HOLDING MEGABANKS ACCOUNTABLE: AN UPDATE ON BANKING PRACTICES, PROGRAMS, AND POLICIES

VIRTUAL HEARING

BEFORE THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTEENTH CONGRESS

FIRST SESSION

MAY 27, 2021

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HOLDING MEGABANKS ACCOUNTABLE: AN UPDATE ON BANKING PRACTICES, PROGRAMS, AND POLICIES

Thursday, May 27, 2021

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

The committee met, pursuant to notice, at 12:04 p.m., via Webex, Hon. Maxine Waters [chairwoman of the committee] presiding.

Members present: Representatives Waters, Maloney, Velazquez, Sherman, Meeks, Scott, Green, Cleaver, Perlmutter, Himes, Beatty, Vargas, Gottheimer, Gonzalez of Texas, Lawson, San Nicolas, Axne, Casten, Pressley, Torres, Lynch, Adams, Tlaib, Dean, Ocasio-Cortez, Garcia of Illinois, Garcia of Texas, Williams of Georgia, Auchincloss; McHenry, Lucas, Sessions, Posey, Luetkemeyer, Huizenga, Wagner, Barr, Williams of Texas, Hill, Emmer, Zeldin, Loudermilk, Mooney, Davidson, Budd, Kustoff, Hollingsworth, Gonzalez of Ohio, Rose, Steil, Timmons, and Taylor.

Chairwoman WATERS. The Financial Services Committee will come to order.

Without objection, the Chair is authorized to declare a recess of the committee at any time.

As a reminder, I ask all Members to keep themselves muted when they are not being recognized by the Chair. The staff has been instructed not to mute Members except where a Member is not being recognized by the Chair and there is inadvertent background noise. Members are also reminded that they may only participate in one remote proceeding at a time. If you are participating today, please keep your camera on, and if you choose to attend a different remote proceeding, please turn your camera off.

Additionally, I want to announce that for this hearing, it is my intention to recess the committee for 5 minutes every 2 hours. Lastly, before we begin, I would like to take a moment to recognize Congresswoman Alma Adams, who is celebrating her 75th birthday today. Happy birthday, Congresswoman Adams.

Ms. ADAMS. Thank you, Madam Chairwoman.

VOICE. Happy Birthday.

Ms. ADAMS. Thank you so much.

[applause]

Chairwoman WATERS. Thank you. I now recognize myself for 4 minutes to give an opening statement.

Good afternoon, everyone. Today, this committee convenes for a hearing entitled, "Holding Megabanks Accountable: An Update on

Banking Practices, Programs, and Policies." And of course, as you know, testifying before the committee today, we will have the CEOs of JPMorgan Chase, Citigroup, Morgan Stanley, Bank of America, Wells Fargo, and Goldman Sachs, who testified before the Senate yesterday, and today's testimony concludes 2 historic days which are a true testament of the accountability that comes from Democratic control of the House and Senate.

As chairwoman of this committee, I have made it a priority to ensure that we are conducting rigorous oversight over megabanks and their activities. We last had all of the megabank CEOs testify before the committee in 2019. Since then, there have been many developments involving megabanks that this committee will be examining today. I am eager to hear about the megabanks' responses to the pandemic crisis, including their provisions for mortgage forbearance, affordable loan modifications, support for extending the foreclosure moratorium, and Paycheck Protection Program (PPP) loans. I am concerned that the institutions led by our witnesses raked in billions of dollars in overdraft fees during the pandemic at a time when so many individuals and families across the country were struggling through no fault of their own.

Additionally, some of our banks prioritized wealthier clients for PPP lending, while processing smaller loans at a much slower rate, or, in some cases, turning small and minority-owned businesses away altogether. We have heard so much about this from all over the country. I have also asked our witnesses to describe their institutions' efforts to reach underserved communities and to address banking deserts, where communities do not have access to a bank branch. The four largest banks have closed thousands of bank branches over the past decade, and I am concerned that this is exacerbating the bank desert problem and harming communities that rely on branches for basic banking services.

This week also marks the tragic anniversary of the murder of George Floyd, a Black man, by White police officers, which focused Americans' attention on racial injustice in this country. The megabanks responded by making a number of large commitments to support Minority Depository Institutions (MDIs) and Community Development Financial Institutions (CDFIs) in communities of color. Given that these banks have repeatedly been found to discriminate against our communities, the CEOs will be asked to explain if their banks are following through on those commitments and to learn what additional actions they will take this year to address the racial disparities that remain pervasive in our banking system. I am also looking forward to hearing from our witnesses about their progress in improving the diversity and inclusion in their senior leadership and on their boards, and their investment in diverse-owned firms. Diverse representation at senior levels is key to ensuring a fair and equitable recovery for all communities.

There are many other topics of interest to this committee that we will address today, including banks' wages for their employees and compensation for their CEOs, their use of emerging technology, such as artificial intelligence or products like cryptocurrency, and the recent growth of megabanks, and megabanks' actions to address climate risk. I look forward to hearing testimony from all of our witnesses today.

I will now recognize the ranking member of the committee, the gentleman from North Carolina, Mr. McHenry, for 4 minutes.

Mr. MCHENRY. Thank you, Madam Chairwoman, and thank you all for being here today. We are here today for the sequel that nobody asked for; in 2019, Democrats held this exact hearing to grill you CEOs on everything from firm size to your salaries. Republicans in that hearing used the hearing to focus on systemic risk issues to our current financial system.

Clearly, none of us could have predicted what would happen just 1 year later. The pandemic presented us with a once-in-a-generation challenge. Congress, the Federal Reserve, and Treasury stood together and met this crisis head on. Your institutions also played a critical role, as did the financial system, generally speaking, banks of all sizes and credit unions of all sizes, and FinTechs, making sure that support was available to families and small businesses. You deserve some credit for that.

So, where are we now? Nearly 50 percent of adult Americans have been fully vaccinated, businesses are starting to reopen, and we should be talking about the amazing recovery that has taken place. But I also am very concerned about some of the troubling data that is starting to emerge. The April data from the Bureau of Labor Statistics showed that employment increased by only 266,000 people. At the same time, we have more than 8 million jobs remaining unfilled. Businesses are struggling to hire workers, and the cost of household goods is rising sharply. Our economy is at a fragile moment right now.

To be clear, I agree that things are looking up, and that is great, but make no mistake, there are some very troubling signs ahead, so our focus must be on jobs and getting people back to work. That is what Republicans are doing. In fact, according to the Bureau of Labor Statistics, 17 out of the 20 States led by Republicans are recovering jobs the fastest, but Democrats seem to have other priorities. Their so-called American Rescue Plan actively discouraged people from returning to work, and now they are preparing to ram through trillions of dollars more in spending and massive tax hikes, all under the guise of, “infrastructure.” Americans are quite literally being forced to pick up the tab for Democrats’ progressive agenda items.

And our witnesses might be wondering what this has to do with them. I think this is a cautionary tale to be careful what you wish for. My colleagues on the other side of the aisle want you bank CEOs to focus on political activism instead of doing what your institutions do best, which is to provide capital and serve customers.

As we learned during COVID, when you mix science and politics, you get politics, and as we are learning now, when you mix business and politics, you get politics. Some may say, come on in, the water is fine, but our political waters are quite troubling, and we don’t need the business world to become the political world. I don’t think we are better for that or our economy is better for that. And shunning law-abiding businesses to appease to the woke left as well won’t help employers, it won’t help our economy recover, and it won’t help the average working person in America. Instead, we should be working together on a shared goal of rebuilding the greatest economy in the world that we had pre-COVID, and moving forward.

Speaking of moving forward, Madam Chairwoman, when will this committee get back to normal? We want to urge normalcy for the American economy and for the American people. For months now, we have gone back and forth about returning to in-person hearings, with the option for Members to join remotely. I think that is a reasonable request again today. I also think the American people we represent would be pretty ticked off if they knew we weren't going back to work for them and not doing what they have to do on a daily basis. I am encouraged by vaccines being widely available and by us being able to follow available safety protocols.

So, CEOs, I look forward to your testimony. I look forward to the questions today, and I am looking forward to all of us getting back to normal as soon as possible, especially Congress getting back to the work of the American people. Thanks so much, and I yield back.

Chairwoman WATERS. Thank you very much. At this point in time, I am going to call on Mr. Perlmutter for 1 minute for an opening statement.

Mr. PERLMUTTER. Thanks, Madam Chairwoman, and I want to thank our panel for their leadership during this pandemic. None of us expected it, and I just thank you for your leadership. The last 15 months have been challenging for our country, but through the leadership of the Biden Administration, 50 percent of Americans are fully or partially vaccinated, and the American Rescue Plan has provided relief to many communities through economic impact payments, help for small businesses, and support for State and local governments. Unfortunately, many Americans remain vulnerable, and there is still uncertainty in our economy.

Financial institutions and their employees have been on the frontlines of delivering PPP loans to small businesses and working with consumers impacted by the pandemic. As chief executive officers, I would like you to focus on two things: first, keeping your institutions safe and sound; and second, ensuring that everyone has access to banking services and all are treated fairly and honestly without fear of abusive practices. With that, I yield back.

Chairwoman WATERS. I now recognize the gentleman from Missouri, Mr. Luetkemeyer, for 1 minute.

Mr. LUETKEMEYER. Thank you, Madam Chairwoman, and thank you to the panel for testifying today. In the past decade, we have seen a trend where the liberal left has tried to use financial institutions to eliminate legally-operating industries they do not like, from gun manufacturers to energy companies. This was first attempted under Operation Choke Point, where financial regulators in the Obama Administration forced banks to cut services to certain industries. While the last Administration largely stopped that, the left now has a new method of accomplishing their goal: publicly naming and shaming financial institutions and applying political pressure to drop companies. In fact, some members of this committee publicly urged you to unbank certain industries at this same hearing in 2019.

Unfortunately, a number of banks represented here today have been all too eager to comply, making them willing participants in the systemic unbanking of legally-operating businesses in this country, in contrast to investments in operations in other parts of the world. Today, I look forward to hearing why. With that, Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you very much. At this time, I ask unanimous consent to respond to an issue, a very important issue that was raised by Mr. McHenry, and to engage him in a small, limited colloquy. I want to thank the ranking member for his comments and his letter. As has been the case throughout the pandemic, the health and safety of Members and staff is of the highest importance. It is my intention to continue to conduct this committee's proceedings in a manner that is safe and in accordance with the most recent advice from medical experts.

Now that we have updated guidance from both the CDC and the Office of the Attending Physician, I am working with staff to think through how we can adjust committee protocols to allow for hybrid committee meetings. I will note that the latest guidance from the Office of the Attending Physician and the corresponding flexibilities around social distancing and mask wearing are specific to those who have been fully vaccinated. Those who have not yet been fully vaccinated or who are vaccine indeterminate are still strongly advised to wear masks and social distance. Further, the updated guidance specifies that there should be continued mask wearing and social distancing in committee meetings due, in part, to the substantial number of people who are not yet fully vaccinated or who are vaccine indeterminate.

Therefore, I look forward to working with the ranking member to ensure that we are verifying the vaccination status of all individuals who are attending in person at committee meetings, including Members and staff. I welcome further conversation with the ranking member on how we can move to hybrid proceedings safely without creating unintended issues, such as additional technical issues or concerns regarding uneven participation, considering we cannot accommodate all Members and persons at this time.

Mr. MCHENRY. Madam Chairwoman?

Chairwoman WATERS. And I will yield to the ranking member for a limited time for this colloquy.

Mr. MCHENRY. Thank you, Madam Chairwoman, for responding in some context to my letter. What I raised in my letter was that this committee operated in person and in a hybrid format before vaccines were distributed to the public, and I am asking the Chair to return to her standard, which was then the case. That was a standard well beyond what the Attending Physician recommended then, and is again the case now. We need to show the American people that we can safely re-emerge. Everyone who wants a vaccine has had the option to get it. In fact, Congress was one of the first branches, the first group of people in the country and in the world who had vaccines available, so all of the Members who want vaccines have had ample time to do this.

And what I am asking is for us to return safely to work as a sign to the American people that we can do our business and get it done. The digital format, as Members and as the public will see today, is a fairly miserable one, given the nature of this technology and with the load on this technology. We were better off with in-person hearings, just how we operate when we have committee markups where we have been hybrid. And the Minority has been quite willing to work with you in the Majority on doing this safely, as we did in the midst of the pandemic before vaccines were available.

So the answers right now, I think, are way too limited, far more limited than what the science indicates, number one. And number two, there is no provision under House Rules by which a Committee Chair or the Speaker of the House can verify somebody's health records, and, in fact, important seminal health privacy laws in this country also guard against that. I am vaccinated, and I am proudly vaccinated, and I think it is the safest vaccine brought to market in global history, and my family has benefited from this.

Let's show that we can actually get back to work and be an example for the American people rather than having this absurdity that we can't be back together safely. And with that, I yield back, and I certainly understand that we can continue this dialogue in the coming days.

Chairwoman WATERS. Absolutely.

Mr. MCHENRY. I thank you, Madam Chairwoman, for raising it, and I yield back.

Chairwoman WATERS. Thank you. I thank you so very much. Yes, we must continue this dialogue. I am very proud to announce that the entire Democratic Caucus has been vaccinated, and I will leave it up to you to deal with your Caucus on how you are going to deal with that.

Mr. MCHENRY. Madam Chairwoman?

Chairwoman WATERS. Yes.

Mr. MCHENRY. On those records, as a Member of Congress, I have expressed that I am vaccinated. I am going to leave it up to Members to talk about their own health status under their own regard. But, Madam Chairwoman, as you and I know, you have one of the best health records in Congress, and you fear no person, so I am confident sitting next to you that I am well-fortified and protected. And with that, I yield back.

Chairwoman WATERS. I am so proud of the Democratic Caucus, and I would hope that you would do everything that you can to encourage the Members of your Caucus to be in the safety mode for all of us, and encourage them to be vaccinated.

Mr. MCHENRY. I have, and I will.

Chairwoman WATERS. I am going to move on to our witnesses now: Mr. Jamie Dimon, the chairman and chief executive officer of JPMorgan Chase and Company; Ms. Jane Fraser, the chief executive officer of Citigroup; Mr. James P. Gorman, the chairman and chief executive officer of Morgan Stanley; Mr. Brian T. Moynihan, the chairman and chief executive officer of Bank of America; Mr. Charles W. Scharf, the chief executive officer and president of Wells Fargo and Company; and Mr. David M. Solomon, the chairman and chief executive officer of Goldman Sachs.

Each of you will have 5 minutes to summarize your testimony. You should be able to see a timer on your screen that will indicate how much time you have left, and a chime will go off at the end of your time. I would ask you to be mindful of the timer and quickly wrap up your testimony if you hear the chime. And without objection, your written statements will be made a part of the record.

Before we began with your oral testimonies, I would like to swear the witnesses in. I will call each of your names individually to respond. Would all of you please raise your right hands? Thank you.

Do you solemnly swear and affirm that the testimony you will give before this committee in the matters now under consideration will be the truth, the whole truth, and nothing but the truth, so help you God? Mr. Dimon?

Mr. DIMON. Yes.

Chairwoman WATERS. Ms. Fraser?

Ms. FRASER. Yes.

Chairwoman WATERS. Mr. Gorman?

Mr. GORMAN. Yes.

Chairwoman WATERS. Mr. Moynihan?

Mr. MOYNIHAN. Yes.

Chairwoman WATERS. Mr. Scharf?

Mr. SCHARF. Yes.

Chairwoman WATERS. Mr. Solomon?

Mr. SOLOMON. Yes.

Chairwoman WATERS. Let the record show that all of the witnesses answered in the affirmative. We will now begin with their oral testimony.

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

TESTIMONY OF JAMIE DIMON, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, JPMORGAN CHASE & CO.

Mr. DIMON. Chairwoman Waters, Ranking Member McHenry, and distinguished members of the committee, I, the proud grandson of Greek immigrants, appreciate the invitation to appear before you to talk about JPMorgan Chase, including the people, businesses, and communities we serve.

We are living through unprecedented times in which history will judge the leaders of government and industry by actions we take to address the health and economic crises and longstanding structural inequities. At JPMorgan Chase, we entered this crisis from a position of strength and leveraged our size and scale to contribute to the stability in our country and ongoing support for the real economy to our customers, employees, and communities impacted by the global crisis.

In 2020, we extended credit and raised capital totaling $2.3 trillion for customers and businesses of all sizes, helping them meet payroll, avoid layoffs, and support operations. We waived fees and delayed payments on about 3 million accounts for customers who said they were affected by COVID, with no questions asked. We waived over $600 million in fees for COVID and non-COVID reasons, including over $400 million in overdraft fees. We funded over 400,000 PPP loans to small businesses, supporting over 3 million jobs for more than $40 billion in total funding. About 90 percent went to businesses with fewer than 20 employees, and around one-third went to businesses in communities of color. Outside of PPP, we provided $18 billion in renewed credit for small businesses.

We committed $250 million in business and philanthropic initiatives with a focus on helping and encouraging small businesses and not-for-profits, and we support our employees, especially our front-line workers, when approximately 75,000 went to work every day, including me, for the most part, and who continue to show up to their jobs in branches, call centers, lock boxes, and other roles that could not be done at home. We gave special payments and additional paid time off, and we continue to pay for regularly-scheduled hours, even when hours were reduced.

There is no doubt that the bold and swift action taken by Congress—you all—the Federal Reserve, and the Administrations over the past 15 months were instrumental in reversing financial panic and avoiding a deep and lasting economic crisis. But the last year exacerbated longstanding inequality, particularly among Black and Latinx families, increasing barriers to wealth creation and holding us back as a country. This is why JPMorgan Chase recently committed an additional $30 billion over 5 years to address racial and economic inequality, focused on expanding affordable housing, growing Black- and Latinx-owned businesses, and improving access to banking. These are new business commitments that will help to drive real change. We have already made solid progress and are on track for our 5-year commitment.

We have refinanced over $2 billion in mortgages for Black and Latinx households, and funded investments and loans for an additional 5,500 multifamily affordable housing units. We have funded over $60 million in investments in nine MDIs. We also opened community center branches in areas like Harlem, Chicago, Minneapolis, and Crenshaw, with many more coming in the next year.

At JPMorgan Chase, we consider our people to be our greatest strength. Our 160,000 U.S. employees are located in 38 States, and soon we will be in 48 contiguous States this summer. Thirty percent of the new branches are opening or located in low- to moderate-income areas, and nearly one-third of all branches are minority census tracts. For the 3rd time in 5 years, this year we increased entry-level wages to $16 to $20 an hour, and we provide annual benefit packages worth about $13,000. Nearly 70 percent of our employees who started before 2017 with a salary of less than $40,000 are still at the company and have experienced an average increase of 40 percent in compensation.

We have also made progress in recruiting, retaining, and promoting ethnically-diverse employees. Over the past 5 years, for example, we have increased the number of Black senior leaders by more than 50 percent and established a new program that holds managers accountable for the diversity priorities through compensation and performance evaluations.

Our country is poised for a strong economic rebound, but we must ensure the economic recovery benefits all and that we address longstanding inequities that threaten the promise of America. Access to affordable healthcare, an education system that is failing too many of our children, crumbling infrastructure, climate change, and racial inequality are just some of the problems challenging our great nation. All of us—government, business, and civic society—must work with a common purpose to address these challenges.

I want to close by thanking our employees for their tireless work and relentless focus on doing what is right for our customers. They have performed their jobs with integrity and commitment to serve our customers and our country. I look forward to working with you all as we shape the future of our country for generations to come. We all share a collective American interest to ensure that we are a country of unlimited opportunity for all. Thank you.

[The prepared statement of Mr. Dimon can be found on page 90 of the appendix.]

Chairwoman WATERS. Thank you very much, Mr. Dimon. We will now go to Ms. Fraser.

