of its clients by favoring proposals that, in GSAM's view, maximize a company's shareholder value. GSAM's approach to proxy voting is set forth in its Policy, Procedures and Guidelines for Global Proxy Voting ("Proxy Voting Policy"), which includes customized voting guidelines developed by GSAM's public markets portfolio management teams and Global Stewardship Team that embody the positions and factors GSAM generally considers important in casting proxy votes for public equities. GSAM's Proxy Voting Policy is available publicly online.¹⁶

GSAM considers voting decisions on shareholder proposals on a case-by-case basis, assessing the purpose and impact of each proposal and the overall benefit of each to shareholders. In the past five years, GSAM has voted on seven firearm-related shareholder proposals at firearm manufacturers or retailers. Of the seven proposals, GSAM voted against six and supported one.

7. How does your institution assess the market and reputational risk of investing in firearm retailers or manufacturers, even if just through passive investments?

See responses to questions 3 and 4.

8. Despite making net-zero commitments, banks are continuing to fund fossil fuel projects, with JP Morgan Chase, Citi, Wells Fargo, Bank of America, Morgan Stanley, and Goldman Sachs among the largest financers of these projects. Meanwhile, major oil and energy are dropping their sustainability pretenses: Shell announced it will not increase spending on renewable energy, Exxon dropped a longstanding biofuel project, and BP rolled back its own pledge to cut greenhouse gas emissions.

a. What is your company doing to ensure your oil and gas clients are transitioning to clean energy and aligned with your net-zero commitments?

The transition to a low-carbon economy is complex and will take time. At Goldman Sachs, our approach to climate transition is pragmatic. Going from an emissions-intensive, gray economy to a green one will involve participation from today's highest emitting companies. In our role as a leading financial institution, we work with our clients, including those in the highest-emitting, hardest-to-abate sectors that remain critical to a well-functioning global economy so they can deliver secure, reliable energy in the near term, while also investing in and allocating capital to greener, cleaner sources of energy.

When reviewing counterparties in high-risk sectors, we review a number of sector-specific factors to confirm alignment with our policies to help us assess related risks. For example, our Environmental Policy Framework includes an expectation for companies with significant thermal coal revenue to have clear diversification plans, given our view that companies in the thermal coal mining sector with diversification strategies are more successful in obtaining financing. Because each financing opportunity presents a unique situation, we consider deal dynamics and a client's transition plan as part of our overall risk management approach.

b. Are you currently providing project financing for fossil fuel projects?

i. If so, how much in total project financing for fossil fuel projects have you provided to date in 2023, and in each of the last five calendar years?

ii. Will you commit to ending financing of fossil fuel projects? If so, by what date will you do so?

We do not track aggregate value of project financings by sector, though we are aware of several public resources such as the BloombergNEF report that may provide project financing for fossil fuel projects by bank.¹⁷ As described in the previous question, we will not commit to ending the financing of fossil fuel projects as the transition to a low-carbon economy is complex and will take time.

¹⁶ *Policy, Procedures and Guidelines for Goldman Sachs Asset Management's Global Proxy Voting: 2023 Edition*, Goldman Sachs Asset Management (Mar. 2023)

https://www.gsam.com/content/dam/gsam/cdfs/common/en/public/miscellaneous/GSAM_Global_Proxy_Voting_Policy.pdf?sa=n&rd=n

¹⁷ *Financing the Transition: Energy Supply Investment and Bank-Facilitated Financing Ratios 2022 - Comparing low-carbon and fossil-fuel activity*. BloombergNEF, December 14, 2023.

- c. Does your bank have a policy against funding new oil and gas projects?**
i. If not, will you commit to implementing a policy?

Goldman Sachs does not have a policy against funding new oil and gas projects. However, our Environmental Policy Framework does prohibit the direct financing of certain project types based on risk management considerations. In addition, while we do not have plans to update our policies related to fossil fuel financing, we have established a number of energy-related carbon physical emissions intensity targets with the objective of supporting the transition to lower carbon energy output sources over time through our financing portfolios.

- d. How are you evaluating the progress of your oil and gas clients in meeting emissions targets?**

We have set a 2030 physical emissions intensity target for our Energy financing portfolio, which includes Oil and Gas. In the Goldman Sachs 2023 TCFD Report, we provided an update on our Energy financing portfolio. Oil and gas demand has risen since 2021 and is expected to continue on this trajectory until 2030. For the period that this section of the TCFD report covers, the yearly aggregate of global oil and gas demand remained relatively consistent. The change in physical emissions intensity for our Energy sector portfolio was reflective of this broader market dynamic and was largely unchanged in 2021 compared to our 2019 baseline.

Although we anticipate a shift toward low-emission fuel sources and reduced Scope 3 end-use emissions over time, near-term shifts for many of our corporate clients have proved challenging given that fossil fuel demand has not materially decreased. Despite these challenges, we remain committed to supporting our clients through their decarbonization journeys, for example, by offering insights on operational efficiencies, low-emission fuels and carbon capture utilization and storage (CCUS).

Companies in the Energy sector portfolio are taking steps to manage methane performance and making significant commitments in line with industry best practices, such as joining the Oil & Gas Methane Partnership, with over 50% of the weighted 2021 portfolio currently participating in the Oil & Gas Methane Partnership 2.0. We are also assisting companies involved in the development of tools and resources to understand and mitigate methane emissions through our core business segments.

