

Banks under new pressure

Jeff Whalley From: Herald Sun [May 16, 2012 12:00AM](#)



PEOPLE WALK OUTSIDE JP MORGAN CHASE & CO HEADQUARTERS IN NEW YORK. AFP

CHASTENED Wall Street banking titan JPMorgan Chase has parted ways with its investment chief as it fights to restore its battered reputation.

And its calamitous \$US2 billion trading loss could yet prove the catalyst for a more heavily regulated US banking sector.

The bank announced the key personnel change as it began cleaning house ahead of JPMorgan's outspoken chief executive Jamie Dimon's shareholder presentation overnight at its annual meeting in Tampa, Florida.

Some \$US19 billion has been wiped from its market value in two days as investors abandon the bank, once known as America's safest.

The bank yesterday revealed chief investment officer Ina Drew was leaving - after accepting a \$US32 million payout - to be replaced by executive Matt Zames, who is tipped as a potential successor to Mr Dimon.

But Montgomery Investment Management founder Roger Montgomery yesterday said the blow to the bank's credibility extended to major institutional investors who backed its ill-fated hedging strategy.

"Private investors have long believed major institutions know something they don't - that they have some kind of major knowledge. This shows they don't know anything more than most private investors," he said.

But Mr Montgomery said it would not have a lasting impact on the reputation of the institutionals as "private investors will continue to feel as though they don't know enough about the market".

His comments come as a leading shareholder law firm told Bloomberg it was filing a federal lawsuit against JPMorgan and various bank officials over the trading loss and its effect on the bank's stock price.

Mr Dimon also faces reports that JPMorgan executives, including himself, knew about the problems as early as 2007 and did little to resolve the elaborate gambles being placed on market movements.

US President Barack Obama told America's ABC network that "this is the best, or one of the best managed banks", but added that it shows why more regulation is needed. Bell Potter Securities director of research Peter Quinton agreed, saying the event will fade quickly in the minds of investors but not so quickly in the mind of regulators.