TESTIMONY OF JANE FRASER, CHIEF EXECUTIVE OFFICER, CITI

Ms. FRASER. Thank you, Chairwoman Waters, Ranking Member McHenry, and members of the committee, and thank you very much for the opportunity to represent Citi today. By way of introduction, my name is Jane Fraser. I joined the bank 17 years ago, and I became CEO in March. I grew up in a small village in Scotland, but I first came to the U.S. in 1987, and I very proudly became a citizen in 2001. My husband emigrated to the U.S. from Cuba when he was a young boy, and he is also a proud citizen of our country. So, we both feel very fortunate about the opportunities this country has created for our family, and we believe we have an obligation to make sure everyone can participate in the American Dream.

At Citi, we recognize that this has been an incredibly challenging time for Americans, millions of whom we are very proud to call our customers. The origins of this global crisis are very unlike the last one. This is a public health crisis with severe economic consequences for many. Throughout the pandemic, Citi has shown that we are a very different bank than the one that entered the financial crisis more than a decade ago. We are smaller, but we are safer, we are stronger, and we are far less complex. We have had the financial resources to support our clients and communities through COVID, and we are laser-focused on driving a sustainable and an equitable recovery.

I will always be proud that we were the first bank to provide relief programs for retail and small business customers in the United States. We are also proud to be a reliable conduit for the extraordinary consumer and business aid that Congress and the Federal Reserve have provided. We helped deliver this aid across many government-sponsored programs, including the Paycheck Protection Program. As a result of the tremendous need from small businesses, we went from being a relatively small, Small Business Administration (SBA) lender, to so far funding over $5 billion in PPP loans to the hardest-hit small businesses, and nearly 80 percent of these loans have gone to businesses with 10 or fewer employees. And we are donating all of the net profits from the program to provide further support to vulnerable small businesses and communities in the U.S.

And at the same time, we made our own people a priority. We provided special compensation awards and benefits to many of our colleagues to help them ease their personal financial burdens and worries through the crisis.

As the world's most global bank, we will continue supporting many of the most iconic American businesses as they navigate the uncertainty of markets abroad, and working in concert with Federal assistance programs, we are going to continue to serve as a source of strength for our customers and our communities here at home as a very high priority. While we have a smaller branch footprint than our peers, we will harness the full power of our bank's capabilities to extend our reach and to help make sure the recovery leaves no one behind.

We are proud of our record of enabling opportunity in communities. For 11 straight years, we have been the number-one lender of affordable housing in the U.S., and in 2020 alone, we worked with the State and local governments to finance over $27 billion in vital capital projects such as roads, schools, hospitals, and utilities. And through low-cost and no-fee products, we continue expanding financial services in underbanked neighborhoods.

Almost exactly a year ago, as calls for social justice rang out in the wake of George Floyd's murder, Citi answered those calls with action. We launched a firm-wide effort, including a billion dollars in strategic initiatives, to help close the racial wealth gap, and just this morning, we announced a new $200 million program to invest in affordable housing and workforce projects with Black investment managers.

We are not alone in our commitment to equity, but what distinguishes us is how we hold ourselves accountable for results, and where we have more work to do, we are very upfront about it. This is the transparency that has defined our representation goals and our efforts to close our gender pay gap. It is also part of our sustainability agenda and our commitment to net zero emissions by 2050, which I announced on my first day as CEO, because helping our clients transition to a low-carbon economy is going to be central to this work.

I am determined that Citi will continue leading on these issues. They are central to our mission of enabling growth and progress, and I thank you again for the opportunity to talk about Citi's efforts to be part of the solution in the recovery to this pandemic. Thank you very much.

[The prepared statement of Ms. Fraser can be found on page 99 of the appendix.]

Chairwoman WATERS. Thank you, Ms. Fraser. Next, we will go to Mr. Gorman. You are now recognized for 5 minutes to present your oral testimony.

TESTIMONY OF JAMES P. GORMAN, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, MORGAN STANLEY

Mr. GORMAN. Chairwoman Waters, Ranking Member McHenry, and members of the committee, thank you for having me here again today. I am also an immigrant, coming from Australia, and let me tell you, it is a long journey from Melbourne to New York, and I am very proud that I made it and I am now a citizen of this great country.

When we were last here in 2019, none of us could have predicted the extraordinary public health crisis that would unfold around the world. We remain in the midst of the crisis that has caused serious humanitarian and economic issues, leaving an indelible mark on many of us. Our hearts go out to all of those directly and indirectly impacted by this crisis. In response to these extraordinary and challenging times, we were focused on serving our clients and our communities and taking care of our employees.

We helped our corporate and institutional clients raise additional liquidity and obtain financing. We raised over $50 billion of capital for the industry sectors most affected by COVID—the airlines, the cruise ships, the travel industry. Our teams also helped raise healthcare capital for both Moderna and Pfizer, including a sustainable bond issuance by Pfizer, to support patient access to medicines and vaccines, especially among underserved populations. For our retail clients, we guided them to manage their investment portfolios amidst midst extreme volatility.

Today's Morgan Stanley, through its three businesses, provides a stable foundation of support in any market environment. In our institutional business, we are a financial advisor to companies. We help them raise debt and equity capital, from taking companies public to helping them issue bonds, so they can grow and create jobs. We help public sector entities raise municipal financing. We help pension funds, mutual funds, and other financial institutions trade and manage assets. In our other two businesses—wealth and asset management—we manage over $5.6 trillion of assets for households and institutions, including endowments and pension funds that manage the retirements of our teachers, firefighters, and other public service employees. For millions of U.S. households, our services help families save money, whether that be for college payments, retirement, or to put a down payment on their mortgages.

Beyond a day-to-day core businesses, we also support the most vulnerable in our communities through philanthropic and employee engagement. A number of well-publicized events last year led to a heightened and necessary focus on racial and social justice, and a recognition that explicit support and purposeful collective action will be required.

Some of our efforts in the last year included providing grants to minority depository institutions to help them bolster their loan loss reserves in the wake of the pandemic, and to assist minority- and women-owned businesses to ensure an equitable recovery. We also started a program to provide 60 students with full 4-year scholarships to Howard University, Morehouse College, and Spelman College, three of America's leading Historically Black Colleges and Universities (HBCUs).

In addition, we are concerned, like everyone, with how to deal with climate risk over the next decades, which will have a profound socioeconomic effect on our communities. Morgan Stanley recognizes the threat that global climate change poses, and we are working with our clients to find ways to mitigate it.

Finally, early in the pandemic, we committed to making no reductions in our workforce through 2020 to help our employees navigate this crisis, thereby providing reassurance to 70,000 families in a very difficult time. I am proud of that commitment and the commitment our employees have shown to their clients.

Chairwoman Waters, in your letter dated April 30, 2021, you asked me to provide information on 14 topics. In the spirit of brevity, that information is now included in the attached addendum, and I look forward to your questions.

[The prepared statement of Mr. Gorman can be found on page 110 of the appendix.]

Chairwoman WATERS. Can you hear me?

VOICES. Yes.

Chairwoman WATERS. Thank you, Mr. Gorman.

Next, we will go to Mr. Moynihan. You are now recognized for 5 minutes to present your oral testimony.

TESTIMONY OF BRIAN T. MOYNIHAN, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, BANK OF AMERICA

Mr. MOYNIHAN. Chairwoman Waters, Ranking Member McHenry, and distinguished committee members, at Bank of America, we serve 1 in 2 American households, and my 200,000-plus teammates and I take that responsibility very seriously. Our incredible team interacts with clients tens of millions of times a day. We do so through our 4,300 financial centers, one-third of which are located in low- or moderate-income (LMI) communities, 17,000 ATMs, on the phone, and through our digital capabilities with 40 million active digital users.

In 2020, our clients turned to us for support like they hadn't done before. Thanks to years of investment and focus on responsible growth, our teammates were there to support those in need, and through it all, a growing number of clients have placed their trust in us. Since the start of the healthcare crisis, deposits have increased significantly, and our customer base has grown across all of our businesses. We helped our clients and the U.S. economy through the worst economic shock in recent years. For clients in need, we delivered financial assistance through our business-as-usual work and by helping deliver the timely Federal relief programs that you and your colleagues authorized.

We helped nearly 2 million consumers and small businesses defer payments on credit cards, vehicle loans, and home loans. Even with a deferral, the vast majority of these clients remain current on their payments, and that is a good thing. We provided PPP loans to nearly half-a-million small businesses: 83 percent of those loans have gone to businesses with 10 or fewer employees; and nearly 40 percent have gone to businesses in majority-minority communities. We sent millions of emails to help clients understand the program and to encourage them to apply, including targeted outreach to drive awareness to all communities.

Apart from PPP, we remain the largest lender to small businesses in the United States, according to the FDIC, with $35 billion in small business loan balances, 60 percent of which is in LMI communities. We also processed more than $73 billion in stimulus payments authorized by Congress, and took additional steps to help overdrawn clients access their full payment without any offset.

The products and services we provide are central to our clients, to our communities, and to the economy, and we continue to take steps to help our clients with their day-to-day financial needs. And 2020 is a complement to our successful Safe Balance, no overdraft checking account. We launched Balance Assist, a low-cost digital-only alternative to payday-type loans, allowing clients in need to borrow up to $500 for a flat fee with no interest. We also increased investments in our team during the pandemic. We expanded many of our benefits, including support for mental health, free virtual medical consultations, and no-cost coronavirus testing. We offered teammates $100 per day to hire someone to come into their home to take care of their children or their adult dependents. We have funded more than 4 million days of care for our teammates.

We implemented coronavirus testing and daily health screening, and installed wellness fairs in all of our branches. We provided special compensation programs for our teammates, including supplemental pay and enhanced overtime pay, as well as transportation and meal subsidies, and we had no layoffs in 2020.

We ensure that all employees are compensated well. Last year, we increased our minimum hourly wage rate of pay for U.S. teammates to $20, one year earlier than planned, and we have committed to raise that to $25 per hour by 2025. Vendors within the United States are also required to provide wages at or above $15 per hour if they serve us. Today, thousands of vendor employees have benefited by this. Since 2012, we have not increased medical premiums for teammates earning less than $50,000. For 2020, we provided special compensation awards to 97 percent of our talented team globally, the 4th straight year we have done so.

Maintaining our diverse and inclusive workplace also continues to be a priority: 50 percent of our management team and 50 percent of our board of directors is diverse. More than half of our global workforce are women, and 45 percent of our U.S.-based teammates are people of color. We hired and trained more than 10,000 employees from LMI communities in the last 3 years alone.

Finally, over the past year, we increased our investments to support our communities. In June 2020, we accelerated our long-standing work to promote racial equality and economic opportunity to drive investment, jobs, small business, housing, and healthcare to our local communities. We have committed $1.25 billion over 5 years, and have already deployed $350 million of that, including common equity capital investments in 17 MDIs and CDFIs, investments in 90 private equity funds that are both run by minority women entrepreneurs and also focus on minority- and women-owned businesses.

We have distributed 29 million masks and other PPE to underserved communities and community centers. We increased our Home Ownership Assistance Program to raise the goal from $5 billion to $15 billion. We also are accelerating the transition to a low-carbon economy. At Bank of America, we are committed to achieving net zero greenhouse emissions before 2050. We are working alongside and supporting our clients in every industry to help make that transition.

We at Bank of America believe in capitalism and believe it is the best way to solve the challenges facing society. We can deliver for our shareholders and for society. We call that responsible growth. Thank you.

[The prepared statement of Mr. Moynihan can be found on page 136 of the appendix.]

Chairwoman WATERS. Thank you very much, Mr. Moynihan.

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

TESTIMONY OF CHARLES W. SCHARF, CHIEF EXECUTIVE OFFICER AND PRESIDENT, WELLS FARGO & COMPANY

Mr. SCHARF. Chairwoman Waters, Ranking Member McHenry, and members of the committee, good afternoon, and thank you for the opportunity to be here today.

Just over a year ago, I appeared before this committee upon assuming my role as CEO. We were on the verge of a global pandemic, and I cannot help but look back and think how little we understood of what 2020 would bring. When the pandemic struck, we all came together to stand up unprecedented assistance at a scale and speed that had never been done before. Although the process was not perfect, we, the government, and others rallied to do what needed to be done, and now we must continue to work together to ensure a fair and equitable recovery. As we begin taking steps towards recovery, I am proud of Wells Fargo's efforts to support our customers, our employees, and the communities we serve, all while continuing to transform our organization. We believe our country and communities benefit from a strong Wells Fargo.

I am proud that we have been a source of strength for our customers and communities during the toughest of times. They are our core and must remain our priority in all we do. To support our customers during the pandemic, we deferred payments and waived fees for more than 3.7 million consumer and small business accounts to help people make ends meet. We provided over 1 million mortgage forbearances and suspended residential property foreclosures and evictions to keep Americans in their homes. And we acted as a leading lender in the Paycheck Protection Program, funding more than $13.7 billion in aid to small businesses. Over 40 percent of our loans were made to businesses located in low- to moderate-income or majority-minority census tracts.

Recognizing that the goal of the PPP was to provide a lifeline to struggling small businesses, we also took more than the $400 million in fees generated by the program in 2020, and are donating them to our Open for Business Fund, which is allowing us to engage CDFIs, not-for-profits, and others to help businesses manage the economic effects of COVID-19, and we will continue to do our part by working on solutions to tackle the problem of unbanked and underbanked individuals and other efforts to foster an inclusive recovery. We look forward to defeating the impact of the pandemic together, and believe Wells Fargo will play an important role in helping to rebuild a stronger America.

To our employees, I am proud of the work you have done over the past year to support our customers and communities during these uncertain times. We prioritize safety and well-being, and my deepest gratitude goes out to our frontline workers who made it possible to keep branches safely open. We transitioned more than 200,000 employees to remote work last March, and we understood the tremendous strain the pandemic would place on all of our employees and their families. We made special cash awards to approximately 165,0000 employees, offered enhanced support for employees who are parents or caregivers, provided free, voluntary COVID-19 testing for all employees working in a Wells Fargo location, and we offered paid time off to employees for vaccination appointments.

For the communities we serve, we continue to invest in the institutions critical to their success. While we are very encouraged to see signs of improvement, we realize that not all of our communities are benefiting equally in the recovery. That is why Wells Fargo has been working to support a more inclusive economic recovery with a focus on racial and social equity, economic mobility, and investments in low- to moderate-income communities. For example, we are investing in Black-owned Minority Depository Institutions (MDIs) across the country as part of our $50 million commitment to support MDIs, and we have given more than $150 million to CDFIs around the country who are providing grants to hard-hit small businesses. Additionally, last week we announced our Banking Inclusion Initiative, a 10-year commitment to accelerate unbanked individuals' access to affordable mainstream accounts, and helped unbanked communities have easier access to low-cost banking.

We are also committed to helping transition to a low-carbon economy and have set a goal of achieving net zero greenhouse gas emissions, including our financed emissions, by 2050. And finally, for our company, while we still have significant work to do, we are committed to devoting the resources necessary to operate with strong business practices and controls, maintain the highest levels of integrity, and have an appropriate culture in place.

Thank you again for having me, and I look forward to answering your questions.

[The prepared statement of Mr. Scharf can be found on page 167 of the appendix.]

Chairwoman WATERS. Thank you very much, Mr. Scharf. Finally, we will go to Mr. Solomon. You are now recognized for 5 minutes to present your oral testimony.

TESTIMONY OF DAVID M. SOLOMON, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, GOLDMAN SACHS

Mr. SOLOMON. Thank you, Chairwoman Waters, Ranking Member McHenry, and members of the committee. Thank you for giving me the opportunity to speak today.

These last 14 months have been an incredibly challenging time as the pandemic has swept across the world, killing almost 600,000 Americans and plunging us into a steep economic retraction. Even today, our hearts go out to the people of India and others around the world who continue to suffer from this virus. However, because of the swift actions taken by Congress, the Federal Reserve, and others to combat this health and economic crisis, I am optimistic about our future. As more people are vaccinated, the U.S. is poised for a very strong recovery, and I would be remiss if I didn't thank Moderna, Pfizer, Johnson & Johnson, and AstraZeneca for the amazing work they and others have done on lifesaving vaccines.

The banking industry performed well during this crisis, as the Fed's two stress tests in 2020 confirmed. This is due in part to the Dodd-Frank Act and other financial regulations put in place since the 2008 crisis. Goldman Sachs remained well-capitalized both leading up to and throughout the pandemic. Goldman Sachs has more than 40,000 employees, and I continue to be in awe of their resilience. To help them through the pandemic, we gave people an additional 10 days of paid family leave, expanded access to child and adult care, offered free telemedicine, and rolled out a global COVID testing regime. In addition, we have continued to pay our onsite vendor staff, whether they worked or not. That includes our mailroom staff, cafeteria workers, security guards, and janitorial staff.

Over the last year, we experienced historically-elevated levels of client demand, and because we were well-capitalized, we were able to help our corporate clients weather the impact of COVID-19 and position themselves for a post-pandemic recovery.

For our digital bank customers, we launched a COVID Customer Assistance Program, which allowed customers to defer loan payments for 4 months, and credit card payments for 6 months, at no additional cost.

We also found innovative ways to support small businesses. We are not an SBA lender, so we did not participate directly in the Paycheck Protection Program. Instead, we committed $1.4 billion in capital to Community Development Financial Institutions (CDFIs) and mission-driven lenders, who facilitated PPP loans across the country. The capital we deployed with our CDFI partners reached very small businesses, nearly half of which are in minority communities. The average loan size is around $43,000, and the median employee count is two.

In addition, last week we committed another $1 billion in partnership with the SBA and our CDFI partner, Lendistry, to fund approximately 40,000 PPP loans, over half of which will benefit minority-owned businesses. We did this to ensure these applicants were able to have their loans processed and approved before the PPP funds were exhausted. We also continue to support small businesses through our 10,000 Small Businesses program, launched in 2010. Through this program, we provide education by partnering with community colleges, and greater access to capital to thousands of small businesses. Last year, we committed an additional $250 million to serve another 10,000 small business owners. We have also committed an additional $500 million to our program for diverse entrepreneurs, launched with Goldman Sachs.

I now want to focus on three other initiatives that are incredibly important to us. First, we have already achieved more than a 5th of our 10-year target of $750 billion in financing, investing, and advisory activity focused on climate transition and inclusive growth. We have been carbon-neutral across our operation since 2015, and we recently set a goal of net zero carbon emissions in our supply chain by 2030.

Second, we commissioned extensive research on how to mitigate income inequality, which showed that Black women are one of the most marginalized groups in this country. It found that if we can reduce the earnings gap for Black women, we could see U.S. GDP increase by $300 billion a year. In response, we developed a new initiative called One Million Black Women, where we will invest $10 billion over the next 10 years to narrow opportunity gaps for at least 1 million Black women in the United States.

The final initiative relates to our diversity and inclusion. When I became CEO 2½ years ago, I said that this would be a top priority. Since I last testified before Congress, we have made progress. Our board will now have 6 out of 13 directors who are women, 62 percent diverse by race, gender, or sexual orientation. Our newest partner class includes the highest percentage of women and Black partners in our history. In addition, our 2020 Campus Analyst Class in the Americas was 55 percent women and 11 percent Black talent, our highest ever. However, I am not satisfied with where we are, and we continue to work to address this.

Thank you. I would be happy to answer any questions you have.

[The prepared statement of Mr. Solomon can be found on page 182 of the appendix.]

Chairwoman WATERS. Thank you very much, Mr. Solomon. I now recognize myself for 5 minutes for questions.

I am going to go to a question that I had not anticipated at this point, because I wanted to talk about low-cost homes. But let me just ask, we have supported forbearance, and some of you certainly have been very good at doing that. However, we are hearing a lot of concerns from homeowners, many of whom have lived in their homes for 15 or 20 years, and because of the pandemic, they found themselves in difficulty. They were laid off from their jobs, or the jobs closed down, et cetera. They could not afford to pay their mortgages in the same way that they had been doing for many, many years. We had forbearance in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, I believe, and also in the American Relief Plan. That foreclosure moratorium ends around June 30th for those who have been in forbearance. I want to know from each of you, how many of you are going to offer these homeowners an opportunity for loan modifications, real loan modifications? Even if they don't know about them, are you going to initiate them? Are you going to deal with them in ways that will help them save their homes and avoid foreclosure? Let me start right out with Jamie Dimon.