- e. Do you have a plan to reduce exposure to fossil fuel clients that fail to transition in alignment with the goal of meeting net-zero commitments?**

We do not have plans to reduce exposure to clients in high-emitting sectors since these types of sectors are crucial to help ensure the inputs powering the economy remain affordable, reliable, and secure as market dynamics evolve and new, innovative technologies scale. However, we do have a number of related policies and targets as outlined in our latest sustainability report and TCFD Report.¹⁸

¹⁸ <https://www.goldmansachs.com/our-commitments/sustainability/tcf-report-2023/>; <https://www.goldmansachs.com/our-commitments/sustainability/2022-sustainability-report/>.

Questions for Mr. James P. Gorman, CEO of Morgan Stanley, from Chairman Sherrod Brown:

1. Please provide the minimum wage paid to employees.

Morgan Stanley meets minimum wage requirements in all applicable jurisdictions.

2. With the introduction of ChatGPT and other large language models, the financial sector is equally working on developing advanced AI tools for tasks ranging from financial advising to streamlining internal processes. How do you plan to protect the jobs and livelihoods of all of your employees, especially front-line staff, when deploying these tools?

Morgan Stanley has worked with traditional AI and machine learning technologies for several years to streamline internal processes and help drive operational efficiencies. We view large language models as the next iteration of these tools and we do not anticipate our deployment of such tools will cause a material, immediate change to our resourcing requirements. Morgan Stanley is taking a cautious and measured approach in our adoption of these advanced AI tools. Any realization of efficiencies associated with such tools may not necessitate human capital reduction but can instead enable our employees to focus on service delivery for the benefit of our clients. We see these technologies as being complementary to, and not a substitute for, the expertise of our employees.

Finally, it is reasonable to expect that advanced AI tools may actually create new roles at Morgan Stanley. Unlocking the value of these complex technologies is likely to require additional expertise in certain fields, such as data science and technology.

3. How are you going to ensure your bank's use of AI does not unfairly discriminate against customers and potential customers?

Morgan Stanley formed a governance group in 2019 to oversee our adoption of AI and Machine Learning tools. Existing uses of AI continue to be carefully evaluated by business units, technology, and control functions to identify risks such as bias and discrimination, and, where appropriate, implement controls to mitigate these risks. For example, our current generative AI production use cases maintain a 'human in the middle' to review and edit (where necessary) any AI output before it is distributed, and are subject to monitoring and testing. We will continue to monitor developments in AI technologies and associated risks, as well as applicable regulations, with a view to using such technologies in a responsible and compliant manner.

4. When your institution is making decisions on investing in particular client projects, or even entire categories of business activities, are you making those decisions based on your independent, arms-length appraisal of a project's or category's value as a business proposition, relying on the best available information regarding that line of business or application of technology, with as full knowledge of all risks involved as can be determined by your employees in the exercise of their due diligence, and with due deference to those

employees' professional judgment and prudence, or are you doing things that do not make business sense just to appear "woke," or to engage in "culture war battles," or to otherwise appease individuals or groups outside your corporation and its shareholders?

Morgan Stanley makes decisions regarding its investment and business activities that the Firm determines to be in the best interests of clients, the Firm, shareholders, and employees.

5. Are the physical or transition risks associated with climate change, including the risks associated with continued funding of vectors of climate change, legitimate financial risks to be taken under consideration in the exercise of your responsibility to shareholders and employers?

As informed by the Task Force on Climate-related Financial Disclosures, as well as various non-governmental organizations, regulators and financial institutions, Morgan Stanley categorizes the risks associated with climate change into two groups: transition risks and physical risks. Physical and transition risks can give rise to financial risks and are considered accordingly by Morgan Stanley's Firm Risk Management division in partnership with other areas of the Firm.

- a. If not, please describe for the Committee the reason or reasons your institution can ignore physical or transition risks in your business decisions.

N/A.

- b. If physical or transition risks associated with climate change are legitimate financial risks, please explain to the Committee what the effects of ignoring these risks be to your institution or the broader economy.

The impacts of climate change range in nature, severity and frequency, and therefore it is critical for financial institutions to understand how such impacts may affect their business and clients. Morgan Stanley's Firm Risk Management division, in partnership with other areas of the Firm, continues to focus on identifying and managing risks related to climate change to limit their potential impact to Morgan Stanley.

Questions for Mr. James P. Gorman, CEO of Morgan Stanley, from Senator Catherine Cortez Masto:

1. Which Home Loan Bank, or Federal Home Loan Banks, does your financial institution belong as a member?

Morgan Stanley is a member of the Federal Home Loan Bank of New York.

2. How much did your financial institution receive in dividends from a Federal Home Loan Bank/Banks in 2022 and so far – Q1-Q3 – in 2023?

In 2022, Morgan Stanley received \$6.3 million in dividends, and from Q1 – Q3 2023, Morgan Stanley received \$6.4 million in dividends.

The Federal Home Loan Banks assert they should continue to be lender of last resort (LOLR), just as they were for Silicon Valley Bank, Signature Bank, and First Republic Bank. However, the Federal Housing Finance Agency (FHFA) has clarified the Federal Reserve (“Fed”) is the only official LOLR.

3. Does your bank consider the Federal Home Loan Banks to be the lender of last resort rather than the Fed?

Morgan Stanley does not consider the Federal Home Loan Banks (“FHLBs”) to be a lender of last resort. The FHLBs supply liquidity which Morgan Stanley uses from time-to-time in the ordinary course of its business. This is distinct from a bank’s access to the Federal Reserve discount window, which would be utilized as the lender of last resort.

4. If the Secure and Fair Enforcement Regulation (SAFER) Banking Act (S. 2860) was signed into law, would your bank provide equity financing to state-sanctioned cannabis businesses?

