JPMorgan CEO keeps his jobs

Subhead: But FBI probe looms after $2B trading loss
Reporter: Ashante Infantry, Toronto Star
With files from Star wire services

Embattled JPMorgan Chase & Co. chief executive officer and chairman Jamie Dimon may have calmed shareholders enough to keep both his jobs, but the FBI and other branches of the government have reportedly opened a probe into the firm's staggering $2-billion trading loss.
Attendees at the bank's annual shareholders' meeting in Tampa, Fla., on Tuesday, voted against a proposal to split the CEO and chairman roles, but pressured the company to reclaim some of the millions it paid to executives who oversaw the trades.

"We will do the right thing; that may well include clawbacks, " Dimon told reporters. Ina Drew, chief of the unit that racked up the losses, could face disciplinary action. She said Monday she would retire.

The typically verbose Dimon was described as "unusually subdued" at the meeting, and spent just six minutes addressing the financial debacle.

"This should never have happened, " he said of the trade involving complex "synthetic credit" derivative instruments. "I can't justify it. Unfortunately, these mistakes are self-inflicted."

The FBI, U.S. Securities and Exchange Commission and the Federal Reserve are investigating the losses resulting from an ill-timed bet on so-called credit derivatives.

After two days of heavy losses, JPMorgan shares closed at $36.24 (U.S.), up 1.26 per cent. Even so, the stock is down more than 8 per cent since losses were disclosed, wiping out $13.5 billion of market capitalization.

With most of the shareholder ballots cast before last week's revelation of the blunder, Dimon won a non-binding shareholder endorsement of his pay package from last year, which totalled $23 million, with 91 per cent of the vote. Another vote to strip him of the chairman's title won only 40 per cent support compared to 12 per cent when it was on the ballot last year.

Most large American companies combine the jobs of chairman and CEO, but shareholders pushed recently to separate them - a worthy effort, say Canadian experts.

"The chair is responsible for leading the board and making sure it acts in the long-term best interest of the corporation and oversees management of company's growth, whereas the CEO is responsible for leading management, developing and implementing the company's business strategy and reporting to the board; there's an inherent conflict of interest between the two roles, " said **Stephen Erlichman, executive director of the Canadian Coalition for Good Governance**, which successfully pushed publicly traded Canadian companies for independent chairs or lead directors.

Mike Lazaridis and Jim Balsillie generate controversy by governing RIM as co-chairs and co-CEOs, handling technology development and the business side, respectively. Investor agitation resulted in the two relinquishing their roles to allow more independent oversight.

"That's a really good example of when a company gets into trouble it's important for the authority to come with that office of chair and they dragged their feet and were a little late in nominating Barb

Stymiest to be the independent chair, " said Richard Leblanc, professor of Governance, Law & Ethics at York University.

In addition to Dimon's dual roles, he is critical of the makeup of JPMorgan's 12-person board, which includes just two women.

"Eleven of 12 are not from the banking sector, overseeing complex derivates that are very difficult to understand even for professionals, " he said. "Seven of the 12 have been on the board longer than nine years, up to 10, 15, 20 years. And you have a chair and CEO with a very dominant personality; he's brash, arrogant and even pushed back against (Bank of Canada Governor) Mark Carney."