Mr. DIMON. Yes?

Chairwoman WATERS. Can you tell me whether or not you are going to employ the kind of operation such that we won't have to get into a confrontation about that, and we don't have to try and do something in the law? Are you going to initiate this program?

Mr. DIMON. Well, I can't promise you that, because I don't know the details, but we don't like foreclosing on people. We give modifications. We have plans. We will work with everyone, and where appropriate, we will not be foreclosing on people. I do want to point out that some are appropriate, where homes are vacant, where people have been paying for years, their vacation homes, their second homes. So, where appropriate, you can expect us to bend over backwards to help those folks stay in their homes.

Chairwoman WATERS. Thank you very much, Mr. Dimon. I described the kind of homeowner who would be looking for a loan modification. I didn't talk about any houses that were boarded-up and no one was there, and all of that. I took an opportunity to describe that. I am going to hold you to it. Let me go on to Ms. Fraser.

Ms. FRASER. Thank you very much, Chairwoman Waters. We no longer service our own mortgages. We do so with our partners now. We require that they follow GSE and Federal guidelines on these matters, and we only work with people who have good best practices in these—

Chairwoman WATERS. Okay. So, you are going to be offering loan modifications. People don't have to not know about them, you will be offering them, is that right?

Ms. FRASER. We will be ensuring that our partners provide that, yes.

Chairwoman WATERS. Okay. Thank you. Mr. Moynihan?

Mr. MOYNIHAN. Chairwoman Waters, we have already modified a bunch of these loans, and the good news is that a lot of them also have paid off through normal things, a lot of concurrency. Yes, we will continue to modify them, because, as Mr. Dimon said, the last thing we like to do is to take the home of someone who can pay us through foreclosure.

Chairwoman WATERS. Okay. Thank you. I don't have time to continue on that line of questioning, because I want to talk about the fact that the cost of housing is just escalating so much. In my own State of California, it has increased probably about 20 percent, and so it is very difficult for people to be able to get these down payments, et cetera. But I want to ask you about this low-cost housing, housing that is under $100,000. In some of these areas all across the country, in small towns and communities of color, in particular, they can't get loans from your banks, they tell me. I asked you to submit some information on that. Most of you did, but how many of you are absolutely committed to taking a look at this market and understanding that this is a way by which people in low-cost housing can become owners if, in fact, they can get their loans from you? I will go back to Mr. Dimon again.

Mr. DIMON. You raised a very good point with us a couple of days ago, and we are going dig deep into it and see if we can come up with programs that work.

Chairwoman WATERS. Ms. Fraser?

Ms. FRASER. Exactly the same, Chairwoman Waters.

Chairwoman WATERS. Okay. Mr. Moynihan?

Mr. MOYNIHAN. Chairwoman Waters, yes, we are going to take a look at it. You raised a good point, and as we enter some markets with lower-cost housing, we probably will be doing more of them anyway.

Chairwoman WATERS. Mr. Scharf?

Mr. SCHARF. Chairwoman Waters, we do a significant amount of loans under $100,000. We will absolutely look to see if we can do more.

Chairwoman WATERS. Okay. Mr. Gorman?

Mr. GORMAN. It is not really a business, Chairwoman Waters, that we are in. We only did seven loans this year of that size.

Chairwoman WATERS. Okay. Thank you. My time has expired, and I can't get into this any deeper, so I yield back the balance of my time. And I will now call on our ranking member, Mr. McHenry, for 5 minutes.

Mr. MCHENRY. Thank you, Madam Chairwoman, and I want to thank you all for being here in this format. And as I opened, this is a sequel that no one asked for. In the hearing 2 years ago, I don't know that much was learned. We are going to have a similar issue set, but modified by the political discourse of the day. And so, I think of this is as an opportunity for me to ask you important questions about your insight into the economy. We know that through the financial crisis, the banking sector provided important liquidity and played its role in our economy to ensure that lending was possible, that smart underwriting and lending was still possible in the midst of a pandemic. So, I think that is commendable work that your institutions, and banks, and FinTechs, and credit unions put in during the financial crisis.

The question I have for the whole panel is to have the outlook on jobs going forward. We had 8 million unfilled jobs last month. We had a 266,000 net increase in employment, but 8 million jobs unfilled. There is a lot of debate in Washington about why that is happening. I would like to hear from you as experts on the economy about the nature of that. So if we can begin with you, Mr. Scharf, and then you, Mr. Moynihan.

Mr. SCHARF. Congressman, I am not sure I have a great answer as to why that is the case. What I can tell you is what we hear from our clients and what we see ourselves, and what we see from our clients is that their confidence is building and they have very, very good prospects for the second half of the year. Debt levels are down on a corporate basis—

Mr. MCHENRY. But how can you have economic growth if you can't get people to go back to work? That is the fundamental question. Let me move on to you, Mr. Moynihan. Same question.

Mr. MOYNIHAN. Our small business customers—we just completed a survey and the issue raised has come up to the highest level of all of the issues. It was the pandemic, obviously, 6 months ago, and now it has turned to getting workers for the jobs. I think it is a serious concern, and I think that the States and others I talked to are trying to put money to work to train people. And I agree with you, if you think forward about the risk to the economy, it is the inability to get stuff through ports, and it is the inability to get people back to work in a fashion now that the economy is opening up.

Mr. MCHENRY. Ms. Fraser?

Ms. FRASER. Yes, I think we are seeing significant dislocations as the economy normalizes. One of the pieces that will be critical as the savings go back to work and as liquidity that is sitting out there at the moment gets translated into ways that create more employment and new business creation to drive the recovery.

Mr. MCHENRY. Mr. Dimon?

Mr. DIMON. Ranking Member McHenry, I think the reasons are many-fold, including some of the unemployment insurance, including the fact that our schools haven't reopened, and including the fact that people actually have a lot of money and they don't particularly feel like going back to work, but I think you should rest assured—I think we are going to see a completely booming economy. A lot of people are going back to work, and hopefully it will continue for quite a while.

Mr. McHENRY. Thank you for answering that. Now, I have questions about, on the international front, we see the lack of transparency associated with China's lending across the globe. China has resisted international standards set by a body, such as the Paris Club and the Organisation for Economic Co-operation and Development (OECD), an arrangement on officially-supported export credits. We see this globally. Moreover, we see the Federal Reserve has flagged elevated debt levels in China, high real estate valuations, and weaknesses in their financial sector. And what I see is a lack of transparency in their lending and a lack of transparency internationally to their domestic actions. Can you give me further insight into this, and should we believe China? Do you believe that China's lack of transparency and its official financial sector vulnerabilities pose a potential risk to global financial stability? Mr. Solomon, that question is for you, then to you, Mr. Dimon.

Mr. SOLOMON. I appreciate the question, Ranking Member McHenry, and I think you have raised a bunch of issues that are issues that we spend a lot of time thinking about. Transparency in markets is always extremely important, and more transparency is better. I think that we understand that we operate in globally-interconnected markets, so to the degree that some of the issues you highlight do become issues that have an impact on China's economic activity, we will certainly feel it back here in the United States, and it will have a contagion effect. I don't see that at the moment as a likely issue given the recovery they have had coming out of their pandemic, but I think all of these things are things that should be watched and observed closely.

Chairwoman WATERS. The gentleman's time has expired.

Mr. McHENRY. Mr. Dimon, I think you were saved by the bell, and thank you all for testifying.

Chairwoman WATERS. The gentlewoman from New York, Mrs. Maloney, who is also the Chair of the House Committee on Oversight and Reform, is now recognized for 5 minutes.

Mrs. MALONEY. Thank you, Chairwoman Waters, for holding this hearing and for standing up for consumers, and thank you to the panel for participating.

I want to follow up on the questions from Senator Warren about overdraft fees. President Obama signed into law my Credit Card Act, the bill I wrote to end the most abusive practices of the credit card industry.

According to one study, this bill alone is estimated to have saved consumers nearly $12 billion a year. A 2015 CFPB study estimated that it saved consumers $16 billion in the first years of its enactment.

But where we made great progress on topping abusive practices in the credit card market, there is still much work to do on banks' overdraft practices. I plan to soon reintroduce my legislation, the Overdraft Protection Act, to crack down on unfair, predatory overdraft fees.

Bank overdraft fees are outrageously priced, predatory, and beyond the scale of what a reasonable charge should be for this service, and we know that these fees and practices are harming consumers and taking billions out of their pockets.

According to an S&P Global Market article from earlier this year, the larger banks collected $8.8 billion in overdraft fees alone and reported over $147 billion in net income in 2020.

Making these practices even more egregious, overdraft fees hit those who can afford them the least, the hardest. Those who are trapped are often cash-strapped hardworking Americans and college students who are struggling to pay their bills.

And so, that $8.8 billion collected last year is money taken out of the hands of Americans who are trying to just keep food on the table and stay afloat in the middle of our pandemic.

Each bank has slightly different policies, making this even more confusing to consumers. All of your banks, basically, charge around $35 for each overdraft. But the worst of these fees can be on debit card transactions, where the overdraft averages $20, but comes with a $35 fee.

Multiple transactions can quickly add up to where a consumer is charged well over $100 in fees alone.

Let's focus on Wells Fargo. Mr. Scharf, neither Citi nor Bank of America charge overdraft fees on debit card transactions, apparently deciding this practice was not in the best interest of their customers.

I find it curious—why has your bank made the opposite decision, seemingly thinking a sandwich or a cup of coffee at a deli should result in a $35 overdraft fee if they can't afford it?

Mr. SCHARF. I'm sorry. Are you—

Mrs. MALONEY. I am waiting for your answer.

Mr. SCHARF. Congresswoman, we are constantly looking at ways to be more consumer-friendly. We introduced an account last year which has no overdraft fees at all. It is actually one of—probably our most popular account since we have introduced it. So, we have options that are readily available for customers who do not want to overdraft.

We also offer overdraft protection in something called Overdraft Rewind for those who have an account that can overdraft, which allows us to look back 24 hours for a direct deposit coming into that account.

These are things that we have added where we are looking to become more consumer-friendly. But it is, certainly, something that we will continue to look at.

Mrs. MALONEY. When did you introduce your—you have an account that has no overdraft fees?

Mr. SCHARF. We introduced it—

Mrs. MALONEY. I would think that everybody would take that one because I don't think many people want to pay a $35 overdraft fee for a cup of coffee. When did you introduce the program that has no overdraft fees?

Mr. SCHARF. We announced it approximately a year ago, and I believe we have had it in the market for probably 6 months or so. I will get you the specific dates.

Mrs. MALONEY. And how do you inform your customers that they can have this option of not having any overdraft fees?

Mr. SCHARF. It is part of the suite of products that we talk to our customers about on a very regular basis.

Mrs. MALONEY. It seems like everyone would choose that, if it was really possible, and I think everyone likes a good sandwich and a cup of coffee, but not at a cost of $40 or $50, and I feel that these fees are unfair, unaffordable, and unreasonable for all Americans, plain and simple.

Let me ask you, Mr. Scharf, do you think a $35 fee for a $6 debit charge is reasonable?

Chairwoman WATERS. The gentlelady's time has expired. Would you please get back to Mrs. Maloney to answer that question?

With that, we are going to go on to Mrs. Wagner from Missouri. You are recognized for 5 minutes.

Mrs. WAGNER. Thank you, Madam Chairwoman, and I would like to also thank our witnesses for being with us today. It is important to me that public companies such as the ones that you all lead continue to focus less on political agendas and more on what will benefit your investors, your customers, and your workers the most, that is, maximizing profits and shareholder value. I would just like to say that up front.

Mr. Moynihan, and Mr. Dimon, this is for you. The Biden Administration has proposed an increase in the tax rate as high as 28 percent for American businesses and industry, along with many other tax increase measures, all to offset an additional anywhere from $1.7 trillion to $2.3 trillion in government spending.

How would an increased rate impact your ability to support our economic recovery and what sort of burden would American workers and small businesses bear? I will start with Mr. Moynihan's response first.

Mr. MOYNIHAN. Thank you for the question.

I think, starting with your point about what our customers tell us, our small and medium-sized businesses, of which we have many, are worried about tax increases slowing down their ability to invest in employees, invest in new equipment, and be competitive, because many of the small businesses supply into the supply chain for the larger companies in this country. And so, their concern is about that.

When you go to the larger companies, an increase in taxes is a couple of things. One is that their fear is that it will lead them back to put more capital available outside the United States because, frankly, the type of demand, the globalization of the economy provides opportunities that weren't here 30 years ago and I think they are concerned about that. They are also concerned about the impact of prices coming into them from suppliers.

So, yes, I think that is what is on the minds of our customers, and I know that there is a lot of work going on in this body and other bodies regarding the merits of all that. But that is what we hear from our customers.

Mrs. WAGNER. Thank you. I appreciate it.

Mr. Dimon, briefly?

Mr. DIMON. Yes. The Biden tax number has taxes going from 21 percent to 28 percent, which is halfway back to what we think we had in 2017 before the last Tax Act of 1935.

But the tax increase is actually 4 times what the tax decrease was in 2017. You all know the phrase, "the devil is in the details." Well, the details here are all that matter, not the top line of 28 percent.

I have always believed that we need—if you want to have a healthy, growing, competitive America against the rest of the world, you need a global competitive tax rate, because at the margin capital, will be retained and invested overseas, the same cap you want retained and invested over here.

So, I think it would be detrimental to a lot of—I am not worried about banks, per se. It will be detrimental to a lot of companies. It will push a lot of capital overseas. It will be unfortunate. There are better ways to collect taxes that would do less than that.

Mrs. WAGNER. And it would hurt the customers and the clients that you serve every single day?

Mr. DIMON. That is correct.

Mrs. WAGNER. And we must also remember that 55 percent of small businesses are organized as a C-corp. Quickly, would an increased rate allow your firms to be more or less competitive globally?

Mr. Moynihan, more or less competitive?

Mr. MOYNIHAN. I am so sorry.

An increased rate could lead to less competitiveness globally.

Mrs. WAGNER. Mr. Dimon?

Mr. DIMON. They will be less competitive and they will get increasingly worse over time.

Mrs. WAGNER. Thank you.

Mr. Dimon, and Ms. Fraser, would you describe the challenges your firms face in terms of global competition? Specifically, how does China factor into those challenges as a global competitor?

I will start with Ms. Fraser's response, please?

Ms. FRASER. Thank you very much.

China is playing an increasing role in the global financial system, and I think it is very important that preserving American multinationals abroad and, indeed, the U.S. Government and other entities that the important flows of foreign exchange, trade, cash management, and, indeed, the access of global investors, the U.S. market happens on American rails and not on another country's. I think it is of strategic importance for our multinational companies and those working abroad.

Mrs. WAGNER. Mr. Solomon and Mr. Gorman, discussions around a financial tax transaction tax have increased over the last several months. I am concerned about the harm that this tax would do to our Main Street investors saving for college or retirement.

What adverse effects would this type of tax create within our financial system, Mr. Solomon? And I have very limited time.

Mr. SOLOMON. It impacts investors and it would impact investor activity, Congresswoman.

Mrs. WAGNER. If I could, Madam Chairwoman, I have run out of time. I would ask for Mr. Solomon and Mr. Gorman to send me a written response, if they wouldn't mind, on the concept of this financial transaction tax.

I thank you, and I yield back.

Chairwoman WATERS. Thank you very much.

The gentlewoman from New York, Ms. Velazquez, who is also the Chair of the House Committee on Small Business, is now recognized for 5 minutes.

Ms. VELAZQUEZ. Thank you, Madam Chairwoman.

Mr. Dimon, I would like to address my first question to you. In addition to being a senior member of this committee, as mentioned by the Chair, I am also the Chair of the House Small Business Committee, which has primary jurisdiction over the Paycheck Protection Program.

Despite making several changes to the program between the first round and the second round to make it easier for LMI small businesses to access funding, and including a specific set-aside for borrowers located in LMI areas, the number of PPP loans issued by JPMorgan in LMI communities actually decreased.

In round one, your bank issued approximately 58,000 loans to LMI small businesses, while in round two, you only issued approximately 14,000. Can you explain this decrease?

Mr. DIMON. We were the largest lender in PPP. We loan as much as we can, everywhere we can, according to government guidelines.

Ninety percent of the loans in the first round went to companies of less than 20 employees, and we reached out everywhere to LMI communities. I will get you the exact numbers, but I think we did a fairly good job at it. I would like to add to the—

Ms. VELAZQUEZ. Well, I do have the numbers. I do have the data because I am the Chair of the Small Business Committee, and I work with the SBA. In fact, we held a hearing yesterday.

So my question to you is, despite the fact that we put aside a set-aside for just lending to LMI small businesses, your bank not only decreased the number, compared to the first tranche and the second tranche, but also the size of those loans.

It went down from approximately $120,000 in round one to $80,000 in round two at the exact time we all knew that small businesses in LMI communities were starving for capital, and despite how hard they worked at applying for those loans.

So, it doesn't seem to me that your bank was doing everything it could to reach these businesses.

Mr. DIMON. Well, we did, and we reached out everywhere we could. There was less demand. The second program was smaller, and then we went at it in other ways, too. We invested $70 million in MDIs.

We invested in some of the Latinx banks. We reached out to CDFIs. We begged them to help us find more people. So, we did everything we could reasonably do and we always try to do the best we can.

Ms. VELAZQUEZ. Well, sir, the numbers showed otherwise, and those numbers change in LMI communities when we worked and brought in mission-based lenders such as CDFIs, CDCs, micro lenders.

I hope that we can do a better job in reaching out to those businesses that are starting to get access to capital.

Ms. Fraser, when we held this hearing 2 years ago, I questioned your predecessor on Citigroup's CEO pay ratio, which was the largest of any bank testifying that day, a remarkable 486–1 ratio.

Can you explain how you are working to reduce this ratio? And in your explanation, can you discuss not only the CEO side of the equation but the median employee compensation side as well?

Ms. FRASER. Thank you very much for the question.

Yes, I want to start by saying I completely appreciate how fortunate I am for the compensation that I do get as the new CEO at Citi.

We want to make sure that our employees have a fair competitive wage, that they have the opportunity to grow inside our company, that we provide them development opportunities, and also provide them the different benefits that they need to support their families and for all of the challenges during COVID and beyond.

The different things that we are looking at are the programs that we can put in place to support our employees' growth in their compensation, going forward.

Ms. VELAZQUEZ. I yield back, Madam Chairwoman.

Chairwoman WATERS. Thank you very much. The gentlelady's time has expired.

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

Mr. LUETKEMEYER. Thank you, Madam Chairwoman.

As the largest financial institutions in the country, we understand it was for $8.3 trillion in credit last year, which is a testament to your ability to advance our economy, and I am very thankful for that, quite frankly.

However, when you all decide to boycott industries, you use your size and power to put companies out of business. What is worse is that these decisions, clearly, are not made as a matter of conscience.

Your investments in China prove that. These decisions are being made to pacify political activists who want to do what the law cannot do, which is shut down legal American businesses.

By complying, you are no longer supporting our economy, but actively working against it, I would argue. To that end, there is a report that all of you have put out, "The Environmental, Social and Governance Report," where you publicly acclaim the actions of your bank in these different areas.

Five of the six reports of your institutions specifically mentioned moving away from coal financing and investing in other things. There was an article that came out in Bloomberg titled, "Goldman, Citi Lead U.S. Banks Plowing Billions into China." Specifically, JPMorgan and Citi, $21 billion; Goldman Sachs, $17 billion; Bank of America, $13 billion; and Morgan Stanley and Wells Fargo, $4 billion.

To that end, it is worth noting that in the ESG reports condemning the coal industry, only Goldman Sachs mentioned China in terms of carbon emissions.

Ms. Fraser, a quick question for you. Is coal, and drilling for oil and gas, illegal?

Ms. FRASER. No, it is not illegal.