Morgan Stanley agrees that the conflict between Federal and State laws regarding cannabis places financial institutions in the difficult position of trying to appropriately navigate the legal and regulatory issues, and we understand the differing perspectives the SAFER Banking Act seeks to address. As a firm, we do not do business with cannabis companies that are operating in violation of U.S. federal law, nor do we do business with cannabis companies that are operating in violation of the laws of non-U.S. jurisdictions.

Questions for Mr. James P. Gorman, CEO of Morgan Stanley, from Senator John Fetterman:

1. You all spent much of the hearing talking about how much you value your employees, which was great to hear, but at the end of the day, some of you make 400 or 500 times what an average teller or security guard at your bank makes. Do you really think you're 500 times more valuable to your bank than a security guard or a bank teller?

The Compensation Committee of Morgan Stanley's Board of Directors decides on our CEO's compensation. With the Board's oversight, we are careful to align pay with the performance of the Firm and with the interests of our shareholders. A substantial portion of our CEO's compensation is at risk to future performance. Morgan Stanley has about 82,000 employees who perform a wide range of duties; for 2022, our median employee compensation was over \$143,000.

Questions for Mr. James P. Gorman, CEO of Morgan Stanley, from Senator Raphael Warnock:

1. In response to my question of whether you support the SAFER Banking Act (S. 2860 in the 118th Congress¹, referred to hereafter as “SAFER Banking”), Mr. Moynihan responded, “we all support the intent of it, but the problem is that it does not fix the problem.”

a. Do you agree with this characterization? Why or why not?

Morgan Stanley agrees that the conflict between Federal and State laws regarding cannabis places financial institutions in the difficult position of trying to appropriately navigate the legal and regulatory issues, and we understand the differing perspectives the SAFER Banking Act seeks to address. As a firm, we do not do business with cannabis companies that are operating in violation of U.S. federal law, nor do we do business with cannabis companies that are operating in violation of the laws of non-U.S. jurisdictions. As a result, Morgan Stanley has not taken a position on the SAFER Act.

b. If you agree with this statement, what problem does SAFER Banking fail to address?

See response to Question 1(a), above.

c. Does Morgan Stanley support SAFER Banking?

See response to Question 1(a), above.

2. Do you believe the War on Drugs resulted in economic harms for communities with high rates of cannabis-related arrests and imprisonment?

Morgan Stanley does not have a view on this question.

a. Should Congress play a role in addressing the economic harms of the War on Drugs?

See response to Question 2, above.

b. Do financial institutions play a role in addressing the economic harms of the War on Drugs?

See response to Question 2, above.

c. What steps has your firm taken to address the specific economic harms of the War on Drugs?

See response to Question 2, above.

¹ S. 2860, 118th Cong. (2023).

3. The revised Community Reinvestment Act² sets out new standards for how your firms meet the needs of underserved communities across a variety of outcomes, including access to housing, lending to small businesses, and identifying investment opportunities.³

a. In response to my question, you stated that you would support revised standards to improve equity. What specific steps will your firm be taking to improve equity?

Morgan Stanley continues to evaluate the impact of the new Community Reinvestment Act (“CRA”) regulations on our business and our community reinvestment activities; our goal is to retain our banks’ “Outstanding” CRA ratings under the new rules.

b. Will you commit to ensuring your firm upholds the Act’s standards to the highest levels across all outcomes?

As noted above, Morgan Stanley will strive to retain our banks’ “Outstanding” CRA ratings under the new rules.

c. What specific steps is your firm taking to address the revised standards?

As noted above, Morgan Stanley is still evaluating the impact of the new CRA regulations and have not yet determined what changes we will make to our community reinvestment activities.

4. Black women are the fastest growing set of entrepreneurs in the country⁴, yet companies led by Black women typically receive less than 1% of all venture capital funding.⁵

One organization working to address this problem is the Fearless Fund, which is based out of Atlanta, Georgia, and invests in businesses led by women of color.⁶ The Fearless Fund runs a contest called the “Fearless Strivers Grant Contest” that provides awards to small businesses owned by Black women.⁷

² Federal Register Notice, “Community Reinvestment Act,” Federal Reserve (Oct. 24, 2023), <https://www.federalreserve.gov/aboutthefed/boardmeetings/files/fm-cra-20231024.pdf>.

³ Press Release, *Agencies Issue Final Rule to Strengthen and Modernize Community Reinvestment Act Regulations*, Federal Deposit Insurance Corporation (Oct. 24, 2023), <https://www.fdic.gov/news/press-releases/2023/pr23086.html>

⁴ Elana Dure, *Black Women Are the Fastest Growing Group of Entrepreneurs. But the Job Isn’t Easy.*, JPMorgan Chase & Co. (Oct. 12, 2021), <https://www.jpmorgan.com/insights/business/business-planning/black-women-are-the-fastest-growing-group-of-entrepreneurs-but-the-job-isnt-easy>.

⁵ Shriya Bhattacharya et al., *Meet the 71 Black Women Who Raised \$1 Million or More in VC Funding Since 2021*, Business Insider (Apr. 21, 2023), <https://www.businessinsider.com/black-female-founders-raised-millions-in-vc-this-year-2021-9>.

⁶ About, Fearless Fund, <https://www.fearless.fund/about>.

⁷ Kristen Wright, *A Federal Appeals Court Blocks a Grant Program for Black Female Entrepreneurs*, NPR (Oct. 3, 2023), <https://www.npr.org/2023/10/03/1203221945/affirmative-action-black-female-entrepreneurs>.

