AMERICAN BANKER
On Focus and In Depth

# Big-Bank CEOs Can't Waste Any More Time on Policy Sidelines

Thursday, March 17, 2011

By Barbara A. Rehm, Editor at Large

For a sense of just how rotten the industry's public image is read these e-mail alerts sent Monday by the *New York Times* opinion page: "Another Inside Job. More from the abusive bankers and their political friends," and "The Cheaters and Their Banks. It's going to take more high-profile action against financial institutions to force them out of the tax-cheat racket."

And that wasn't an unusual day. Bank bashing is widespread and brutal. It is time for the CEOs of the largest financial companies to change their strategy.

It is time to accept responsibility. It is time to compromise. It is time to be charitable. But most important it is time to build a business case for why big isn't all bad.

It is not the time to complain that U.S. policy is putting domestic companies at a competitive disadvantage on the global stage. It's not the time to argue your company wants to make loans, but there just isn't a creditworthy borrower out there or the capital requirements are too high. It is not the time to claim your company simply has to pay multimillion-dollar packages to retain talent. It is not the time to threaten moving line of business offshore. It is not time to claim all the new regulations are simply raising costs for consumers. It is not the time to claim you can't write down a mortgage because it might breed "moral hazard." You've been bailed out (whether you liked it or not) so you really aren't in a position to warn about moral hazard.

Notice this is a call to the largest banks; the smaller companies emerged from the crisis with their public reputations largely in tact.

And there are obvious exceptions like Richard Davis at U.S. Bancorp, who is widely respected both for his engagement in public policy and his personal integrity, and Jamie Dimon at JPMorgan Chase & Co., who knows what he believes and isn't afraid to make his case.

Bob Kelly at Bank of New York Mellon also is visible on many policy matters and chairs the industry's trade group for the very largest firms, the Financial Services Forum. (Notice a pattern? These guys all run banks that are outperforming peers.)

But what of Vikram Pandit at Citigroup or Brian Moynihan at Bank of America or John Stumpf at Wells Fargo? What about Lloyd Blankfein at Goldman Sachs or James Gorman at Morgan Stanley? I'd even argue Jim Rohr at PNC, Richard Fairbank at Capital One, Bharat Masrani at TD Bank and Jim Wells at SunTrust should all have higher profiles in Washington, too.

I get why they don't. They are beyond busy. They have legions of lobbyists and pay dues to trade associations to do this work. They simply don't enjoy it and may not even be very good at it. It's much easier (and more fun) to complain that "Washington doesn't get it." Some even think it's beneath them or that nothing they do or say can have an impact.

Does that about cover it? Oh yeah, and because Blankfein may never live down his "doing God's work" remark, no other CEO wants to follow in his foot-in-mouth steps.

But this is the time — as the government writes the rules to implement the Dodd-Frank Act — to come to the policy table.

The CEOs need to make the case that the largest financial companies play a crucial role in the country's economic recovery and job creation. Lawmakers, federal regulators and administration officials must be persuaded that they can and should trust these CEOs to provide honest input as the financial reform rules are written.

If the large-bank CEOs don't engage vigorously, they risk getting rules that fundamentally change the business, that drive costs up and revenues down.

They risk being forced to live with unlivable "living wills," the resolution plans the Federal Deposit Insurance Corp. and the Federal Reserve Board are working on.

They risk being taxed just for being big. They risk the addition of capital surcharges. The list goes on. Dodd-Frank is focused on curbing risk-taking and cares little about returns. It is up to the industry to make a credible case against policies that won't work in the real world.

**Every CEO ought to read Greg Wilson's newly published book, "Managing to the New Regulatory Reality: Doing Business Under the Dodd-Frank Act." Wilson is an independent consultant with experience at both the Treasury and McKinsey & Co.**

**He is a soft-spoken man but the urgency in his voice is unmistakable when he talks about the need to get involved in public policy — before it's too late.**

**"Most CEOs don't get Washington. They'd rather not be bothered; I understand that thinking," he said in an interview. "But I don't think that they have that luxury given what's coming at them in Dodd-Frank."**

**Wilson's prescription: Do the research to build a case for how the banking industry affects both economic growth and job creation. Get the facts behind the cost of coming regulations and the impact they will have on lending.**

**"We've got to get the metrics right and be able to say what we do does matter for GDP and employment," he said. "Put the facts on the table and make arguments in your self-defense. I think the industry needs to step up."**

Financial services could take a page from Big Oil's playbook. Chevron's current ad campaign promotes seven messages like, "Oil Companies Should Put Their Profits to Good Use," and "Oil Companies Need to Get Real." The dedicated website, www.chevron.com/weagree, explains what the company is doing to promote alternative energy, among other universally agreed good things like fighting AIDS.

JPMorgan is the only bank with something comparable.

JPMorgan's "The Way Forward" is the rare example of a financial firm trying to proactively influence the debate in a very public way.

The first thing you see on the website? Dimon saying "We are trying to help this nation move forward any way we can."

The CEO talks about all the ways JPMorgan is helping consumers and businesses, hospitals and municipalities grow. (The company needs to update the video, which cites figures for the first nine months of 2010.)

The campaign's television commercials are excellent: flipping pages of a book come to life as the announcer explains what the bank is doing to help homeowners and small businesses.

Trade associations do have a role to play here and the Financial Services Forum is front and center because it represents the CEOs of the 20 largest financial firms.

The Financial Services Roundtable, which represents the 100 largest firms, created an arm called the Financial Stability Industry Council to work on just these issues.

But as important as trade associations are, nothing beats hearing from a company's CEO, whether it is testimony before Congress, a speech at the National Press Club, a meeting with regulators or an op-ed in the local newspaper. And when a CEO embraces something, the rest of the firm follows suit, whether it's a new product, a diversity goal or having an impact on public policymaking.

The industry should enlist the help of its largest customers to make the case that big U.S. companies need big U.S. banks. Imagine the impact of having the CEOs of Boeing Inc. or Cisco Systems Inc. testifying next to a couple of large financial firm CEOs.

The timing is ripe. The Obama administration has adopted a more open attitude toward big business with the president hiring former JPM executive Bill Daley as his chief of staff and selecting GE chief Jeffrey Immelt to advise him on job creation. With the House now under Republican control, the industry has some natural allies, including House Financial Services Committee Chairman Spencer Bachus, who just sent a letter urging the regulators not to rush Dodd-Frank rulemakings.

Doors in Washington are opening. Bankers should capitalize on the opportunity.

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