Mr. LUETKEMEYER. Are you taking similar actions in China to what you are doing in the United States by boycotting specific industries and putting pressure on companies to change their business model?

Ms. FRASER. We are supporting the clients that we serve, multinationals and local companies, to make the transition to lower carbon technologies, mindful that different industries are at different stages of doing so.

Mr. LUETKEMEYER. So, you are probably not. Is that what you are telling me?

Ms. FRASER. Correct.

Mr. LUETKEMEYER. Okay.

Mr. Gorman, Morgan Stanley has about $4 billion. Same question, is mining coal and drilling for oil and gas illegal?

Mr. GORMAN. No, it is not.

Mr. LUETKEMEYER. Are you taking similar action in China that you are doing here with boycotting specific industries and putting pressure on companies to change their business model?

Mr. GORMAN. We continue to support coal—existing coal businesses around the world. We are not financing new coal businesses in any country in the world. That all goes to our franchise committee.

Mr. LUETKEMEYER. Thank you for that.

In addition to the ESG reports, each of your institutions has published statements on human rights which include actions your companies are taking to improve human rights around the globe. I want to point out that not one of your statements on human rights mentions China. Not one single company mentioned China in your human rights statement.

The State Department has a statement out with regards to what is going on in China, which is widely reported, the kind of religious genocide that is going on, the horrible torture and other things that are going on with minority religious groups over there.

And now, even the Administration, in the last couple of days, has acknowledged the development of the COVID virus at Wuhan labs and is going to go after that, which was done, obviously, for nefarious purposes.

Mr. Solomon, Goldman Sachs has been in China since 1994, and has $17 billion in investments there. Do you intend to alter your business in China as a result of these human rights violations?

Mr. SOLOMON. Congressman, I appreciate the question, and first and foremost, we are an American company, but we operate on a global basis.

I think the bilateral relationship between the U.S. and China is incredibly complex. There are places where, obviously, we cooperate, and there are places where we are confrontational. We try to navigate that in an appropriate way and stay engaged with our clients around the globe.

Mr. LUETKEMEYER. So is the lure of profits that great that you will turn your eye to the human tragedies and sufferings that are going on in China by their government and the Communist Party, which is one and the same, which is whom you have dealt with for the last almost 30 years here?

Mr. SOLOMON. We, I think, look at this broadly as a complex relationship. I saw recently that Secretary of State Blinken said that we have to at all times be competitive, collaborative, and adversarial.

Our clients are U.S. companies that we serve, Congressman, operating in China, and we try to serve them in that context. We think it is better to stay engaged than not.

But we will follow very closely what you all do as legislators in terms of how U.S. companies should be engaged around the world and we take that very seriously.

Mr. LUETKEMEYER. Mr. Dimon, would you like to answer the same question? Do you intend to alter your business in China because of these human atrocities that are going on?

Mr. DIMON. We operate in over 100 countries, and we operate under the law of the land in each of those countries, and under the law of America's—

Mr. LUETKEMEYER. Even though the law of the land is the Communist Party law?

Mr. DIMON. No, but we follow the foreign policy of the United States of America, which is your policies. We follow engagement with your policies—

Mr. LUETKEMEYER. Foreign policy in the Trump Administration was to get out of China.

Mr. DIMON. —and when you tell us not to, we don't, like Cuba, how we do business with Russia. We follow exactly what you tell us to do because we are patriots just like the rest of you on this call.

Mr. LUETKEMEYER. I think the previous Administration—

Chairwoman WATERS. The gentleman's time has expired.

Mr. LUETKEMEYER. —was focused on getting China—cutting trade ties and getting the trade deficit down. Thank you very much. I yield back.

Chairwoman WATERS. The gentleman from California, Mr. Sherman, who is also the Chair of our Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets, is now recognized for 5 minutes.

Mr. SHERMAN. In 2008, the financial system caused a horrendous crisis that devastated our country. Democrats responded by changing the regulatory system, particularly with the Dodd-Frank Act.

Now, the financial system has survived the greatest stress test that I could have imagined. It did not cause this crisis and it has shown resiliency during this crisis.

That is, in part, because of the regulatory changes that we made and it is in part because of the stewardship of some of the executives who are before us today.

We now face another systemic crisis that is, certainly, not at the same level of COVID, and that is the London Interbank Offered Rate (LIBOR). We can solve this in advance and avoid the problem. My colleagues have heard me talk about this again and again.

We have several trillion dollars of instruments outstanding, where next year or in the following year you will not be able to calculate the amount of interest that is due because they are tied to the LIBOR rate that the folks in London will no longer publish.

So I will ask each of you, and I am going to ask you to answer in one word. Do you feel that Federal legislation is warranted to deal with the financial and legal fallout that will occur if we don't have a replacement rate for LIBOR?

Mr. Dimon?

Mr. DIMON. Yes.

Mr. SHERMAN. Ms. Fraser?

Ms. FRASER. Absolutely. Yes.

Mr. SHERMAN. Mr. Gorman?

Mr. GORMAN. Yes.

Mr. SHERMAN. Mr. Moynihan?

Mr. MOYNIHAN. Yes.

Mr. SHERMAN. Mr. Scharf?

Mr. SCHARF. Yes.

Mr. SHERMAN. Mr. Solomon?

Mr. SOLOMON. Yes.

Mr. SHERMAN. Thank you.

Mr. Solomon, Archegos put a light on total default swaps in family offices. We have and had in this country a limitation on margin lending. You have to put up half of the money, and that has been the rule, basically, my entire long lifetime.

But we saw the Archegos family office get 9:1 leverage by using the total return swap, and so my question is, should we allow the average Robinhood investor to get 9:1 leverage?

Should we prevent Archegos and the other well-connected and wealthy institutions from getting more than 1:1 leverage by banning the total return swap and similar devices? Or should we have one rule for Robinhood and another rule for the Sheriff of Nottingham and his family office?

Mr. SOLOMON. I appreciate the question, Congressman, and I think that this is an area that I know people are looking at closely, and I think it is probably a good thing to continue to look at it.

I think the big thing I would focus on is transparency, and I think one of the things that would be interesting is to update the disclosure regime around the different, more moderate ownership disclosure.

Mr. SHERMAN. Mr. Solomon, I asked the question. It is not very transparent. If you are a Robinhood customer, you get 1:1 leverage.

If you can negotiate a total default swap because you are big, you can get 8:1, 9:1 leverage. That is transparent. The question I asked you is should we stop it, and your response was, well, we should disclose it.

My question is, should we have the same rule for Robinhood as the Sheriff of Nottingham in his family office?

Mr. SOLOMON. I think when you look at institutional participants in markets, the variety of ways where people can get leverage that is more than 1:1, generally, for just straight stock ownership, straight-up cash stock ownership, whether retail or institutional, if you are looking at straight margin Reg T margin rules, it is 1:1. Generally speaking, individuals—

Mr. SHERMAN. Reclaiming my time, the total default swap is a way to have all of the economic benefits of stock ownership and obey the rules.

I am going to try to squeeze in one more question for Mr. Scharf, and that is, we see that a trillion dollars of Federal taxes go unpaid by the top 1 percent.

President Biden has indicated, along with his Treasury Secretary, that to collect that, we need more reports from banks.

If those are legally required, are you prepared to cooperate and not only disclose the taxable income but the transactions required?

Mr. SCHARF. Congressman, we will do whatever is legally required.

Mr. SHERMAN. Thank you.

Chairwoman WATERS. Thank you very much.

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

Mr. LUCAS. Thank you, Madam Chairwoman.

Forty years ago as a young man, I was trying to get into the farming business, and I went through the inflationary period in the late 1970s and early 1980s, very exposed, operating in debt, interest rate controls had gone off. It was a wild ride.

That brings me to where we are 40 years later. Over the past several months, we have experienced a surge in commodity prices, crude oil, natural gas, corn, soybeans, wheat, materials like lumber and cotton. What do you believe has been driving this rise in prices and do you expect this to be sustained for some time to come?

I would first like to turn to Mr. Solomon and Mr. Gorman.

Mr. SOLOMON. Thank you. Thank you, Congressman. I appreciate the question. It is, certainly, something that we have been spending a meaningful amount of time thinking about.

I think there are a number of factors that have been affecting commodity prices, and I think, as you stand back and look, the shutdown of the pandemic and the dramatic contraction of the economy had a profound contracting effect and now we are opening up very quickly.

And so, we have the combination of demand picking up very quickly and supply production and availability and supply chains and distribution chains not being as full as they would normally be.

That is, obviously, leading to inflation in prices. I think what is hard to see at this point is whether or not it is going to be transitory or whether or not it will continue or be more sustained.

I do think it is something to watch very carefully and the speed of recovery—the recovery, combined with other fiscal actions or monetary actions we take, will obviously have an impact on this.

Hopefully, the Fed can manage appropriately as we go forward in what is, obviously, going to be a strong economic pickup from the demand perspective.

Mr. LUCAS. Mr. Solomon?

Mr. GORMAN. Representative Lucas, thank you also, for the question. And coming from a long line of farmers from the Outback in Australia, where wheat and sheep were the family products, I have a lot of sympathy for the space.

Commodity prices are simply a function of supply and demand. We have had interrupted supply, we have had a global recession, and now we are getting extraordinary demand. We have never had this kind of global synchronized growth that we are going through now.

So, you are going to see surges in prices. But as more capacity is brought online, whether it is oil rigs or more mining around the world, these things rebalance. But right now, we are in a surge.

Mr. LUCAS. I am just a little nervous, having increased the national debt from, what, $20 trillion a year-and-a-half ago, to $28 trillion. That seems like a rather expensive increase in the monetary supply, and as the economy picks up, and what is the term, velocity of circulation, increases, I am just nervous.

Anyone under 60 did not live through that period. But when Mr. Volcker decided to wring it out of the economy, it almost wrung a lot of us out of existence.

That said, I have a second question. As Congresswoman Wagner discussed, the Biden Administration has proposed more than $4 trillion in spending for the American Jobs Plan and the American Families Plan, which the Administration plans to finance by hiking corporate and individual taxes.

The Administration has also proposed a global minimum corporate tax rate. While we should level the playing field for U.S. businesses, some argue that global minimal corporate tax rates would be disadvantageous to U.S. companies.

Mr. Dimon, could you comment on this concern and how feasible this proposal would be to actually achieve a global tax rate?

Mr. DIMON. Yes. America would be the only country, I think, in the world that would have what you would call a global tax rate.

I pointed out earlier that going from 21 to 28 percent isn't the issue, because people say it's halfway back to what the tax cuts were. But the tax increase because of something like that is actually 4 times the tax cut of 2017.

There is no question in my mind at the margin—not for every decision made, but at the margin that will drive capital and, eventually, brains and R&D and investment overseas, that would be a mistake for America.

Mr. LUCAS. Ms. Fraser, could you share your thoughts on how feasible a global minimum corporate tax rate is?

Ms. FRASER. I think it is very hard to get other countries to sign on to an equivalent program, and despite some optimism of doing so, I think that will be extremely difficult.

And, therefore, it could put the U.S. in a position of being less competitive around the world.

Mr. LUCAS. My background, and representing an agriculture and an energy industry kind of a district, those international markets are critically important for us, and we have gone through trade wars beyond belief for the last 50 years trying to have fair access and to be able to compete.

I am just very sensitive about undoing the progress we have made, just as I am very sensitive about setting off a Carter-era kind of inflation wave, too.

Thank you for your comments, and I yield back the balance of my time, Madam Chairwoman.

Chairwoman WATERS. Thank you. Thank you very much.

The gentleman from New York, Mr. Meeks, who is also the Chair of the House Committee on Foreign Affairs, is now recognized for 5 minutes.

Mr. MEEKS. Thank you, Madam Chairwoman. Thank you for having this important hearing.

Institutional investors are monitoring racial and equity commitments. For example, BlackRock announced in April that they plan to conduct a racial equity audit to integrate equity and inclusion into all aspects of their business model.

Additionally, here in New York, the New York State Comptroller announced in February that the State's retirement fund will submit shareholder proposals on conducting racial equity audits, including calls upon Amazon to conduct such an audit.

However, many of you seem to disagree with this idea. So let me ask Mr. Dimon, JPMorgan's proxy statement states that, "Conducting a racial equity audit would not provide us with useful additional information."

And, Ms. Fraser, similarly, we have heard that Citi recently urged its shareholders to vote against a similar proposal. So, both Mr. Dimon and Ms. Fraser, could you elaborate on your opposition to independent racial equity audits?

Mr. DIMON. I will start. We are devoted to the principle of trying to do a better job for the Black and Latinx community.

We have announced an extraordinary amount of programs that you are welcome to come and look at, from community branches—I just visited one in Harlem—to $30 billion for affordable housing and mortgages for Black folks, for small business enterprise, for getting kids through high school, it is pretty extraordinary. It is pretty global.

I think a lot of the other companies do it, too. We are doubling down after the murder of George Floyd. So, the company is completely devoted, and we report it out. That is completely different than the bureaucracy and BS of having outside orders come in to certify something. I would rather take our time and our effort, put in the effort.

If there are best practices that we can learn from, we will learn from them. But this kind of thing is not going to make it much better over time. It just adds another whole layer of unnecessary cost.

Ms. FRASER. And from the Citi end, we feel we have been very transparent. We just put out another very extensive update on our billion-dollar action for racial equity plan, and it covers all different dimensions of the bank's activities, both inside the bank and outside, many of which are verified by third parties.

So, we didn't think it was necessary to have a separate audit. But it is something that we are looking at again, given that it was brought up by our shareholders.

Mr. MEEKS. Yes. I think it is something, and in reply to Mr. Dimon, you say it is not unless you can verify something with an independent audit.

I have seen in my time here, for example, internal audits, like what happened to Exxon on something that wasn't verified.

If you are having someone come in independently to verify what is going on, then it is something that is trustworthy, not something that may be just in favor of a particular company or financial institution.

And that is why independent audits for various institutions are always important, just as an independent audit on whether or not these commitments are lived up to.

But I just have a minute. I am pleased to hear that many of you have committed significant capital investments towards Minority Depository Institutions, and I have really been encouraging such investments over the past few years, along with Mr. Green and

Chairwoman Waters and a number of other members of this committee.

And I would love to hear more about the implementation, because a commitment to invest is very different from an agreement to invest, and I will be asking all of you for written responses to this question.

But in the meantime, Mr. Scharf and Mr. Moynihan, can you let this committee know whether or not your public commitments to invest in MDIs have or will result in direct agreements with these institutions?

Mr. Scharf?

Mr. SCHARF. Congressman, we have agreements with 13 Black-owned Minority Depository Institutions, representing $50 million of equity commitments, and that is separate from the commitments that we have made to the CDFIs, where we have committed another $250 million and we have already given out $150 million of that $250 million.

Mr. MEEKS. Mr. Moynihan?

Mr. MOYNIHAN. Congressman Meeks, we have completed and the money is in common equity for 17 institutions today up to 5 percent, based on what they wanted. And we have made offers to the other 120 or so that are out there.

We, similarly, look at investing in them. Many don't need the money and told us they don't want the equity. So we have gone, literally, institution by institution to make the investments.

Mr. MEEKS. I am out of time. I yield back, Madam Chairwoman.

Chairwoman WATERS. Thank you very much.

The gentleman from Michigan, Mr. Huizenga, is now recognized for 5 minutes.

Mr. HUIZENGA. Thank you, Madam Chairwoman, and to all of the participants, I intend to touch on a few issues that my previous colleagues have touched on, but I also want to explore some other things.

And to Ms. Fraser, congratulations, and welcome to the frying pan. I want to talk a little bit, and I would like to hear, very quickly, from each one of you, what do you see as the greatest threat to our financial system right now and to your company as well?

Mr. Moynihan?

Mr. MOYNIHAN. As a financial institution, the number-one question is, what is the economy going to do, because as you know—

Mr. HUIZENGA. The economy. Okay.

Mr. MOYNIHAN. Yes, sir.

Mr. HUIZENGA. Okay. I need it to be really brief.

Ms. Fraser?

Ms. FRASER. Cyber security, given that much of the private infrastructure sits in or the infrastructure sits in private hands.

Mr. HUIZENGA. Okay.

Mr. Solomon?

Mr. SOLOMON. I would highlight three things we are focused on: cyber; central clearing risk; and growing government debt around the world.

Mr. HUIZENGA. Okay.

Mr. Dimon?

Mr. DIMON. Public policy not being properly executed in the United States of America, which means we may not be able to take a leadership role in the world for the rest of our lives.

Mr. HUIZENGA. Okay. What does that mean exactly?

Mr. DIMON. I think we have done public policy not particularly well. Whether because of infrastructure, immigration, healthcare, taxation, regulation, we have stifled the formation of small business. American leadership really matters. If we don't get our economic act together, we won't be a leader in 20 years.

Mr. HUIZENGA. Okay.

Mr. Gorman?

Mr. GORMAN. Narrow cyber and, specifically, the potential impact on consumer data and data privacy.

Mr. HUIZENGA. Mr. Scharf?

Mr. SCHARF. Cyber.

Mr. HUIZENGA. Okay. So to paraphrase my friend, Mr. Perlmutter, in his opening, one of his goals is, basically, to have safe and sound lending and banking for everyone. I wholeheartedly agree.

What is interesting to me, though, is that only Mr. Dimon came close to talking about sort of the social issues side of things. Yet, all of you have indicated that by 2050, you intend to be at a zero emission scheme within your banking system.

Mr. Solomon, I guess you have outdone everybody by saying, 2025. And I am curious, I didn't hear, "climate" in any of that. The closest, again, was Mr. Dimon.

But why are you putting so much time and effort into this? Mr. Dimon, you were just expressing why you felt frustrated that you would have to be going through formal audits of these things because it is not necessarily productive. And I am very concerned about the pressure that you all are receiving as CEOs and as an organization.

By the way, I am curious, I would like to hear from everybody, very quickly, whether you are banking in Taiwan or not? If anybody isn't banking in Taiwan, I would love to hear from you. Any clients that are not—everyone else is in Taiwan, or you do not have any clients in Taiwan?

Mr. SCHARF. Congressman, it is Wells Fargo—I don't know the answer to the question. But we can get back to you.

Mr. HUIZENGA. Tell you what, let's reserve that. I would like to hear back from everybody, because I think that is another pressure point, as one of my other colleagues, Mr. Luetkemeyer, was talking about.

All of your firms have pledged fidelity to this whole notion of bowing to the wokeness that is going on, on environmental issues.

And I am curious—and, Madam Chairwoman, I would like to submit for the record a letter that is from 15 different State Treasurers led by the West Virginia State Treasurer to former Senator Kerry—Secretary Kerry, the Special Envoy now, indicating that they are going to be coming back to you, their financial institutions, with whom they do over $600 billion worth of business.

Now, I know in D.C., we are spending trillions like it is Friday night poker money. But $600 billion is a significant amount of business for everybody. And I am curious from everybody, have you seen this letter and what is your response to that?

And, basically, they are saying if you are going to limit our ability to have companies in our States in the energy sector, in oil, gas, coal, we are not going to do business with you. Are you aware of this letter and what is your reaction?

Mr. Dimon, you are first on my screen.

Mr. DIMON. We think that climate is a serious issue—

Mr. HUIZENGA. I understand. Are you aware of the letter?

Mr. DIMON. Yes.

Mr. HUIZENGA. Okay. Is anybody unaware of the letter?

Mr. SOLOMON. I have not seen the letter.

Mr. HUIZENGA. Okay.

Mr. SCHARF. I have not seen the letter either.

Mr. HUIZENGA. Okay. We will ship it over. We will make sure that you get that. I know my time is up. I do want to hear about LIBOR, and SOFR (the Secured Overnight Financing Rate) as well, and I will submit some questions in writing on LIBOR—

Chairwoman WATERS. Thank you.

Mr. HUIZENGA. —and whether SOFR is the answer for this problem. And I yield back.

Chairwoman WATERS. The gentleman's time has expired and your letter is submitted, without objection.

Thank you. We will move on.