Unfortunately, the Fearless Fund has been sued by a group that wants to stop the Strivers Contest.⁸ The man leading this group has also previously sued to overturn portions of the Voting Rights Act as well as affirmative action programs in college admissions.⁹ In October 2023, the 11th Circuit Court of Appeals temporarily blocked the Fearless Fund from continuing to run the Strivers Contest.¹⁰

- a. Do you believe that supporting entrepreneurs from underrepresented backgrounds, such as women of color, is important? Why or why not?

Yes, Morgan Stanley believes it is important to support entrepreneurs from a range of underrepresented backgrounds. Barriers and resource constraints often prevent small businesses from gaining a foothold in the marketplace, causing a gap between available opportunities and diverse entrepreneurs.

- b. What specific steps have you taken to support entrepreneurs from underrepresented backgrounds, such as women of color?

In partnership with our Institute for Inclusion, our Small Business Academy (the “Academy”) equips entrepreneurs with the expertise they need to win business with financial services firms and other sectors. Launched in 2022, the Academy empowers diverse-owned small-business leaders through education, sharing of best practices and mentorship. Firms receive 12 months of ongoing support from a Morgan Stanley mentor and the opportunity to access grants to fuel their growth.

- c. Will your firm commit to supporting organizations that proactively work to support entrepreneurs from underrepresented backgrounds? Why or why not?

Yes. From January 1, 2021, through June 30, 2023, we have made \$25.9 million in grants to the Opportunity Finance Network (“OFN”), the trade association representing the Community Development Financial Institutions (“CDFI”) industry. CDFIs are similar to minority depository institutions in that they are specialized lenders that bring capital to low-income, low-wealth communities. The capital was down-streamed to OFN members with critical needs in low-income communities.

- d. Do you support race-conscious measures to direct resources to underserved communities? Why or why not?

⁸ *Id.*

⁹ Tessa Stuart, *The Conservative Activist Who Brought Down Affirmative Action Has a New Target*, Rolling Stone (Aug. 19, 2023), <https://www.rollingstone.com/politics/politics-features/fearless-fund-vc-fund-edward-blum-affirmative-action-1234808930>.

¹⁰ Wright, *supra* note Error! Bookmark not defined..

As described above, Morgan Stanley contributes resources to underserved communities and expects to continue to do so. In June of 2020, we announced the launch of the Institute for Inclusion to support investments in underserved communities bringing our employees, communities and clients together in a shared commitment to creating a more equitable society.

Questions for Mr. James P. Gorman, CEO of Morgan Stanley, from Senator Elizabeth Warren:

1. The Department of the Treasury (Treasury), recognizing that over 100 U.S. firms and financial institutions have independently made voluntary net-zero commitments in recent years, recently issued its *Principles for Net-Zero Financing and Investing*.¹¹ The principles aim to “promote consistency and credibility in financial institutions’ approaches to these commitments” and reflect that ‘credible’ commitments to net-zero emissions depend on robust net-zero plans that include short- and medium-term targets that align with limiting the increase in global average temperature to 1.5 degrees Celsius, while also ensuring that engagement practices with clients, portfolio companies, and other stakeholders align to these commitments. The principles also establish the importance of transparency, and that financial institutions should publicly disclose progress towards their targets.

a. Has your bank made a net-zero commitment?

Yes, Morgan Stanley has made a commitment to reach net-zero in financed emissions from our lending activities by 2050 and has announced 2030 financed emissions interim targets for three sectors: auto manufacturing, energy and power.

i. If yes, have you ensured that it meets the Principles for Net-Zero Financing & Investing released by Treasury?

Morgan Stanley continues to evaluate the voluntary Principles for Net-Zero Financing and Investing issued by the Department of the Treasury, including considering our net-zero commitments against the voluntary standards.

ii. If no, when do you plan to do so?

See response to Q1(a)(i) above.

b. Do you commit to publicly disclosing progress towards your bank’s short- and long-term targets to limit the increase in global average temperature to 1.5 degrees Celsius?

Morgan Stanley makes annual climate-related public disclosures, including in our most recent 2022 ESG Report.

¹¹ U.S. Department of the Treasury, “Principles for Net-Zero Financing & Investment,” September 2023, <https://home.treasury.gov/system/files/136/NetZeroPrinciples.pdf>.

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- c. Reports list you among a group of banks that “are undermining their commitment to cutting carbon emissions by lobbying against climate regulation.” Is this report accurate and are you lobbying against climate regulations, including the Securities and Exchange Commission’s climate disclosure rule?

Morgan Stanley has not lobbied against the Securities and Exchange Commission’s proposed climate disclosure rule.

- i. Does your public policy engagement contradict net-zero commitments that you have made?

No; see above.

- ii. If yes, do you commit to correcting this discrepancy and aligning your public engagement efforts with your net-zero commitments?

N/A.

2. The International Standards Organization established a merchant category code for gun and ammunition stores in September 2022 (“gun store code”). This year, Visa, MasterCard, American Express, and Discover announced a pause on implementation of the code. The Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation bank examination standards require banks to use accurate merchant category codes when underwriting new merchant clients in order to manage risk. Is your institution able to comply with risk management examination expectations given that you’re not able to assign the gun store code until it is implemented by the payment networks?

Morgan Stanley does not issue credit cards or provide payment services to merchants, and so is not impacted by this issue.

3. To what extent do you provide financial services to and/or invest assets in each of the following:

- a. Retailers that exclusively sell firearms, ammunition, and associated accessories?

Morgan Stanley maintains robust processes for vetting potential business relationships or transactions relating to the sale of firearms and ammunition and the firearms and weapons sector. We have previously reviewed our activities and approach to engaging with firearm entities and firearm trade associations and, as we would do with any client or prospective client, we consider a number of risk-based factors in assessing particular situations.