The gentleman from Georgia, Mr. Scott, who is also the Chair of the House Agriculture Committee, is now recognized for 5 minutes.

Mr. SCOTT. Thank you, Madam Chairwoman, and I am so excited to be on this panel at this time because we have a major issue here. I want to talk about our unbanked and underbanked, as we apply that to the child tax credit that has been in this, because we have an excellent opportunity here with you all who are the leaders: Mr. Dimon, Ms. Fraser, Mr. Moynihan, Mr. Solomon, Mr. Scharf, and Mr. Gorman.

You all represent our largest banks, and I want to put this to you. We just passed the child credit, expanded the Child Tax Credit Act in the $199 trillion COVID relief package.

Here is what it does: $3,600 for children under 6; $3,000 for children under 17; and each of the parents are getting guaranteed checks every month.

But here is the problem. They cannot do this and receive it with direct payments, and that is what I am concerned about. To help us to make sure that their child tax credit payments can come by way of direct deposits, it is dangerous out there when they don't get it directly.

These large series of money every month have to go to a payday lender or somebody on the check-cashing service where they have to pay money. So, we need to find out what we need to do about this.

Mr. Scharf, let me talk with you, because Wells Fargo has the largest number of branches, and I also checked with our Federal Deposit Insurance Corporation and let me give you the statistics: 13.8 percent of Black households are unbanked; and 12.2 percent of Hispanic households are unbanked. But do you know what it is for White households? It is less than 2.5 percent.

So it seems to me, my bipartisan colleagues—Reverend Cleaver, myself, and Congressman French Hill from Arkansas have a bill moving, it is over in the Senate now, for financial inclusion.

Tell us, if you can, what we must do. Seventy percent of African Americans live in neighborhoods with no bank branch.

So please, Mr. Scharf, you may start. What are you all doing? What can we do? Is there something we can add to our financial inclusion bill?

Reverend Cleaver, myself, and Mr. French Hill from Arkansas would be glad to work with you.

Mr. Scharf, you have the largest number of bank branches. What percentage of yours are in the Black neighborhoods?

Mr. SCHARF. Congressman, I share your concern on the issue and also the desire to make changes, and we as an institution are committed to bringing about the change that is necessary to bring more of the individuals that you are talking about into the system. We have just—

Mr. SCOTT. What would be that change? A move to make more branches available? Reach out to community organizations? Get these accounts established. It is dangerous.

Mr. SCHARF. I think it is a combination of financial education, product design, and also about having the right kind of facilities and the right kind of partners outside of the big banks themselves to ensure that what we are building is serving the needs of the community.

Mr. SCOTT. Mr. Dimon, what about you?

Mr. DIMON. The answer is financial education. It is us doing a better job reaching out to the community and, like Charlie said, it is the work of the CDFIs and MDIs to improve that outreach.

Mr. SCOTT. Okay. What about you, Mr. Solomon?

Mr. SOLOMON. We have a very, very small consumer business. We have no branches. But I do think at a high level, just commenting generally, the comments that Mr. Dimon and Mr. Scharf made are correct. Financial education, using the network of CDFIs, mission-driven lenders, et cetera, for better outreach.

Mr. SCOTT. I hope you all know we have to solve this problem. We can't leave these poor folks. Many of them are single heads of households, people with disabilities, people with no bank accounts. They are out there and the predators are waiting on them. We have to get direct payment.

Chairwoman WATERS. The gentleman's time has expired.

Mr. SCOTT. Thank you.

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

Mr. BARR. To our witnesses, thank you for your time today. Each of you or your predecessors signed the Business Roundtables' 2019 restatement of purpose of a corporation, subordinating shareholders to so-called stakeholders.

As yesterday's hearing in the Senate Banking Committee demonstrated, this redefinition of a corporate purpose did absolutely nothing to placate or appease Senator Warren or the extreme far left.

In fact, it emboldened them, and whether you admit it or not, there are instances where the interests of shareholders and stakeholders come into conflict.

For example, in October of 2019, Senator Warren wrote a letter to Mr. Dimon stating that because of the restatement, she, "expects that you will endorse and wholeheartedly support her Accountable Capitalism Act."

The bill would, among other things, require workers to comprise 40 percent of the board, and dictate that companies obtain a Federal charter to operate. I will ask each of you to answer yes or no, if you could. In an event where there is a direct conflict between the interests of shareholders and non-owner stakeholders, will you prioritize shareholder interests?

Mr. Dimon, we will start with you.

Mr. DIMON. Yes.

Mr. BARR. Mr. Moynihan?

Mr. MOYNIHAN. As I said in my opening testimony, we deliver both for shareholders and for society.

Mr. BARR. When there is a conflict, which one will you prioritize?

Mr. MOYNIHAN. We will prioritize the returns for the company.

Mr. BARR. Thank you.

Mr. Solomon?

Mr. SOLOMON. Yes, we would prioritize shareholders.

Mr. BARR. Ms. Fraser?

Ms. FRASER. Yes, we will prioritize our investors.

Mr. BARR. Mr. Scharf?

Mr. SCHARF. Yes, our shareholders.

Mr. BARR. Mr. Gorman?

Mr. GORMAN. Generally, shareholders. There are circumstances where it is a no. Last year, we guaranteed every employee their job as stakeholders. That was, obviously, to the detriment of shareholders if we hadn't been profitable.

Mr. BARR. Thanks for mostly keeping in mind your fiduciary duty to shareholders. Three of you signed onto the Net-Zero Banking Alliance, while three of you did not.

The Alliance is part of President Biden's, John Kerry's, and the Bank of England's Mark Carney's misguided plan to weaponize the financial system and politicize it to choke off funding to legal fossil energy businesses.

Joining the Alliance requires your institutions to submit information to the United Nations so they can certify that you are green enough.

Mr. Dimon, you did not sign this. Why not?

Mr. DIMON. It was too vague. It is hard to meet the commitments. We have already made a very detailed public statement about what we are going to try to accomplish.

We will be working very closely with auto companies and oil companies and utilities to figure out how to do it the right way. We need to do this the right way, and signing statements is not the right way.

Over time, there will be better disclosure of what people are trying to get done.

Mr. BARR. I appreciate it, as we discussed your commitment on this in your shareholder letter as well.

Mr. Moynihan, Mr. Dimon says he doesn't need John Kerry, Mark Carney, or environmentalists at the U.N. to tell him how to manage his risk or run his business.

My question to you is, should access to financial services be tied to the creditworthiness of borrowers regardless of politics?

Mr. MOYNIHAN. Creditworthiness of borrowers is the primary way we underwrite credit. Yes, sir.

Mr. BARR. That is good to hear. Thank you.

And I would encourage all of you to prioritize credit risk as opposed to politics.

Finally, on fossil energy, does anyone on the panel think it is a good idea to immediately and completely cut off financing to fossil energy? Please raise your hand if you think it is a good idea to immediately cut off financing for fossil.

[No response.]

Mr. BARR. I want the record to show that none of our panelists believe that is the case.

Unfortunately, some of your financing commitments, combined with the Administration's desire to, "change the allocation of capital and energy or disrupting supply without doing anything about demand," data published even by the Biden Administration concludes that fossil energy will constitute more than 70 percent of all energy consumption in the United States by 2050, this supply-demand disruption will raise prices for consumers and cede economic competitiveness to countries like China.

In 2020, Citi, JPMorgan, Goldman Sachs, Bank of America, and Morgan Stanley had a combined $77.8 billion in exposure to China, up 10 percent from 2019. And yet, China is responsible for more than 27 percent of total global GHG emissions.

Are any of you mandating the same environmental standards in your Chinese investments as you work with American companies to help them with the transition?

Anyone can offer your opinion?

Mr. MOYNIHAN. Our standards are globalized.

Mr. DIMON. Our standards are global, too.

Mr. SOLOMON. Our standards are also global.

Mr. BARR. Ms. Fraser?

Ms. FRASER. It is a global policy, yes. It is—

Mr. BARR. I am running out of time. But I appreciate that approach. When China is by far the leading emitter of global greenhouse gases (GHG), there needs to be a uniform policy.

If Global Systemically Important Banks (G-SIBs) are to promote American competitiveness, let us hold China to the same standards to which we hold American companies.

Thank you for your time, and I yield back.

Chairwoman WATERS. Thank you. The committee will be in recess for 5 minutes.

[brief recess]

Chairwoman WATERS. The committee will come to order.

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

Mr. GREEN. Thank you, Madam Chairwoman. Madam Chairwoman, regardless as to what anyone says, you are bending the arc of the moral universe towards justice. This hearing has been centuries in the making, and I am proud that I am here with you while you have the hands of justice making a difference in the lives of people.

Chairwoman WATERS. Thank you.

Mr. GREEN. I don't know of anybody else who would be doing this, Madam Chairwoman. You are unique in all of history.

Chairwoman WATERS. Wow.

Mr. GREEN. Now, to my six friends, I have a question for you. If you find that your bank owned slaves or accepted slaves as collateral, would you publicly atone for this seminal sin?

Mr. Solomon, as a person of good will, would you publicly atone if you find that your bank owned slaves or accepted slaves as collateral? "Yes" or "no," kindly, please, sir?

Mr. SOLOMON. The bank has never owned slaves, so I don't think it is something that I am in a position to opine on.

Mr. GREEN. Let's just assume that you could be in error, sir. If you find out—

Mr. SOLOMON. We were established in 1969, sir.

Mr. GREEN. Sometimes, things happen.

Mr. SOLOMON. Excuse me. We were established in 1869, and throughout our history, we never owned slaves. We had no involvement with slavery.

Mr. GREEN. If you found that you did, would you atone?

Mr. SOLOMON. I am not going to speculate on something that is not correct, sir.

Mr. GREEN. Quite regrettable, sir. Quite regrettable. Mr. Scharf, if you found that you owned them or had slaves as collateral, would you atone?

Mr. SCHARF. Yes, Congressman.

Mr. GREEN. Thank you, sir. Mr. Moynihan, if you found that you had slaves as collateral or your bank owned them, would you atone, sir?

Mr. MOYNIHAN. Yes, sir.

Mr. GREEN. Mr. Gorman, if you found that your bank owned slaves or had them as collateral, would you atone?

Mr. GORMAN. Like Mr. Solomon, we were founded more recently, 1935, but, yes, I would atone if it happened.

Mr. GREEN. You would atone. Thank you. I appreciate it. Ms. Fraser, similar question for you.

[No response.]

Mr. GREEN. Ms. Fraser?

[No response.]

Mr. GREEN. I am having some technical difficulties on my end. It may have something to do with the question, Madam Chairwoman. Again, I am having technical difficulties. Madam Chairwoman, I am going to have to ask if you would give me an additional minute of time. Something is happening.

Chairwoman WATERS. Okay. Mr. Green, you are absolutely correct. There is some problem, and I don't know what it is at this point. I will ask the staff to try and find out what is going on.

[pause]

Chairwoman WATERS. Okay. Would you try to start again, Mr. Green?

Mr. GREEN. Yes, ma'am.

Chairwoman WATERS. And we will certainly make up for the time.

Mr. GREEN. Thank you, ma'am. Ms. Fraser, now to you. Ms. Fraser, I have to tell you that I believe that some of the things that have been done on this committee are in part responsible for your occupying that seat. But be that as it may, Ms. Fraser, would you atone if you found that your bank owned or had slaves as collateral?

Ms. FRASER. We would absolutely accept responsibility, yes. We believe we never have.

Mr. GREEN. Thank you, ma'am. Now, Mr. Dimon, my dear friend—and I say that sincerely because of something that I know that you have done, that was very positive. At this hearing in 2019, you acknowledged that JPMorgan had accepted slaves as collateral according to the bank's own analysis, but let's strike that. In addition, I would say Citizens Bank and Canal Bank in Louisiana, both now a part of JPMorgan, served plantations from the 1830s until the American Civil War. These banks sometimes took ownership of slaves when the plantation owners defaulted on loans. Between 1831 and 1865, these two banks accepted approximately 13,000 slaves as collateral and ended up owning about 1,250 slaves. Mr. Dimon, there can be no redemption without recompense. Mr. Dimon, will you atone? Will your bank atone for the ownership of human beings?

[audio malfunction]

Mr. GREEN. Madam Chairwoman, I cannot hear Mr. Dimon.

Chairwoman WATERS. I cannot hear him either. Would you try again, Mr. Dimon?

Mr. PERLMUTTER. You are muted, Mr. Dimon.

Chairwoman WATERS. Mr. Green?

Mr. GREEN. Yes, ma'am?

Chairwoman WATERS. We are going to try and work this out. Staff, can you help me to find out what is happening? Mr. Dimon is indicating that he is not muted, but we can't hear him.

Mr. DIMON. Can you hear me now?

Chairwoman WATERS. I can hear you now.

Mr. GREEN. I can, as well.

Mr. DIMON. Okay. I said that the company did research and found out that companies that had been bought many years earlier, in fact, did take slaves as collateral and ownership in some cases. We apologized profusely at the time, and, as you know, we are making extraordinary efforts to help lift up the Black and the Latinx communities.

Mr. GREEN. Mr. Dimon, the question is, will you atone in the form of some sort of redemption so that you may receive redemption, because there can be no redemption without some sort of recompense? What will you do to atone for your bank owning human beings? This is not about what you are doing. All of the other banks are doing these things that you are talking about now. We are talking about the ownership of human beings, Mr. Dimon. What are you going to do about this, and I want it directly linked to the ownership. You must say, Mr. Dimon, "We owned them, and here is what we are doing to take corrective action." Find those families that are still with us, and atone. Will you atone?

Mr. DIMON. I would love to come see you and figure out what you think we could do that would atone properly to the families who were damaged by these activities 200 years ago. I would be happy to do that.

Mr. GREEN. Mr. Dimon? I am going to accept your offer. I am going to accept your offer because once before, you and I had an opportunity to resolve a circumstance, and we did. I accept your offer, and I look forward to meeting with you. And I am going to ask that your staff contact my staff immediately so that we can arrange such a meeting.

Mr. DIMON. Consider it done.

Mr. GREEN. Thank you.

Chairwoman WATERS. Thank you very much. The gentleman's time has expired. The gentleman from Texas, Mr. Williams, is now recognized for 5 minutes.

Mr. WILLIAMS OF TEXAS. Thank you, Madam Chairwoman. I want to thank all of you for coming before the committee today. Just in background, I am from Texas. I have been a small business owner for 51 years. I still own my business. I am a car dealer, and there has never been a day in my life that I haven't owed money to a bank.

And with that being said, I have said it many times, the United States' banking system, what it did to respond to COVID-19 and get PPP money into the hands of struggling businesses was something no other country, I believe, could have pulled it off, and no other banking system. I know you had employees working around the clock when PPP first opened to process as many loans as possible and help your customers in some of the most uncertain times of the pandemic. Your banks were instrumental in making that happen. So, I wanted to start off by saying thanks to you and all of your employees on behalf of the millions of small businesses that were able to survive because of their hard work.

We all know that a strong banking system is essential to building a strong economy. Your institutions and the community banks they help and support allow entrepreneurs to get the necessary capital to start their own businesses, expand operations, and hire more people. And we need to make sure you can continue getting money out to Main Street America support small business owners like myself and others, instead of navigating additional regulations and reporting requirements from the Federal Government. My hope is we can all get your banks hiring more loan officers and compliance officers over the next few years so we can get our economy back on track and away from this liberal socialist agenda that we hear from the Democratic left.

My first question is to you, Mr. Moynihan. Did your bank run into any government regulations during the pandemic that prevented you from making additional loans that we, as Congress, should be looking to re-evaluate as we look to get the economy back to pre-pandemic levels?

Mr. MOYNIHAN. I think obviously, there are a lot of regulations we think could be fine-tuned based on what we learned during the pandemic, some liquidity rules and stuff which is quite technical.

But even to the question of these small loans, the Federal Advisory Committee just gave the Fed a presentation in which the 12 banks that are representative of all the banks said, we need to work on the appraisal process, the appraisal regulations, because for these smaller balance loans—it might be a $50,000 loan, which is going to have a property improved to go to $100,000 or something like that—the appraisal guidelines would never let you go to the $100,000 loan.

So, I think there are ways that we can, for the safety and soundness of this industry and the great work they have done, move some of these rules, knowing that the banks are well-regulated, well-capitalized, very liquid, and could help, but sometimes those rules do constrain us. That is just a very specific example, which was a topic earlier in the conversation.

Mr. WILLIAMS OF TEXAS. We have these rules that affect your consumers, too, so the less regulations, the better the consumer service gets from you. The Biden Administration has proposed increasing taxes—we talked about this already this morning—to pay for the progressive wish list that is being discussed in Congress. But if we increase the corporate rate or raise the capital gains tax, it will make the long-term economic prospects of America much less attractive, and we know this. We all know that when the government takes a larger portion of any business' profits, it will cause them to invest less back into their own operations and be very defensive.

But for global institutions like your own, all of you, these actions would be even more detrimental. This would increase the competitive advantage that the international banks have over all of the institutions that are before us today. And my question to you, Mr. Dimon is, can you discuss the challenges that your bank currently faces against international competition, specifically China, and how raising taxes, as the Biden Administration wants to do, could make the challenges even harder for you?

Mr. DIMON. Yes, thank you. I think the way to look at this is, obviously, most of these banks are doing fine now, and people often say because you are doing fine, it is not a problem. But over a long period of time, we have had to compete with the Chinese banks, and I think they have huge advantages in terms of how their regulations are dealt with and how ours are calibrated around things like G-SIFI. And America was gold-plated, so, in a sense, you have to hold much more capital than our Chinese or Japanese competitors. That would be a very big one. And another one would be how the liquidity coverage ratio (LCR) that Brian mentioned stops us from doing a lot of intermediation in the markets that we could otherwise do in the United States.

Mr. WILLIAMS OF TEXAS. Thank you for that answer, and less government regulation works better. Lower taxes work better and keep our economy going. With that, Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you very much. The gentleman from Colorado, Mr. Perlmutter, who is also the Chair of our Subcommittee on Consumer Protection and Financial Institutions, is now recognized for 5 minutes.

Mr. PERLMUTTER. Thank you, Madam Chairwoman, and to our panel, I just want to restate my thanks to all of you for leading your institutions through a difficult time, and I want to also agree with Mr. Williams in terms of your lending through the PPP program. It wasn't without hiccups, it wasn't without some glitches, but it was pretty solid, and so I want to thank you for both of those.

Mr. Solomon, in his opening, credited Dodd-Frank for the ability and the strength of the banking sector as it went into the pandemic, as it has come through the pandemic, as one of the things that has helped the banking sector be a strong shoulder to rely on during this period of time. Can all of you raise your hands if you agree with the way I paraphrased his testimony? Do you think Dodd-Frank is due some credit for us getting through the pandemic?

[hands raised]

Mr. PERLMUTTER. I see Mr. Gorman, Mr. Dimon, Ms. Fraser, Mr. Scharf, Mr. Moynihan, and Mr. Solomon. Thanks. I appreciate that, and I appreciate what you said, Mr. Dimon. There is always an issue—too much capital, too little capital—but everybody came into this thing strong and was able to absorb a real shock to our economy, so thank you.

Mr. Scharf, I have a couple of questions for you. As a customer of the bank for, I was told, 44 years, I just want to understand where you are on the various consent orders that the bank has had to enter over the course of the last several years. I think there has been some progress. I would like to hear where you are.

Mr. SCHARF. Yes, Congressman. We believe we are making progress, but we are also very, very clear that this is a multi-year journey, just given the amount of work that has to get done here. We have made extensive changes inside the company, from the management team, to how we run the business, to how we prioritize the effort, and the way we are going about this work is completely different than it was in the past. Ultimately, this is all about creating a sustainable set of systems and processes inside the company that is appropriate for a company of our size and complexity. And so, we are completely committed to having this be our number-one priority, and ultimately, our regulators will decide when each of the individual pieces of work are done to their satisfaction.

Mr. PERLMUTTER. Okay. Thank you. And as I said in my opening, as the Chair of the CPFI Subcommittee, two responsibilities in that subcommittee are: one, the solvency and stability of the banking system; and two, consumer protection and making sure we don't face increasing sharp practices in the financial sector.

Mrs. Maloney described the Credit Card Act that she passed a number of years ago. I am concerned that we see some practices seeping back into the financial sector. Mr. Dimon, I have had complaints raised with respect to Chase credit cards, that the default rate has been increased substantially even as the bank has been making substantial profits.

[audio malfunction]

Mr. PERLMUTTER. It must be your microphone, Mr. Dimon. I guess the question is, has the bank recently increased the default rate under its credit cards to most of its members?

[audio malfunction]

Chairwoman WATERS. Mr. Dimon, can you hear me? Would you check, are you unmuted? Okay. Let's try again. One moment, Mr. Perlmutter, and we will make up for the time. Staff, can you help us out? Now, it is on my phone. One moment.

[pause]

Mr. PERLMUTTER. Why don't I just have him answer that at some point in writing?

Chairwoman WATERS. He can hear you. Mr. Dimon, we still can't hear. Go right ahead, Mr. Perlmutter.

Mr. PERLMUTTER. Okay. I will just end, Madam Chairwoman. I would just make one statement on Archegos. The Justice Department has opened an inquiry into that, and I would just advise or just recommend that all of you keep your investments transparent and minimize the risk.

The last thing I will say, Madam Chairwoman, as a heads up to all of you, is that our subcommittee is probably going to have a hearing in the near future on, what does your bank look like in 10 years? And we know you do that kind of scenario planning, and we are interested in having that as a subject of a hearing. Thank you.

Chairwoman WATERS. Thank you very much, Mr. Perlmutter. The gentleman from Arkansas, Mr. Hill, is now recognized for 5 minutes.

Mr. HILL. Thanks, Madam Chairwoman, and I empathize with you in trying to run this hearing remotely. I hope we can get back to the hearing room so that we can do this in person and not have these distractions, so thank you for endeavoring to get that done. I thank our witnesses for spending 2 days on Capitol Hill talking about issues of importance to your companies, your shareholders, and your employees, as well as to Members of the House and Senate. We appreciate your perseverance, and I know you appreciate the 5-minute break every 2 hours.

A lot of the questions have been geared towards the banks' political agenda or joining in on the political agenda inside the beltway, responding to progressive pressures from the left. And as a former bank CEO, having been in your shoes, albeit at a community bank, both public companies and private companies, I am not going to spend my time here today telling you how to manage your day-to-day operations. Only you and your board of directors know how best to run your business on behalf of your clients, the shareholders, the regulators, and the larger communities that you participate in.

I do want to share a few thoughts on what I have heard over the last couple of days, and make sure that your companies and your management teams are being thoughtful in how you respond. I want to spend my time to talk a little bit about the climate risk disclosure process that we have been debating here in the House Financial Services Committee. These are mandates on all public companies, and, in fact, some are contemplated for all private companies, as it relates to climate financial disclosure. And it is based on the Task Force on Climate-Related Financial Disclosures (TCFD), which I have talked about in the past.

Many of you have stated that you are complying with the Partnership for Carbon Accounting Financials (PCAF), which claims to help financial institutions assess and disclose greenhouse gas emissions from their loans and investments through GHG accounting, but this is precisely, I think, the challenge in making this a mandate.

As I understand it, the PCAF is built off of the task force's recommendations, and yet that task force, chaired by former Mayor Mike Bloomberg, and staffed with several Biden Administration officials, states that disclosures have to be reliable, verifiable, timely, objective, and comparable across portfolios and across industries. And yet, this issue of GHG emissions, trying to come up with scope one, scope two, and scope three emissions, they say in the Bloomberg report, is very challenging and not doable right now. And, in fact, they offer not to use GHG and instead use something called a carbon intensity metric.

My concern about these mandated disclosures is that we are not ready to do that in the financial industry in a way that will really provide value to investors. I believe you all echoed something to the effect in a question answering Senator Smith's question yesterday that there should be a standardized climate disclosure. That would be good sometime in the future, and I think that is possible after study and agreement, industry by industry. I think Mr. Barr covered that topic well.

Let me turn to China and ask you, Ms. Fraser, how you are thinking about China as it has changed its economy since 2012 and 2013 to be more aggressive in trying to displace the U.S. as an economic leader in the world and exerting its military? This is something we have never faced before, where we are trying to do business with a big country, and yet how do you assess the risk to your doing business in China?

Ms. FRASER. We serve multinational companies from all over the world, many great American companies that are participating in the growth in China. We follow our clients to where they are doing business. Obviously, there are concerns around a number of different topics in China, from human rights and the military financing, and where we certainly would never finance any institution that is involved with the military in China and the financing of that. We see them playing an increasing role around the world, and, again, I think it is one of the reasons it is critical to have American banks playing a role globally.

Mr. HILL. We appreciate American banks leading the charge on economic freedom at home here for that student who is getting out of an Historically Black College and University (HBCU), looking for a job, and buying a house, but also around the world. But I think risk management is putting your company at risk and your clients at risk because it is hard in that opaque system and the Belt and Road Initiative approach for you to be able to judge what is a good deal and a bad deal, and what is a compliant deal and what is not a compliant deal.

Mr. Dimon, I want to welcome you. I want to just take a moment to thank you for coming to Arkansas, and I want to submit a question for the record about the Federal Reserve policy, and I will do that. Thank you, Madam Chairwoman. I yield back.

Chairwoman WATERS. Thank you very much, and we are going to take a 5-minute recess to see if we can't straighten out the little technological problem that we have. I do not want Mr. Dimon to miss his opportunities to share his thoughts with us. And so, we will be in recess for 5 minutes.

[brief recess]

Chairwoman WATERS. The committee will come to order.

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

Mr. VARGAS. Thank you very much, Madam Chairwoman. Mr. Dimon was reminding me of the movie, "Young Frankenstein." Every time they said, "Frau Blucher," the horse would get scared. Every time they said, "Jamie Dimon," it looks like the computers would get scared. Thank God we fixed that.

One of the most remarkable things that I heard today was the first three people who spoke—and, again, thank you, all of you, for being here—with really some pride, I think, in being either sons of immigrants or immigrants themselves. I think, Mr. Dimon, you said that you were the grandson of Greek immigrants, and I think that, Ms. Fraser, you stated that you are an immigrant, and certainly your elegant English proved that. And then, Mr. Gordon, you stated that you were an immigrant, and your English proved that. And then, Mr. Moynihan, I was surprised that you broke the daisy chain with a name like, "Moynihan." I knew Daniel Patrick Moynihan. He used to come to Fordham when Father Joe O'Hare was the president. I was a Jesuit Scholastic at the time, and they used to have great stories about being an Irishman.

The reason I mention all that is around here, oftentimes you hear, sadly, ugly words like, "illegal" and "anchor babies," and one Member even said, "wetback," although he did walk it back, to be truthful. And I guess I look at immigrants the way that the Bible looks at immigrants. In Leviticus, if you recall, it says, "When an alien lives among you, treat him as your native born because you, too, were immigrants in the land of Egypt," or in Matthew 25, "When I was hungry, you gave me to eat. When I was thirsty, you gave me drink. When I was a stranger, you welcomed me." So once again, thank you for pointing that out, and thank you, again, Mr. Dimon. I think you said that hopefully, we will get back to public policy and do it right as Americans, and one of the things that you mentioned was immigration, and I hope that we do that right. So, thank you again.

One of the things that I used to hear all the time about Dodd-Frank was how terrible it was. That was all the Republicans could talk about. They thought it was the spawn of Satan or something, and now, not a peep out of them. Now, we hear instead from the bankers saying, hey, it is working well. It worked well. We need to adjust it here and there on some of the leverage issues. I understand that, but it worked well. Now, of course, the spawn of Satan is environmental issues. And I believe deeply in ESG and that we have to have metrics, but now you hear them saying, oh, this is terrible, it is a horrible thing, but the reality is the environmental issue is important. So are the social and governance aspects. Now, it seems to me that you all do take them seriously. Why don't I ask, first, I believe, Mr. Moynihan, you take these things seriously in your bank, do you not?

Mr. MOYNIHAN. Yes, we do, and we publish an ESG report, like many of my colleagues do, and we have also, just to go into the metrics to measure, we have been working with the big four accounting firms, and 80 companies have signed on to voluntarily disclose what we think the relevant, constructive metrics are that take the best of what is out there and would make it simple so a company can actually do it. And that way, we can then stay with those oil companies to declare what they are going to do and help them make the transition that they would all declare.

Mr. VARGAS. Thank you. Does anyone think that environmental issues and ESG is not important? If you don't think it is important, speak up right now, please.

[no response]

Mr. VARGAS. Let the record reflect that I didn't hear anyone speak up. See, the reality is that the climate is changing, and if you listen to some of the people, even Republicans—the leader of the World Food Program says there are 280 million people marching towards starvation. Why is this? Because of conflict and because of environmental change. Those are the two things. We have to take these things seriously, and I am glad that the banks are.

I don't have a whole lot of time here, but I do want to talk about foreclosures. I am very concerned, because June 30th is when forbearance goes away as a Federal issue. And I heard some of your statements earlier, but I hope you do work with these customers because I think that the last time this happened, you didn't do a good job, and you got a black eye because of it, and you deserved it. But this time, I think you have an opportunity to work with people, because this wasn't their fault. This was a pandemic, for God's sakes. Work with these poor people to make sure that they can stay in their homes, and I think that this time you won't get that black eye. It will be just the opposite. You will get praised for it.

So, again, my time is up. Thank you for, especially the immigration. Mr. Moynihan, do not break that daisy chain, for God's sakes. You should have continued it. Thank you.

Chairwoman WATERS. Thank you very much, Mr. Vargas. The gentleman from Ohio, Mr. Davidson, is now recognized for 5 minutes.

Mr. DAVIDSON. I thank the chairwoman, I thank our colleagues, and I thank our witnesses. For our witnesses, I think, my, what an interesting time it must be to try to navigate these waters as CEOs of some of our nation's and, frankly, some of the globe's largest banks and financial institutions. What we have seen today is, essentially, the challenge of navigating this new woke heresy code. If you transgress it, you are forced to repent publicly. Who knows what remuneration or other penance you might be called to pay for the sins of people past, but be assured, there is no grace in this new woke heresy system that some of my colleagues are trying to foist upon our country.

And the other challenge is you have a similar authoritarian regime in China, the next largest economy, trying to force their system on us. I will at least say that in China, they are completely hypocritical while they are engaged in horrendous acts against the Uyghurs. They act and pretend that there is a moral equivalence between China and the United States' conduct with respect to the treatment of ethnic minorities. Certainly, we can acknowledge sins of the past, but we should focus on the sins of the present. So, I appreciate the challenges that you all have to navigate so that you may be permitted to operate your businesses. The challenges are difficult just talking about the politics, but let's get to the actual policy.

Mr. Scharf, in a recent stress test the Federal Reserve completed in December 2020, the large bank post-stress capital ratio was 9.6 percent, more than twice the regulatory minimum. Obviously, this is reassuring because it shows that large banks are adequately capitalized. However, do you think that it also shows that our current capital requirements may be out of balance and the Fed should revisit these issues? Do you believe that this approach could be impeding economic growth?

Mr. SCHARF. Congressman, I think there is no question that the banks have a substantial amount of excess capital at this point. The results that came out of the stress tests are obviously very idiosyncratic to what the individual assumptions are for that scenario as well as each of our positions, so I think it is hard to draw a conclusion from any one specific stress test. But I do think that when you look across the industry, there is an exceptional amount of capital in the system, also because of the restrictions that the G-SIBS have had more recently.

Mr. DAVIDSON. Thanks for your answer. I would love to spend more time on that, but I have a couple of other topics I want to get to. Mr. Dimon, last month, reports were circulating that JPMorgan was looking to offer a bitcoin fund for private wealth clients. I have been following your rhetoric on cryptocurrency. I have spoken to you in the past about cryptocurrency, but you have obviously walked back comments from saying bitcoin was a fraud to now saying it might not be your cup of tea, and that you do agree that regulations are needed, but you believe it is important for Congress to provide regulatory certainty so the firms, such as JPMorgan, can offer additional crypto products. Can you describe how your views have changed over the past few years on this important area and why Congress needs to provide regulatory clarity for this asset class?

Mr. DIMON. Yes. They haven't changed that much, and put aside blockchain, and put aside stable coins, which is supported by assets. Something that is not supported by anything I do not believe has much value. My own personal advice to people is to stay away from it. That does not mean that clients don't want it, and it goes back to how you have to run a business. I don't smoke marijuana, but if you make it nationally legal, I am not going to stop our people from banking it, et cetera. I don't tell people how to spend their money, regardless of how I might personally feel about some of the items people might buy with their money.

So we are debating, should we make it available in some way, in a safe way that people can buy and sell it and put it in the statement systems. But my own personal view is it is nothing like a fiat currency. It is nothing like gold. Buyer beware, and I do think that eventually the regulators who are a day late and a dollar short should be paying a lot more attention to the future, like payment for order flow, high-frequency trading, cryptocurrency, and put a legal regulatory framework rather than a—

Mr. DAVIDSON. Thanks. Thank you so much. In the last few seconds I have, I would just ask that if any institutions represented here today have policies that prevent your donor-advised fund donations to certain 501(c)(3) organizations based on political affiliation or causes they support, could you please coordinate with our office? We are trying to understand who is blocking people from using the donor-advised funds they established. And, frankly, my concerns aren't so much with the G-SIBS, though they are not abstinent. It is an issue broadly, and we will be working on a letter soon to address to the SEC. My time has expired, and I yield back.

Chairwoman WATERS. The gentleman from Illinois, Mr. Foster, is now recognized for 5 minutes.

Mr. FOSTER. Thank you. Many of you were probably on shift 10 years ago during the Tea Party default crisis of 2011 when the Federal debt suffered a ratings downgrade that was caused when newly-elected Republicans threatened to default on the U.S. debt by blocking an adjustment of the debt limit. The resulting panic cost the stock market over a trillion dollars and cost the average American over $10,000. It also delayed the economic recovery by somewhere between 6 months and a year.

Normally, Treasury bonds are some of the safest instruments in the world because the U.S. has always paid its debts. Many other rates are pegged against U.S. Treasuries, including mortgage rates, which are fixed against the 10-year Treasury, and a default caused by failure to raise the debt ceiling would impact our housing market and hurt hardworking Americans in many ways. So, in the United States, we have this anomalous rule called the debt ceiling that does not occur in really any other advanced country and triggers an automatic default on Treasuries.

There are troubling signs politically that we may be headed for another default crisis. And so my question to you is, how do you handle a default on U.S. Treasuries in your risk management and stress testing? Everyone always picks on you, Mr. Dimon, so I will let you go first. How do you manage such a risk, and what would you do the day after we defaulted on Treasuries?

Mr. DIMON. I hope that we don't have to start doing a review of that again. It would be an unmitigated disaster. We spent about $50 million just investigating that issue, if I remember correctly, and I don't want to have to brush up on that. But there are some very complex questions which you shall have to answer. Do Treasuries cross default? Can the Federal Reserve buy defaulted Treasuries? What happens to defaulted Treasuries in pension plans, investment plans, bank accounts, accounting rules? It could cause, literally, a cascading catastrophe of unbelievable proportion and damage to America for 100 years.

Mr. FOSTER. Thank you. I think that is a pretty good summary for just everyone who has looked at this. And, again, this is an instance where I think we need one of these red-flag rules that removes a gun from Congress' hands. And as you may be aware, there have been numerous proposals to permanently repeal this debt limit rule that triggers the automatic default by Members on both sides of the aisle, and, frankly, both parties have been guilty of weaponizing the default.

When George Bush went and spent a lot of money on a war and then lowered taxes, the Democrats gave him a lot of grief over the necessity to raise the Federal debt when that happened, and the same thing has happened in a mirror image. And so, I think it is really important that people at this time, when it is not an emergency, just step back and say, yes, this is one of the good workmanlike fixes that we should put forward on a bipartisan basis, because the threat is so real and the benefits are near zero.

Does anyone else have any specific comments, because the odds are not zero? You can see threats already happening from the other side of the aisle. Oh boy, we are going to go cause trouble over the debt ceiling. Do you actually have planning sessions where you say, what do we do, or is it just one of these things like planning for a nuclear war that is so bad, that you can't really realistically plan for it? Can any of you just indicate that actually this is part of your normal planning, dealing with a Federal default?

Mr. MOYNIHAN. We take a look at lots of tail scenarios, and this is one of them. But I think, as Mr. Dimon said, it is imponderable to think that we would get in the position, and I think the market often takes great comfort at the time this comes to fore when bipartisan people say it won't happen. But I think it is something to be very careful about, so we take it into account as a tail risk, and it would be very bad.

Mr. FOSTER. Okay. Unfortunately, I think you should start taking the possibility more seriously, and maybe think about using some of your political muscle to encourage Members on both sides of the aisle to hold hands and jump on this, and just take this disaster scenario that really provides no benefit to our country, to just take it off the table once and for all. That was the point I wanted to make, and with that, I will yield back.

Chairwoman WATERS. Thank you very much. The gentleman from Tennessee, Mr. Kustoff, is now recognized for 5 minutes.

Mr. KUSTOFF. Thank you, Madam Chairwoman. Thank you for convening today's hearing, and I do thank the witnesses for appearing. Mr. Moynihan, there was a story that posted within the past few hours to the Wall Street Journal website, and I would like to read the headline, "Biden Budget Set to Assume Capital Gains Tax Rate Increase Started in Late April." In other words, it would be retroactive, and it says Congress must still approve any rate changes and retroactive effective dates. My question, Mr. Moynihan, to you is, if a retroactive capital gains tax rate increase were to become a reality, would that have a negative effect on the economy? And if so, how?

Mr. MOYNIHAN. I think if you think about it from two sets of people, general investors, and the capital gains rate affects all investors, many investors invest even through mutual funds, et cetera, and capital gains that get reported out to them at a higher rate would affect them. But, importantly, for businesses, small businesses trading hands, retroactivity is sort of never in anybody's mindset, and I think it would have a bigger effect if, "retroactive" then could be planned for in the future. But in any case, those businesses are very worried about it, as we said earlier.

Mr. KUSTOFF. Thank you, Mr. Moynihan. Ms. Fraser, could I ask you those same two questions as it relates to that Wall Street Journal story?

Ms. FRASER. Thank you. I very much agree with Mr. Moynihan that retroactivity creates a lot of confusion, and I think unnecessary consternation for investors and for companies involved that should ideally be avoided. We are in a very low-rate environment at the moment. We are seeing a lot of sabers, which includes retirees and pension funds and others, moving to longer-dated assets, and, therefore, a change in these bulls would have an impact on that at a time when the returns on people's savings are already low.

Mr. KUSTOFF. Thank you, Ms. Fraser. Mr. Solomon, could I ask you those same two questions? Assuming that story is true and it became a reality, would it have a negative effect on the economy, and if so, how?

Mr. SOLOMON. I think both of my colleagues have commented on this. Uncertainty obviously dampens growth and dampens activity, and so anything that is retroactive creates extra anxiety and extra uncertainty, and that would just slow down economic activity. And so, I think retroactivity is something to be very, very cautious about. And I do think a chilling of investment activity through higher capital gains tax is something to also think through carefully.

Mr. KUSTOFF. Thank you very much. Mr. Dimon, could I ask you those same two questions?

Mr. DIMON. I can't add anything of substance to what my colleagues have already said.

Mr. KUSTOFF. If I could take it one step further, there has been talk of other tax hikes. In this hearing today, we have talked about a possible increase in corporate tax rates. If there were any tax rate increase this year as it relates to any taxes and they were retroactive—this relates to any tax increase—would that be negative as it relates to the economy?

Mr. DIMON. Yes, but pretty much like my colleagues already described, even more so as it relates to business.