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- b. Diversified retailers that sell firearms, ammunition, and/or associated accessories, along with other goods?

See response to Question 3(a), above.

- c. Any firearm manufacturers?

See response to Question 3(a), above.

- d. Retailers or manufacturers that sell military-grade assault weapons to civilians (such as the AK47 or AR15 firearm)?

See response to Question 3(a), above.

- e. Do you have any specific criteria for evaluating the appropriateness of providing the financial services or investments noted above?

See response to Question 3(a), above.

4. If your institution provides financial services to firearm manufacturers or retailers, what due diligence do you conduct of financial relationships and transactions involving those entities?

See response to Question 3(a), above.

5. If your institution relies on index funds developed by third-party index providers, what criteria does your institution use to determine whether to exclude a security in an index from your index fund?

Morgan Stanley uses third party indices in a variety of contexts; our review of those indices, including any exclusions (if applicable), is subject to appropriate internal review and control processes.

6. If your institution votes on shareholder resolutions, what have been your votes on any shareholder resolutions focused on firearm manufacturers or retailers in the past five years?

In the past five years across eleven funds/accounts, we voted on two shareholder resolutions focused on firearm manufacturers or retailers. Approximately 2/3 of the votes were with Management’s recommendation and approximately 1/3 of the votes were against Management’s recommendation. In all instances, consistent with our fiduciary duty to our funds/accounts, we voted in accordance with our applicable proxy voting policy.

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- a. If your institution has voted for any such resolutions, has your institution taken any steps to ensure that the companies implemented those resolutions?

No, we did not take any additional steps for implementation of these resolutions.

7. How does your institution assess the market and reputational risk of investing in firearm retailers or manufacturers, even if just through passive investments?

See response to Question 3(a), above.

8. Despite making net-zero commitments, banks are continuing to fund fossil fuel projects, with JP Morgan Chase, Citi, Wells Fargo, Bank of America, Morgan Stanley, and Goldman Sachs among the largest financers of these projects. Meanwhile, major oil and energy are dropping their sustainability pretenses: Shell announced it will not increase spending on renewable energy, Exxon dropped a longstanding biofuel project, and BP rolled back its own pledge to cut greenhouse gas emissions.

- a. What is your company doing to ensure your oil and gas clients are transitioning to clean energy and aligned with your net-zero commitments?

Morgan Stanley aims to meet our climate commitments and contribute to real-economy decarbonization by supporting our clients in achieving their own climate-related commitments. Many of our clients will require capital and expertise to achieve their targets and ensure their business strategies are resilient in a decarbonizing economy. Our clients also face complexities as they transition, and Morgan Stanley is committed to working with them at all stages of their climate journeys.

We seek to work closely with our clients to understand and assess their low-carbon transition plans, the resourcing of their plans and how these plans align with our own climate-related commitments.

- b. Are you currently providing project financing for fossil fuel projects?

See response to Question 8(a), above. Morgan Stanley has an Environmental and Social Policy Statement that outlines the Firm’s commitment and approach to identifying and assessing environmental and social risks, including with respect to fossil fuel transactions.

- i. If so, how much in total project financing for fossil fuel projects have you provided to date in 2023, and in each of the last five calendar years?

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Morgan Stanley declines to provide confidential commercial information.

- ii. Will you commit to ending financing of fossil fuel projects? If so, by what date will you do so?

See response to Question 8(a), above. Morgan Stanley has an Environmental and Social Policy Statement that outlines the Firm’s commitment and approach to identifying and assessing environmental and social risks, including with respect to fossil fuel transactions.

- c. Does your bank have a policy against funding new oil and gas projects?

No. Morgan Stanley has an Environmental and Social Policy Statement that outlines the Firm’s commitment and approach to identifying and assessing environmental and social risks, including with respect to fossil fuel transactions.

- i. If not, will you commit to implementing a policy?

See response to Question 8(b)(ii), above.

- d. How are you evaluating the progress of your oil and gas clients in meeting emissions targets?

See response to Question 8(a), above.

- e. Do you have a plan to reduce exposure to fossil fuel clients that fail to transition in alignment with the goal of meeting net-zero commitments?

The transition to a low-carbon economy will be complex and should be achieved in a way that minimizes the risk of a disorderly transition. Morgan Stanley aims to meet our climate commitments by supporting our clients in achieving their own climate-related commitments. Many of our clients will require capital and expertise to achieve their targets and ensure their business strategies are resilient in a decarbonizing economy. We also recognize that there may be a period of time, while our clients plan and implement their strategies, before we are able to see GHG emissions reductions. Morgan Stanley is committed to working with our clients at all stages of their climate journey.

ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD

Woke Actions & Commitments of the 8 US Global Systemically Important Banks (GSIBs)

	Bank of America	Citigroup	Goldman Sachs	JPMorgan Chase	BNY Mellon	Wells Fargo	Morgan Stanley	State Street
Net Zero Commitments	X	X	X	X	X	X	X	X
ESG Financing	X	X	X	X		X	X	X
DEI Policies	X	X	X	X	X	X	X	X
Guns	X	X		X			X	
Stopping Traditional Energy Lending	X	X	X	X				
Against Georgia Voting Law	X	X	X	X	X	X		
Abortion	X	X	X	X	X	X	X	X
SEC Climate Rule	X						X	
Carbon Tax	X		X	X			X	X
Stopping Arctic Drilling Lending	X	X	X	X		X	X	X



Wall Street's Biggest Banks' CEOs Must Address Key Issues at Senate Banking Committee Hearing

December 5, 2023

For America to work for Main Street Americans, it needs a financial system that supports the real, productive economy, not one engaged in anti-social speculative bonus-boosting activities that are little more than gambling bets. Finance used to be a wealth generation system for the many; too often it is now a wealth extraction mechanism for the few. That is largely due to financiers using their economic power to buy political power and change the rules to enable them to take dangerous, unreasonable risks where they get to keep the profits and shift their losses to the American people.

That's why the CEOs from Wall Street's eight largest banks testifying at the Senate Banking Committee must be made to answer questions about the key issues that are important to Main Street Americans and businesses. Senators must cut through the banks' lobbying, doubletalk, and PR campaigns, often designed to mislead Americans on issues that are vital to their jobs, small businesses, community banks, and the economy. For example, Wall Street's banks have been making wildly exaggerated and fabricated claims about the impact of [long overdue, modest new capital rules](#) that would protect Main Street from Wall Street biggest banks, which have [pocketed \\$1 trillion in earnings over the last 10 years](#) and continued their lawbreaking, racking up [more than \\$9 billion in fines just since May 2022](#).

While Main Street Americans, the banking system, and the economy are still recovering from the 2nd, 3rd, and 4th largest bank collapses in history that happened earlier this year - which also saw the biggest too-big-to-fail bank get even more dangerously bigger - bank CEOs must be forced to have [workable resolution plans](#) so that when they get into trouble they don't cause a crisis and need taxpayer bailouts to prevent a financial crash. If the banks that failed earlier this year had more capital and workable resolution plans, they wouldn't have failed and required bailouts or caused contagion, chaos, and cost the American people more than \$34 billion in bailouts as well as tens of billions more in lost GDP, increased costs of borrowing, and depositor flight.

These banks also have to answer for their failures to properly plan for climate-related financial risks. As insurers act to protect their profits by leaving Main Street even more vulnerable to the climate crisis, [bank CEOs keep blindly lending into those very same high-risk areas that the insurance companies are fleeing](#). The banks have to start including those risks into their planning and regulators have to force them to include them in their capital requirements. Finally, as crypto carnage continues to wreak havoc on those that have chosen to engage with it, it remains as important as ever to ensure that the banking sector remains separate and protected from the lawlessness and speculative frenzy of the crooked crypto industry.

The Truth About Capital

The proposed capital rules apply to less than 40 of the largest and most dangerous megabanks in the country. Properly capitalized megabanks are essential for a strong banking sector, financial system, and economy that empowers Main Street families and businesses. Under-capitalized megabanks threaten all that because the only thing standing between a failing megabank and a taxpayer bailout if not a financial crash is the amount of capital that a megabank has to absorb its own losses. It's like a home buyer's down payment on a house: if the value of the house drops, the homeowner absorbs the first 20% of losses so the lender doesn't have to cover those losses. The down payment protects the lender like capital protects the financial system and the public, which are only at risk after the bank's own capital is depleted.



But what is good for Main Street isn't good Wall Street, in particular for the CEOs and executives who never mention but focus manically on [getting the biggest bonuses possible](#). For instance, the CEO and executives of Silicon Valley Bank (SVB) pocketed tens of millions of dollars in bonuses from taking gigantic risks that caused their bank to collapse. Higher capital would reduce megabank risk-taking and protect Main Street families from the costs those banks shift to the public, but it would also lower their bonuses. That's why bank CEOs and lobbyists are really fighting against higher capital levels.

Of course, they don't say that. Instead, they create smokescreens if not outright lies to conceal their real interests. Basically, they are trying to distract people from the very real dangers of **undercapitalized** megabanks to the fabricated dangers from **overcapitalized** banks. In effect, they are saying if capital is increased, they will have too much capital and that will force them to reduce lending. That is false.

For example, they claim their mortgage lending business will be reduced. However, the megabanks actually do very little mortgage lending. In fact, according to [a Bloomberg story](#) citing Inside Mortgage Finance, no megabank holds more than 3% of the market for originating mortgages. Wells Fargo, the megabank with the most mortgage lending, [said](#) that the capital rules won't "really change much of what we do in the home lending business."

The megabanks also claim an increase in capital will hurt their small business lending, but, again, they only hold a small share of small business lending, relative to their large size. In contrast, community banks are far larger supporters of small businesses than Wall Street megabanks. For example, an FDIC study shows that [community banks account for 36 percent of all small business loans](#), more than double their 15 percent share of the banking industry's total loans. In other words, Wall Street banks have already turned away from small businesses, not because of capital requirements but because of their own business decisions. Furthermore, small businesses do not regard capital as a key problem. The latest National Federation of Independent Business data show that [only 2% of small business owners report that their borrowing needs were not met](#).

The truth is that the increased capital is primarily based on the megabanks high risk, dangerous trading and investment activities (their trading book), not their lending activities to Main Street families and businesses. That's why the Fed estimates that the higher capital requirements will increase the cost of real lending by at most 3 basis points out of 100 basis points, or no more than 0.03 percent. That is a very small increase, and it may not necessarily even mean an increase to the cost of lending at all. It will only result in an increased cost of lending if the banks decide to pass those costs to their borrowers. They could – and should - decide not to pass along these costs to consumers and instead build capital by retaining earnings and reducing dividends, bonuses, and stock buybacks.

The megabanks also claim that they already have enough capital and that they have way more capital than they did in 2008 when their lack of capital [caused the worst financial crash since the Great Crash of 1929](#). However, the benchmark can't be how much more capital the megabanks had based on when it was so extremely dangerously low that it caused a catastrophic financial crash like 2008. The benchmark has to be how much capital should megabanks have to protect the American people from megabanks causing another mega-crash and having to be bailed out again. For example, the root cause of SVB's failure was that it did not have enough capital, relative to its riskiness and the financial stability implications of its failure. Thus, it's not how much capital a megabank had or has, but how much they should have. That's what the new capital rules seek to accomplish.