Mr. KUSTOFF. Thank you. Mr. Gorman, could I ask you, please, those same two questions. Assuming that story is true, assuming that Congress were to enact retroactive capital gains tax rate hikes, would that be negative to the economy, and, if so, how?

Mr. GORMAN. Yes, because every business and every individual deserves to know what the tax regime is when they are making their decisions. So, by definition, in my view, any retroactive tax is unfair and not good for confidence and sentiment.

Mr. KUSTOFF. Thank you, Mr. Gorman. Mr. Scharf, if I could ask you those same two questions in my remaining time?

Mr. SCHARF. I agree with what everyone has said, and I would just stress what Mr. Gorman just said. People make decisions based upon a set of rules that they believe are in place, and if you change that, it calls into question any future decisions that people make and could be quite harmful.

Mr. KUSTOFF. Thank you, Mr. Scharf. Madam Chairwoman, with my remaining 16 seconds, I yield back.

Chairwoman WATERS. Thank you very much. The gentleman from New Jersey, Mr. Gottheimer, is now recognized for 5 minutes.

Mr. GOTTHEIMER. Thank you, Madam Chairwoman, and to our witnesses for being here today. I am very grateful. Nearly 50 million Americans don't have a credit score and are left out of the traditional banking system. According to the Consumer Financial Protection Bureau (CFPB), Black and Hispanic adults are the most likely to lack credit scores. This absence of credit history limits opportunities to qualify for student loans, a small business credit line, or a mortgage to buy a home.

Mr. Dimon, if I can start with you, sir, your bank utilizes information on your customers' banking activity to extend credit. Has it been successful in providing access to credit for more customers who may not otherwise be eligible, and what are some of the benefits and risks your institution has had to navigate in utilizing the source of information?

Mr. DIMON. Yes. We have been using alternative sources of information to provide credit. It is a great way we all can work together. I don't know if you saw the article that all the banks are now sharing banking data with each other in a way to extend more credit to those who need it. And I think it is a great way we can all accomplish some of the same goals we all want.

Mr. GOTTHEIMER. It has been sort of reported of your bank's participation in Project REACh, the OCC program to increase access to credit for underserved communities, as you were referencing. JPMorgan will be working with other banks to exchange data to further identify creditworthy customers. What more do you think we can be doing to expand credit access for underserved communities?

Mr. DIMON. We are going to be using a lot of alternative data, like do you pay your rent on time, to, I am almost going to call it reverse discrimination, seek out those with good credit who are not in the normal credit system, including immigrants who are here, who have credit histories in their home countries. And so, there are a lot of ways to do this, and we completely applaud Project REACh.

Mr. GOTTHEIMER. Thank you, sir. Mr. Moynihan, your bank has more than 23,000 employees in New York City and New Jersey. Every day, we are hearing more and more about families fleeing from New York and New Jersey, especially because of affordability, therefore, moving to low-cost States like Texas and Florida. Do you support making it more affordable to live and work in New Jersey and New York or reinstating the State and Local Tax (SALT) deduction?

Mr. MOYNIHAN. I think the SALT has had an impact that has been well-written. I think our job as banks is to continue to support the people who are in those communities. Interestingly enough, if you start to see the fact that, alone, we are bringing back probably 6,000 kids who have never really resided in New York City over the last 3 years, who are now coming back to work, I think you will see a lot of positive momentum in some of the housing in New York just in terms of filling up those apartments that were empty. So, we have to do it through our lending. We have to do it through our employment. But also it would be helpful, I think, if the tax rates were more normalized.

Mr. GOTTHEIMER. Thank you, sir. Mr. Solomon, I know that Goldman Sachs does not have debts that are actually involved with trading cryptocurrencies, and I know your bank can't own or trade cryptocurrencies for regulatory reasons, but you have many clients who are coming to you for advice on investing digital assets. How do you help them navigate the risks of cryptocurrencies like bitcoin?

Mr. SOLOMON. I appreciate the question, Congressman. You heard a little bit from Jamie on this. There is a lot here, and it is complex. There is no question that both institutions and individuals are looking for exposure to bitcoin. We are trying to provide information to them around the potential asset class. Like Jamie, when you talk about cryptocurrencies, like bitcoin, specifically, I am extremely cautious. There is no question that if lots of people believe in something, it can sustain value for a period of time, but the use cases are relatively unclear, and the regulatory and government oversight is still relatively unclear. And so, there is a lot of work to do around this.

I think, "buyer beware" is absolutely the right thing to think about, but there is no question there is significant interest, and so we are trying to help our clients and track it accordingly.

Mr. GOTTHEIMER. Thank you so much. Madam Chairwoman, I yield back. Thank you so much.

Chairwoman WATERS. Thank you very much. The gentleman from North Carolina, Mr. Budd, is now recognized for 5 minutes.

Mr. BUDD. I thank the Chair, and I thank, again, our guests for being here. I have long supported the services that banks provide to our communities, and the great work that you all did during the pandemic supporting consumers and small businesses is a prime example.

That is why it concerns me when I see financial institutions really shift their focus and move to carrying out political and social agendas instead of just providing capital and liquidity to consumers and to businesses. As an industry, I really believe that you should be focused on being a good neighbor by providing greater value to your consumers and your shareholders.

I want to ask you all a "yes" or "no" question, and I will go around. As your banks begin to shift your business decisions and include more or environmental, social, and governance (ESG) goals, are any of you concerned that this may cause affected industries, and as a Federal Firearms Licensee (FFL), I think of legal firearms, and I want to add coal, oil, et cetera, that have thousands and hundreds of thousands of jobs in this country. Are you concerned that with more ESG in banking, that they can lose investors, forcing these businesses to move operations overseas, or even close and create job losses here in the United States? And, Mr. Moynihan, as a North Carolinian, I will start with you.

Mr. MOYNIHAN. Mr. Budd, I think a perfect example is what we did with Duke Power in our backyard there. We basically, because of their commitments to provide more clean power and our commitments to buy more clean power, we put up a large installation, which now other people can purchase from. I think these commitments are consistent with good business and growth in the companies. And Duke Power, a major company that has all sorts of sources in their environment, can help make a contract come to life. It is a great business opportunity, and I think we all have to have judgment at the pace of the transition to make this happen.

Mr. BUDD. Thank you. And I want to just make sure we understand the question as I continue. Do you think focusing not just on providing capital to businesses, but including ESG, can hurt certain businesses, ultimately causing job losses in the U.S., Ms. Fraser?

Ms. FRASER. I think we are seeing some industries which are reducing down in size, for sure. We are seeing a reduction in the size of the coal sector, for example, as other industries in the energy sector grow, so I think that will be part of the natural transition. The important piece, which I think we have all talked about, is that we support our clients in making the transition, making sure that there is a good balance between that energy policy and the move to greener and decarbonized technologies, and that most important piece is we get that balance right.

Mr. BUDD. Thank you. Mr. Solomon?

Mr. SOLOMON. I think there is no question that as capital cases, new opportunities, it has an effect on some legacy businesses. I do think the important thing to recognize is, as we direct capital toward new technologies, there are jobs that are created with that, and that is one place America has always led. And I am sure we will lead here when you look at the transition that so many companies and so many different industry are focused on.

So, I think there is an enormous job creation opportunity in that also. It is obviously a balance. It is a transition. It is not going to happen tomorrow. It is going to take a long time. In my opinion, we will be financing oil and gas for quite a long time, but there are new technologies that will have an impact. They will create jobs, and that is a great opportunity for us, too.

Mr. BUDD. Mr. Gorman, I am going to give you a quick pass so I can use my time on a different subject.

Mr. Moynihan, back to you. Like many of my colleagues, and Mr. Gottheimer from New Jersey mentioned this earlier, I am concerned that we are ceding our position as the world leader in global digital finance to countries like China. America has always been quick to embrace technology and innovation in the banking space, but recently, due to a lack of regulatory clarity around digital assets, we are seeing innovation go offshore to Singapore, Switzerland, and Japan.

One area of innovation I am particularly interested in is decentralized finance (DeFi). Your bank issued a report earlier this year talking about that. But as DeFi innovation continues to build, how can banks engage with this technology to offer better products and services to their customers?

Mr. MOYNIHAN. The report you are probably talking about is from a research group, which is independent of what we tell them to do. As we operate the bank, we have, I think, 60 patents on blockchain. We are heavily involved in figuring out that technology and whether it really has a purpose. More than 60 percent of our consumer activity goes digital today. We are driving digital usage.

When you get to the new types of things, like FTEs and things like that, we will study them and look at them. When you get to the question my colleagues answered about holding digital assets, our clients are asking us, trying to figure out how to facilitate their decision to buy digital assets, especially on the institutional side. Those are debates going on. But all that is part of, as you said, the ingenuity, and I think this country is the most innovative country in the world, and has been and will continue to be, and our industries are driving it.

Mr. BUDD. Thank you. I yield back.

Chairwoman WATERS. Thank you very much. The gentleman from Florida, Mr. Lawson, is now recognized for 5 minutes.

Mr. LAWSON. Thank you, Madam Chairwoman. I would like to welcome all of you all to the committee.

Mr. Dimon, I would like to thank you for your response to Congressman Green's concern, because it is very hard to make up for some of the sins of the past. But to meet with Congressman Green to talk about these issues is just tremendous.

I would like to say to Mr. Moynihan that 43 years ago, I got a $10,000 loan from what was then NationsBank to go into business. And like Mr. Williams from Texas, I have been in business ever since then. And that is the importance of having a good relationship.

Now, to the panel, there are many people in this country who struggle to access financial services in areas without significant access to bank branches, for example, Gaston County, one of the areas that I represent in Florida. And Gaston was deemed deeply affected, meaning that the County had 10 fewer branches in 2012, and lost at least 50 of them by 2017. Rural communities are deeply affected by branch closures, and typically have higher poverty rates, lower median income, and higher shares of their population with less than a high school degree, and higher shares of their population who are African American, relative to all rural counties. Can each of you please provide a quick overview of what your bank strategy is to increase access to financial services and branch presence in rural communities such as Gaston, one of the communities that I represent?

Chairwoman WATERS. Who is your question directed to, Mr. Lawson?

Mr. LAWSON. To everyone on the panel. My time is running out, and I have another question, so I want to make sure—

Chairwoman WATERS. Who do you want to start with?

Mr. LAWSON. Okay.

Chairwoman WATERS. Start with one of them.

Mr. LAWSON. Okay. I will start with Mr. Dimon.

Mr. DIMON. We are always adjusting our fleet of branches. It is a normal thing to do. We always make sure we are serving communities. About 25 or 30 percent of our branches are in LMI neighborhoods, and of all the new branches, and we are opening branches all the time, including maybe 500 or 600 in just the last couple of years alone, about 25 or 30 percent will be in LMI or majority-minority neighborhoods. And rural, we are not very big in rural. We are looking at what we can do there. We are going to study some versions of how we can extend into rural banks, and some of the banks here do more than we do in the rural communities. Digital will also help fix that problem.

Mr. LAWSON. Okay. Let me go to Bank of America [inaudible].

Mr. MOYNIHAN. Congressman Lawson, yes, similar. We continue to fine-tune our branches. So, as we move branches around, we basically make sure that about 30 percent are in LMI neighborhoods, and that has been true all the way through time. Interestingly enough, when we looked at the rural areas at the beginning of the decade—2010, 2011—we sold 500 or 600 branches to small community banks to make them stronger, and so on the idea that we may not want to have them open, but yet we sold the deposits to those companies and they consolidated them in areas that we didn't think we could serve as effectively as them, so we made those companies stronger.

And, again, I challenge our team like Jamie has. We touch, within a reasonable distance, about 80-plus percent of the U.S. population. We have challenged them to how we get coverage to other parts, and the digital platform is very capable of doing that. We have 400,000 customers in States in which we don't even have branches, so it is doable.

Mr. LAWSON. Okay. Thank you, and I am going to try to get this other question in. Yesterday, it was suggested that short-term lenders should not be allowed to provide their products which help working people, and I get a lot of them. And I believe that banks have moved away from serving that market, which includes many of my constituents. For proof, all we need to do is look at the FDIC's Small Dollar Loan Pilot Program, saying that we can do these small loans, which charge 36 percent or less. What has happened? Anyone who would like to comment on that, because it affects small lending. Can anyone comment on that?

[no response]

Chairwoman WATERS. The time has expired. We are going to move on. If you have an answer, please send it in writing to Mr. Lawson.

The gentleman from Ohio, Mr. Gonzalez, is now recognized for 5 minutes.

Mr. GONZALEZ OF OHIO. Thank you, Madam Chairwoman, and thank you to our CEOs for being on today, and, quickly, a big thank you for all that you did to help us weather the storm during the pandemic. I think it was all-hands-on-deck across the country, and you all certainly pulled your weight. And I know we are all appreciative.

I am going to stay on the Special Purpose Acquisition Company (SPAC) retail investor topic, and, Mr. Solomon, I am going to focus primarily on questions to you, because we have chatted about this. We had a hearing earlier this week on the initial public offering (IPO) market, traditional direct listing SPACs. Obviously, we have seen a lot come public in the last year, and I think that is good for two reasons: one, it means retail investors have access to more investment options; and two, the fact that we have three solid options for companies to come public, and it creates important options and competition for these companies to raise money in the public markets. I think these are good. Of course, none of these vehicles are perfect, and SPACs, in particular, I believe could benefit from clear disclosures so retailers can better understand the incentives of the sponsor, IPO investors, and pipe participants as these facts go through their life cycle. SEC Chair Gensler yesterday suggested that this is an area the SEC is looking at, which I think is appropriate.

My question to you, Mr. Solomon, is, in your view, where do you believe the disclosure regime with respect to SPACs could be improved such that retail investors have the right information to understand what is necessary to make a fully-informed investment decision?

Mr. SOLOMON. I appreciate the question, Congressman, and you and I have talked a little bit about this. I think there is an opportunity for more plain language disclosure so that investors really understand the sponsorship economics in plain, clear language, and they also understand the process. There are also differences around the use of projections of the De-SPACing process. As private capital funds the De-SPACing for a number of these, I think there are also opportunities there to think carefully about how disclosure works in the typical IPO process, and how the liability structure works in those processes versus how it might work in a SPAC process. And so, there is a lot of discussion about that.

I know that Chairman Gensler is giving it attention, and I assume that there will continue to be evolution around this, to support the continuing use of SPACs as a capital markets innovation.

Mr. GONZALEZ OF OHIO. Thank you. And then, specifically, do you think that it should be disclosed if the sponsor syndicates the risk capital, because I know that is happening, but it is not currently disclosed. Do you think that is something we should be disclosing?

Mr. SOLOMON. It would depend on how and when it is done, but, yes, particularly if it is done up front. More transparency rather than less transparency in the context of something like that, I think is correct and important. And especially if it is being done up front or it is committed to, I think it should be disclosed.

Mr. GONZALEZ OF OHIO. Great. And then I am going to shift to Archegos and total return swaps. As you know, Archegos had greater than 10 percent exposure to the economics of various firms, but was able to avoid the disclosures because they acquired via total return swaps, meaning they didn't own the shares outright. That damage was largely contained that day, but I think it does beg the question, two things I think it really focuses on.

First, how many other firms are out there running similar strategies in your view? Do you think that is sort of a systemic problem? And second, do you think we should adjust the disclosure regime with respect to swaps and other instruments that allow clones, in essence, to mask the percent exposure and the leverage that they have on their balance sheet?

Mr. SOLOMON. I think there are certainly lots of significant institutional players that have exposure to equities through total return swaps. I think what was unusual here was the concentration levels, particularly in certain securities where the market cap of those securities was moving very, very quickly for a variety of other ancillary reasons. I do think, and I touched on this a little bit earlier, that a more modern disclosure structure around total return swaps and other forms of equity ownership is something that I know people are looking at, and I would advocate that some focus there is probably a good thing for us to think about as we go forward.

Mr. GONZALEZ OF OHIO. Great. I am going to switch to infrastructure for a quick second. The debate we are talking about is largely about, how do we pay for the infrastructure, and what kind of infrastructure? One thing that I think we should be entertaining in a serious way is the notion of an infrastructure bank similar what has happened in Australia and the EU and parts of Canada. Just a quick question for Mr. Solomon and Mr. Dimon, do you believe there would be an appetite from institutional clients to help fund American infrastructure via a well-structured infrastructure bank or similar mechanism?

Mr. SOLOMON. I will go first, and then Jamie can certainly comment. There is an enormous amount of private capital that is in a position to be dedicated toward infrastructure. Thinking about ways, whether through an infrastructure bank or other public and private partnerships, to unleash that would be quite productive.

Mr. GONZALEZ OF OHIO. Thank you. I see my time is up. Maybe, we will get your answer in writing, Mr. Dimon, and thank you. And I yield back.

Chairwoman WATERS. Thank you very much. The gentleman from Guam, Mr. San Nicholas, is now recognized for 5 minutes.

Mr. SAN NICOLAS. Thank you, Madam Chairwoman, and thank you to all of our guests on the panel. Our Pacific Territories are America's gateway to our Asian markets. Our Atlantic Territories are America's gateway to our Latin American markets. Our combined GDP in our Territories is greater than 13 U.S. States. Our combined population in our Territories is greater than 20 U.S. States. And yet, we have no meaningful presence from any of the G-SIBs on this panel in any of our Territories.

And so, while we listen to all of this effort to expand access to our banking system, to expand American influence in international arenas, and as I hear $30 billion over 5 years, $1.25 billion over 5 years, $50 million to MDIs, $150 million to CDFIs, as I listen to quotes such as an obligation to ensure that everyone can participate in the American Dream, or that we have a collective interest in opportunity for all, I sit here as a Representative of our Territories witnessing a lack of G-SIB investment in our Territories, and a lack in exploring the opportunities that our Territories present for our very strong financial system to use our Territorial capacities to reach out into our international markets.

I wanted to very specifically ask all of the members of the panel if they can share what their vision is for expanding into our Territories, establishing a meaningful presence, and capitalizing on the opportunities that we can bring to this country? Let's go ahead and start with you, Mr. Dimon.

Mr. DIMON. I think you raise a very important subject. This may be an area where the extra capital liquidity and other costs of being a G-SIB make it prohibitive to want to do that, but I am sympathetic to your concern. We certainly will look at what you are talking about and see if we can be helpful in any way. It may be something that is better done by a community bank, but we would be happy to sit down with you and discuss it.

Mr. SAN NICOLAS. On that subject, I have G-SIBs at the table who have very strong investments in international markets like Hong Kong or Singapore, even exploring Taiwan now that the Hong Kong option is kind of questionable. And yet, I don't hear of any efforts to really explore Guam, for example, as an option when we are literally 3 to 5 hours away from every major metropolitan area in Asia. And that is why I think that there is a lack of awareness perhaps, but definitely a lack of investment, and I wanted to definitely put that on the table today.

Ms. Fraser, can you share some insight?

Ms. FRASER. Yes, we do serve, not in a huge way, but we do serve clients in many of the Territories, and Puerto Rico is an example of one where we have an important presence and are a major bank there. And that is both for corporates primarily that we work with and commercial banking clients. But through digital capabilities now, the ability to serve customers in the Territories will be in an opportunity going forward, and we are very happy to spend some time exploring that further with your office.

Mr. SAN NICOLAS. I just wanted to share that Citibank closed its branch at the earlier part of the century, so that is something that I would very much like to have revisited.

Mr. Gorman?

Mr. GORMAN. We are predominantly a capital markets and wealth asset management business, so we are in places like Hong Kong because we serve enormous capital markets range of clients across of all of Asia. So, Guam is probably not at the scale where we would put operations, just being completely honest about it, for those kinds of businesses that we're in. We are not in the traditional retail branch-based banking businesses or the credit card or much of the consumer lending businesses.

Mr. SAN NICOLAS. But your businesses that you do in Hong Kong, that is not just strictly limited to Hong Kong proper, correct? Hong Kong is a staging point for Asia proper, yes?

Mr. GORMAN. That is right. Hong Kong, New York, Tokyo, and London are the major staging points around the world.