The megabanks also claim that the capital rules will put them at a competitive disadvantage, causing shadow banks to “dance in the streets.” The claim is that lending will move from the properly capitalized megabanks to undercapitalized systemically significant shadow banks. However, the proposed solution – to not properly capitalize banks, resulting in both banks and nonbanks being not properly capitalized – is nuts and would be the worst of all worlds. The solution is not to dangerously undercapitalize banks; it’s to properly regulate systemically significant shadow banks. That would eliminate any competitive disadvantage and protect against the threats banks face from under-regulated shadow banks. That’s important because, as was evidenced in the crashes of 2008 and 2023, banks are deeply interconnected with nonbanks and, when nonbanks get into trouble, they can and do endanger banks.

Finally, the largest banks *can* afford a capital increase. Not only have they made more than \$1 trillion in earnings in the last 10 years, but they also continue to pay very high dividends, bonuses, and stock buybacks that benefit executives and shareholders. In just the last decade, the four largest banks (JPMorgan Chase, Bank of America, Citi, and Wells Fargo) paid out \$584 billion to shareholders through share buybacks and dividends, representing a whopping 80% of their net income. If they had instead paid out – for example – “just” 70% of their net income they would have had \$58 billion more in capital, which they could have used to make more mortgage and small business loans that they now pretend to care so much about. And, the profits keep coming—in the third quarter of 2023 alone, the [four largest banks reported about \\$30 billion in profit, 45 percent of the banking industry’s total](#).

Read more on capital at these resources below:

- [American Banker Op-Ed](#): Well Capitalized Banks are Good for Everyone, Except Wall Street CEOs
- [Fact Sheet](#): 10 False Claims About Capital
- [Report](#): Policymakers Must Protect the Economy by Strengthening the U.S. Banking System Through Higher Capital Requirements
- [Webpage](#): Standing Up to the Bank Lobbyists on Capital
- [Policy Brief](#): Ten Actions Necessary to Prevent Large Bank Failures, Strengthen the Financial System, and Protect Main Street Families
- [Report](#): Banking Crisis Exemplifies the Fed’s Enforcement Failures: Here’s What to Do About It

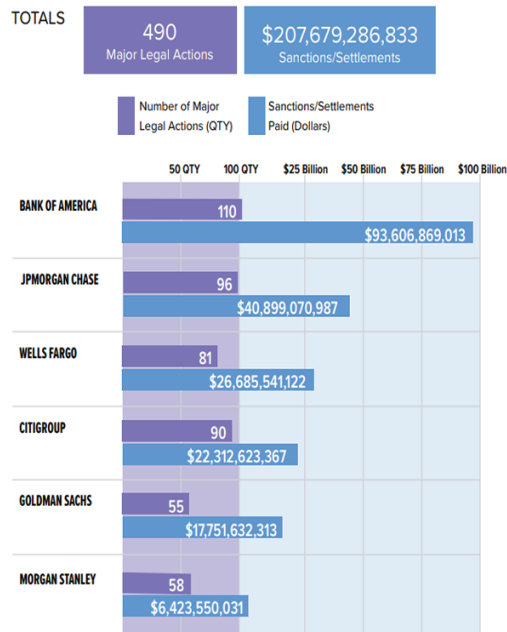
Wall Street Nonstop Law Breaking:

In the last 15 months, the six largest banks, JPMorgan Chase, Bank of America, Citi, Wells Fargo, Goldman Sachs, and Morgan Stanley, have collectively had over 60 new cases which have resulted in over \$9bn in fines arising from the banks’ ripping off, discriminating against, or financially endangering their customers. The CEOs should answer for the lawlessness happening withing their banks. All of these cases brought by the government and by private plaintiffs starkly confirm a core truth about our country’s largest banks. While banks portray themselves as upstanding corporate citizens whose primary mission is to help Americans fulfill their financial dreams, in truth they each have a dark side as unrepentant recidivists, breaking virtually every financial law and rule imaginable, often multiple times. The banks’ ongoing, repeated, and unlawful conduct directly impacts the wallets and lives of Main Street Americans, many of whom are vulnerable and simply unable to bear the losses when they are victimized.

Since 2000, the six megabanks have been involved in almost 500 legal actions resulting in over \$200 billion in



finances and settlements. bank-by-bank snapshot is below:



It is clear that these fines and settlements have been simply inadequate. They have not been nearly enough to punish these banks for their prior illegal behavior or to deter them from engaging in future illegal conduct because the number of violations continues to climb! In fact, it appears that the banks view these fines and settlements—even on the scale of tens of billions of dollars—as just a cost of doing business, a speed bump on the road to ever larger bonuses. That is why those banks keep breaking the law, occasionally getting caught but always buying their way out of serious consequences through sweetheart settlements.

How and why does this keep happening? The answer is three-fold. First, the opportunity to acquire vast corporate and personal wealth in a short period of time is irresistible for too many banks and their executives. Second, enforcement is so infrequent, ineffective, and weak that it virtually rewards past lawbreaking and incentivizes future lawbreaking. In fact, these cases represent a failure of the cops on the Wall Street beat, who are supposed to punish and deter illegal activity in our financial markets. And rarely are high-level bank executives or board members involved in the misconduct held accountable. Third and finally, the banks' lawbreaking is treated as if it were an isolated misstep by a first-time offender, rather than just the latest egregious example of recidivism that would have resulted in any other business in American being shut down as a corrupt if not criminal enterprise.

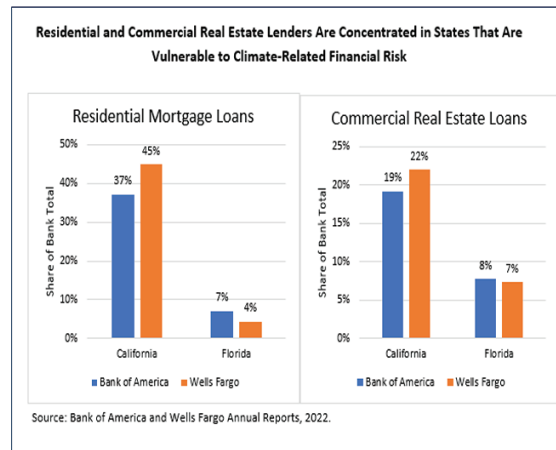
Read more here:

- [Report](#): Wall Street's Ongoing Crime Spree: 2023 Rap Sheet
- [Fact Sheet](#): 2023 Rap Sheet One-Pager

Climate Related Financial Risk:

To limit their losses from climate events, insurance companies are going bankrupt and withdrawing from high-risk markets, including entire states like Florida and California. As a result, consumers and businesses seeking insurance in those states and areas have less choice and face higher costs for insurance, if they can get coverage at all. As this occurs, communities will deteriorate as home values decline, small businesses close, outmigration increases, and uninsured or underinsured consumers and businesses face bankruptcy.

Banks are going to end up bearing much of those climate-related losses because they have large and increasingly concentrated portfolios of loans and other credit instruments to those now uninsured or underinsured real estate properties and businesses. For example, more than one-third of Bank of America and Wells Fargo's residential mortgage loans are in California, as are about one-fifth of their commercial real estate loans are also in California. By definition, therefore, these megabanks are concentrated in high-risk areas that insurers are fleeing.



Additionally, California lost 25% of their insurance providers since 2008. These risks must be properly addressed as the climate crisis continues to worsen and threaten our financial system. The CEOs of these banks must have an adequate plan to account for this risk and ensure that it does not lead to another banking crisis.

Read more here:

- [Report](#): The Unseen Banking Crisis Concealed Behind the Climate Crisis



Crypto and the Banking Industry:

Regulators at the banking agencies withstood enormous political and industry pressure to allow crypto access into the core of the financial and banking system. The only reason the crypto carnage hasn't turned into a financial crisis, crash and bailouts is because those regulators did not allow those interconnections, which is what happened with subprime mortgages (and derivatives, thanks to the CFMA) in the early 2000s leading directly to the 2008 crash.

Crypto's only proven use case is for financing terrorists like Hamas and ISIS, rogue states like North Korea and Iran, enabling sanctions and tax evasion like Russia, and money laundering for criminals and narco-terrorists, as well as lying, cheating, stealing, gambling, and ripping off investors and customers. This lawless industry can exist because contrary to what crypto proponents would have you believe, crypto is not transparent. Indeed: (i) blockchains are anonymous and include no beneficial ownership information; (ii) blockchains can be corrupted by the use of mixers and tumblers; and (iii) centralized or decentralized entities accessing blockchains, and performing off-chain transactions, often are not required to comply with know-your-customer or anti-money laundering and bank secrecy act laws and regulations, like every bank CEO testifying before the Senate Banking Committee must comply with.

Stablecoins – or more accurately [unstablecoins](#) - are another bank-like product that the crypto industry seeks to legitimize through legislation and a connection to the traditional financial system. However, the short history of stablecoins has been characterized by instability, bank-like runs, and tens of billions of dollars in investor losses. The use of the moniker “stablecoin” has become a misnomer in that these financial products are anything but stable. A more appropriate name would be “unstablecoins” considering how susceptible they are to bank-like runs and how often they depeg from their so-called “stable” value. If legislation and regulations break down the barriers between “unstablecoins” and the traditional banking sector, the fallout from these runs will be even more devastating to Main Street Americans and small businesses who chose not to play within the crypto crooks and casinos. It's clear that these risky products must remain separate from banking activity and the traditional financial sector.

Read more here:

- [Fact Sheet](#): Crypto, FTX, Sam Bankman-Fried, SEC, CFTC, Banking Regulators and the Revolving Door
- [Fact Sheet](#): “Un” Stablecoins and Risks to Investors, Consumers, and Economic Productivity
- [Press Release](#): 10 Reasons Not to Enact Crypto's Special Interest Bailout Bill


The logo for Better Markets, featuring a green vertical bar to the left of the text "BETTER MARKETS" in a bold, sans-serif font.

Better Banks | Better Businesses
Better Jobs | Better Economic Growth
Better Lives | Better Communities

Better Markets is a public interest 501(c)(3) non-profit based in Washington, DC that advocates for greater transparency, accountability, and oversight in the domestic and global capital and commodity markets, to protect the American Dream of homes, jobs, savings, education, a secure retirement, and a rising standard of living.

Better Markets fights for the economic security, opportunity, and prosperity of the American people by working to enact financial reform, to prevent another financial crash and the diversion of trillions of taxpayer dollars to bailing out the financial system.

By being a counterweight to Wall Street's biggest financial firms through the policymaking and rulemaking process, Better Markets is supporting pragmatic rules and a strong banking and financial system that enables stability, growth, and broad-based prosperity. Better Markets also fights to refocus finance on the real economy, empower the buy-side and protect investors and consumers.

For press inquiries, please contact us at press@bettermarkets.com or (202) 618-6430.