Mr. SAN NICOLAS. And so, Guam may not necessarily have the population per se within its vicinity to be a market, but definitely as a staging point, similar to Hong Kong, it is something that should be looked at.

Mr. Moynihan?

Mr. MOYNIHAN. Representative San Nicolas, I think you asked us this question in 2019, with a pandemic focus. But like the others, I think we should take a look and see what is doable in the context of business that we conduct, and also, is there a way to do it in partnership with other people to help build them up to supply local services better than we could? So, you asked the question before, and we will take a look at it.

Mr. SAN NICOLAS. Thank you very much. I have the same question for Mr. Scharf and Mr. Solomon, but my time is running out. But I would like to just reiterate that the reason why I am on this committee is to make sure our Territories are not forgotten in the largest financial system in the world, that is a part of our country. Thank you so much, Madam Chairwoman, and I yield back.

Chairwoman WATERS. You are welcome. Thank you. The gentleman from Tennessee, Mr. Rose, is now recognized for 5 minutes.

Mr. ROSE. Thank you, Madam Chairwoman, and Ranking Member McHenry, and thank you to our witnesses for being here and for staying engaged throughout this hearing. Before I get into my questioning, I do want to thank you for the work that you, and all of our financial institutions did throughout the last 15 months to ensure that families stayed in their homes and businesses kept their doors open. The swift rollout of the Paycheck Protection Program is further proof that our private sector remains more efficient than our Federal Government.

However, today, I want to discuss something several of my other colleagues have touched on, which is capitalism versus stakeholder or woke capitalism. I find it unfortunate that each of your firms feel comfortable picking winners and losers based on a political litmus test. A topic we continue to debate in this committee is that of equity versus equality. I am of the belief that everyone deserves an equal opportunity for success, but it is not the place of government nor of private industry to guarantee an equally-successful outcome.

As I have read through your testimonies, and the reporting documents of your companies, "equity" continues to be a popular word. In fact, Mr. Solomon, you are quoted as saying, "We must stand up and support organizations dedicated to the fight for a more just and equitable society; not equal, but equitable." In just a few words, Mr. Solomon, how does Goldman Sachs define, "equity?"

Mr. SOLOMON. I appreciate the question, Congressman. It is a very broad question, and I am not sure that I understand in exactly what context you are asking it. But I, too, like you, am an American who believes deeply that everyone deserves an opportunity to have success, and I think one of the things that we can do with our business is to help create opportunities. When I think about our 10,000 Small Businesses Program and the commitment we have made over the last 12 years to invest in small businesses, provide education, and provide capital and resources, all of that is helping small businesses to bootstrap up, and employees to grow and have success.

And so, when we serve a lot of big companies and big institutions around the world, there are ways that we can use our expertise and our platform to help others come along and share more in the context of opportunity. A society that, as you state, gives great opportunity to all, is a society that we certainly want to be a part of.

Mr. ROSE. Thank you. I appreciate that. And speaking of winners and losers, several of my colleagues have talked about this today, but I cannot stress enough the importance of providing access to capital for all legal businesses. Mr. Dimon, you, for instance, are on the record saying that you have no interest in bitcoin, but JPMorgan Chase will allow clients to invest in bitcoin because, in your words, you, "don't tell clients what to do." What if your client wants to invest in a fossil fuel company or a private prison?

Mr. DIMON. We don't tell the clients what to do. We do make our own decisions about what we want to do based upon our risk assessments and things like that. So, our clients are completely free to buy bonds of a private prison. We do not tell them what to do.

But even cryptocurrencies, we want to set it up in a way we think is safe and proper for them, and we are still working on that.

Mr. ROSE. So what I am hearing, I think, is that you have no problem investing in or seeing your clients invest in cryptocurrencies that are not only volatile, but currently being abused by cybercriminals, but legal businesses, such as fossil fuel companies, is where you decided to draw the line.

Mr. DIMON. No, you are totally wrong. We have been quite clear that there will be fossil fuel companies for decades to come, and we finance them and we are proud of it, and we are working with them on trying to reduce their CO2. We have certainly not cut back on that, and we have a very good relationship with them. We have cut back in certain areas because we think the risk, legal or regulatory, is too high to do the business there.

Mr. ROSE. And finally, Mr. Dimon, earlier you pointed out, in Mr. Luetkemeyer's questioning, about dealing with China, that when it comes to investing overseas, you will follow the laws of the United States, and that if the U.S. does not allow certain investments, JPMorgan would certainly follow the law. I think it is interesting that when it comes to investing in China, JPMorgan is very interested in following the law, but here in the U.S., you are going well above and beyond to not do services with legally-operating businesses. With that, Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you very much. The gentlewoman from Iowa, Mrs. Axne, is now recognized for 5 minutes.

Mrs. AXNE. Thank you, Madam Chairwoman, and thank you to the witnesses for being here. I want to change course a bit here and talk about housing. We all know that housing demand has been very strong, and prices have gone up a lot this past year. The concern here is that is exacerbating the problem that we had before, which was that homeowners who normally had higher incomes already were doing well, had their home, higher incomes, but younger people and those with less income and less wealth opportunity weren't able to get into a home that they could afford.

And I will tell you what, I hear from businesses that have trouble attracting employees because of this. Just last week, I was down visiting a local manufacturer, Wellman Dynamics, which has people driving 70 miles to work because there is no housing in that community, and we know this hurts the economy. Productivity is certainly affected as well. Mr. Scharf, I want to thank you for having 14,000 of your employees living in my district, and I am wondering what your opinion is on agreeing or disagreeing that affordable housing can help us create growth?

Mr. SCHARF. Congresswoman, there's no question that affordable housing—first of all, I think it is something we should all be concerned with, and we should all be figuring out what we can do to provide more financing and more opportunity, which is what really we all can do, and you can do that in a variety of ways. You can do it by making sure you are lending into lower-dollar loans. You can help people with down payment dollar amounts. You can help them with closing costs. Those are things that we are all very, very focused on. And I think the more leverage you create in that, in terms of all of us participating in programs like that, the bigger impact we can have.

Mrs. AXNE. Thank you for that, and I couldn't agree with you more. That leads me to my next question. It's good to see you, Mr. Dimon, and I am just wondering what you think may be some of the ways that we could address these shortages with inequality in housing, both in terms of policy that we can be taking here in Congress, but, of course, as Mr. Scharf mentioned, the banks can be taking to decrease that inequity?

Mr. DIMON. The first thing you can do is, if you speak to builders, local zoning laws and regulations hold them back and make things more costly. But the other thing that Congress could do, which I think is bipartisan, is that the mortgage laws for underwriting mortgages got so strict and so restrictive for origination and servicing, that if they were simplified without creating any additional risk, it would reduce the cost of mortgages and make far more affordable mortgages available to people, particularly between $200,000 and $300,000, and I have been talking about that for years. It has not been done. It is one of those things that needs to be recalibrated. The sooner you do it, I think it would be a huge boost to the American economy, and to lower-paid individuals, and smaller homes.

Mrs. AXNE. That is perfect. I will talk to the committee about that. What are some of the things the banks can be doing differently?

Mr. DIMON. Most of these banks have already doubled down on their affordable housing, and are trying to get the loans out there, and are working with more CDFIs. And CDFIs, a lot of them do a great job on this, by the way, and you all have already given them a lot more money, which they need to deploy now, and we can help them deploy it.

Mrs. AXNE. Okay. I would be curious to talk about that. You mentioned homes in the $200,000 to $300,000 range. Even in Iowa, though, that is above our affordable housing. And unfortunately, between 2009 and 2019, the amount of mortgages that were made for $150,000 or less dropped by 25 percent, and those over $150,000 grew by nearly 70 percent. I appreciate you bringing up the $200,000 to $300,000 because for a lot of markets in this country, that is entry-level. Can we get more support from banks? We need more support to help us get to these lower, smaller-dollar mortgages. And we can work on the paperwork thing, but can we get some support so that we know you can be there for us to help with this?

Mr. DIMON. I think I should have said, it is all lower mortgages, including under $100,000. Those costs are astronomical, and more clarity around FHA. A lot of the banks are very coarse in FHA because of the legal and regulatory risk, and they would be doing a lot more of it, which is very good for that segment, if those things were clarified.

Mrs. AXNE. Okay. Any other comments? Mr. Moynihan, do you have any thoughts on how we might address this?

Mr. MOYNIHAN. Chairwoman Waters asked us this question, and we all responded to her, and there is a falloff. I think the FHA/VA rules and regulations in the last crisis, as a company that had to deal with that, we have all restricted our activities, point blank, in that area, and I think it would be helpful if those rules were clarified and simplified so that it would be attractive enough to do. Right now, it is not very attractive.

Chairwoman WATERS. Thank you very much.

Mrs. AXNE. Well, we have our marching orders. Thank you.

Chairwoman WATERS. The gentlelady's time has expired. The gentleman from Indiana, Mr. Hollingsworth, is now recognized for 5 minutes.

Mr. HOLLINGSWORTH. Good afternoon. I appreciate everyone being here. I think a lot has been said about what banks can do, but I want to talk a little bit about what banks have done throughout the course of this pandemic and the lifeline that they have served to countless businesses and American families. Banks have helped raise $2.2 trillion in corporate bonds and $339 billion in equity in the last year. Large banks have modified $330 billion in loans, about 6 percent of all commercial loan balances in this country, including payment deferrals, fee waivers, and forbearances. Banks deployed almost $539 billion in commercial loans during March of 2020 alone at a time when the Federal Government had not yet stood up its coronavirus response, facilities or programs, or financial support. Those are really big numbers, and they made a big difference to a lot of those businesses that are operating across this country because of that.

But I also want to talk about other numbers that made a big difference: 720,000 employees is what I calculated between each of your firms, and I know figuratively, not literally, sitting behind you are those hundreds of thousands of employees who showed up every single day to help American businesses, and to help American families get through this crisis.

I remember last March and April in D.C., when a lot of people were talking about, if bank branches shut down, would there be runs on banks? If capital raises stopped, how would businesses be able to get through this? If loan processing ceased because we couldn't get people into call centers, how would mortgages still function? None of that came to pass. None of that happened because 720,000 Americans showed up every single day. They got up and they went to work, whether that was going to work at a branch, whether it was going to work at a call center, or, frankly, going to work at their kitchen table. Your employees, like millions of other Americans who work in financial services, made sure that they showed up for America.

This didn't become a financial crisis because when Americans called those bank employees, they picked up the phone. When Americans were at a drive-through, those bank employees were on the other side of the glass. When Americans opened their apps, those apps connected, and when Americans needed a loan, bank employees were willing to email them the paperwork to help get that started. Millions of businesses are alive today because of your frontline employees, millions of Americans can put food on the table because of your employees, and America's economy is growing robustly in part because of your employees.

So, to the tens of thousands of those employees who work in Indiana's 9th District, and the millions of Americans who work in financial services all across this country, I want you to know you were not found wanting in this crisis. We are deeply grateful that

America's economy is recovering and was able to function throughout the crisis because of the work you did every single day.

All that being said, I want to turn our attention to a few questions. I want to ask about the divergent trends we see between deposits and loan growth. Commercial deposits have been blowing into financial institutions since last year. Between February 2020 and February 2021, commercial deposits grew by $3.2 trillion compared with just, and I use that very generously, "just" $800 billion in growth over the previous 12-month period.

I wanted to talk to Mr. Moynihan about this. Holding excess bank deposits in a weak lending environment can accompany some negative impacts, especially in terms of the regulatory requirements that you face. I was hoping that you might speak a little bit to the Supplementary Leverage Ration (SLR) and your decisions related to deposits, and whether you think the SLR capital requirements are at the right levels going into this period, and if there any changes that you think should be made to SLR to accommodate an environment where bank deposits seem to be growing robustly, but loan demand seems to be very tepid.

Mr. MOYNIHAN. Thank you, number one, for recognizing all of the teammates that we all represent who did go to work every day, and opened those branches, and kept the economy going, and did such a great job. So, thank you for recognizing that.

On the question of SLR, the industry has made many suggestions over the years that completely riskless assets may not have a place. And what happened was when the deposits took off and we went out and bought Treasuries and left overnight cash in the Fed, we probably went from $100 billion to $300 or $400 billion overnight in the Fed. You were still holding capital against that, and that doesn't quite make sense and can work against the idea of injecting monetary support into the economy. So, we raised the questions, and then the Fed made an accommodation which, frankly, didn't make a difference. We were above the levels for our company, but they made an accommodation to help ease conditions. But now, after the crisis, I think it is important to look at it again and make sure to calibrate it correctly because it has a governing effect on the ability to do what you are saying.

Mr. HOLLINGSWORTH. Great. Thank you so much. My time is up, so I will yield back, Madam Chairwoman.

Chairwoman WATERS. Thank you very much. The gentleman from Illinois, Mr. Casten, is now recognized for 5 minutes.

Mr. CASTEN. Thank you, Madam Chairwoman. And thank you to our witnesses. I want to start by apologizing to our witnesses. I am awfully troubled that some of my colleagues across the aisle, who are so outspoken in their opposition to socialism and the Belt and Road Initiative seem to be so predisposed to policies that would direct our banks to invest in politically-preferred industries or else. I apologize. I encourage you all to get copies of, "The Wealth of Nations" and send it to them if they get those letters, and remind them how capitalism works.

Mr. Scharf, the last time you were here, we spoke about your exposure to the oil and gas sector and potential write-offs. You subsequently posted your first quarterly loss since 2008, and I think some of the reports I have seen suggest that over half of the past due loans were in the fossil fuel sector. Just, "yes" or "no," is your total exposure to the fossil fuel sector bigger or smaller than it was when we spoke a year ago?

Mr. SCHARF. Congressman, I am not sure of the answer. I would be surprised if it were that different.

Mr. CASTEN. Okay. So if it has been written down, would that imply that you have, because there is the total value, right, and then there is the total value of the initial holdings?

Mr. SCHARF. Yes, but there is a difference between adding losses and actually writing it down. It is certainly something we can get back to you on.

Mr. CASTEN. Okay. I would be interested in understanding that.

Mr. Gorman, you said in your prepared testimony that climate change considerations are integrated into the firm's risk management and governance processes. You have advanced diligence process [inaudible] sectors. Are you satisfied that you have a consistent methodology for calculating the carbon impact of your investments that is used by all the portfolio companies and businesses you invest in and by your competitors so that you have a consistent reporting standard?

Mr. GORMAN. No, I think, clearly, this is a space that is evolving. It is still in its infancy. Various government bodies, international bodies, and banks are trying to sort out the right methodology. Clearly, the Sustainability Accounting Standards Board (SASB) is involved in this. So, no, we are in the early days.

Mr. CASTEN. Okay. As you put these processes that you have, however imperfect they are, in place, have you ever written up or down your carbon exposure as you would with a piece of debt? If the utilization factor changes in ways that you look at the security from a financial perspective, have you ever changed it, or is that just at the point of investment you do that diligence?

Mr. GORMAN. I don't think we have. To the best of my knowledge, we have not. If I am wrong on that, I will certainly let you know.

Mr. CASTEN. Okay. Mr. Solomon, you made similar statements that you have been carbon-neutral since 2015, will be net zero, and I think these statements are terrific. I am not saying it as criticism. The same questions as Mr. Gorman, are you satisfied that you have a consistent methodology, and have you ever written up or down the greenhouse gas exposure?

Mr. SOLOMON. With respect to carbon-neutral, that is in our buildings, that is taking our buildings. I am not aware of any material up and down, and I would echo what Mr. Gorman said just about the process. The process is new. It is not consistent, it is not clear, and so it is still an evolving space.

Mr. CASTEN. Okay. Mr. Dimon, you said in your opening remarks that abandoning fossil fuels is not an option right now. Over the suite of the investments you have in the fossil fuel space, you have senior debt, you have various levels of subordinated debt, and presumably some equity. Setting aside the total exposure, have you taken any steps to shift the risk exposure in your portfolio to the space? In other words, have you shifted more towards more senior secured vehicles?

Mr. DIMON. I do not believe so, no.

Mr. CASTEN. Is it reasonable to assume that if you saw a risk coming, you might take measures to protect your investment and move to a more senior position?

Mr. DIMON. You certainly should assume that.

Mr. CASTEN. Mr. Moynihan, your bank is one of the largest financers of fossil energy, I believe, of the folks here. Same question as Mr. Dimon, are you changing your risk exposure?

Mr. MOYNIHAN. We look at individual credits based on their prospects, and so we have not, to my knowledge, changed any material exposure in our risk today. But in terms of the discussion, we continue to look at the portfolios and figure out how you can measure the types of things you are talking about, and that work has been going on.

Mr. CASTEN. Okay. I am about out of time, but today, I introduced the Climate Change Financial Risk Act with Senator Schatz, that is designed to do the scenario testing in our financial sector. In my view, you all are crazily smart. You are extremely sophisticated. I have high confidence that your banks are probably going to be fine because you are the most sophisticated, and when you see these risks coming, you will find ways to offload them to other people in the financial sector who are not. We have an obligation on this committee, to our prudential regulators, of making sure that as cash moves around the system, as we transition to a cleaner economy, we are protected, and I hope you will support us in our efforts to make sure that we maintain a robust financial system. Thank you, and I yield back.

Chairwoman WATERS. Thank you. The gentleman from Wisconsin, Mr. Steil, is now recognized for 5 minutes.

Mr. STEIL. Thank you, Madam Chairwoman. I think we all look forward to the day where we are back in person taking advantage of the axis of vaccines. It has been a long time staring at Webex. I think it has been for most of us on this, but let's dive right in, if I can.

Mr. Solomon, many people in our community are deeply concerned about rising inflation, and last month, we recorded inflation rates at nearly a 13-year high at 4.2 percent. Families across the country, in particular, in places like Janesville or Kenosha, Wisconsin, are seeing and feeling the effects of rising costs every day. Food, gas, vehicles, everything seems to be getting more expensive. Some of that is tied to the supply chain issues we are seeing. Some of it is probably tied to inflationary pressures. A member of your research team recently described price data from the last few weeks as, "pretty alarming from an inflation perspective." And among other things, he pointed to some of Washington's fiscal choices as a major driver of recent inflation. In fact, we spent trillions of dollars, and some are looking to spend even more in a fiscal blowout. And while some of these fiscal effects are time-limited, some will have a persistent impact, I believe, on our economy, in part, by shifting the public inflation expectation. Your research team has also expressed concerns about falling into this, "self-perpetuating cycle."

Your research department published a report earlier this year titled, "Fiscal Policy: The Next Round," which correctly noted that much of the COVID-era spending and the current Biden spending proposals weren't fully paid for, so what we are looking at is elevated spending and more debt. Would you agree that the spending imposes an inflationary risk, and, following on that, what would you be doing with your firm to prepare yourself for a potential inflationary environment?

Mr. SOLOMON. I appreciate the question. There is certainly a lot of focus on inflation, and I am finding it a topic of discussion with most CEOs. As I talk to people and make my way around, there is no question that the current combination of monetary policy and fiscal spending, combined with a re-acceleration of the economy coming out of the pandemic, is leading to some inflation. As we discussed earlier in the hearing, there is a big debate about how much of it is transitory or how much of it will be sticky and will last. I think it is hard to tell.

I certainly think that we have spent a lot of time thinking about it from a risk management perspective, always focused on safety and soundness, and managing the institution, just being more aware of that scenario where suddenly monetary policy to slow down and overheating economy raises interest rates more quickly than market participants expect, is certainly something that is more possible than we might have expected pre-pandemic. And so, we obviously think about that and focus on the risk and the implications that would have on asset prices and markets.

But I think this is very fluid, and I think we all have to continue to monitor closely, and obviously, decisions we make as we go forward will have an impact on all this, and the pace of the economic recovery will have an impact on all this.

Mr. STEIL. Thank you. Thank you very much, Mr. Solomon. If I can jump over to you, Mr. Dimon, with a similar question, knowing your significant retail operation, how potential inflationary pressures would impact your consumers. Could you comment on that?

Mr. DIMON. Sure. The consumer, fortunately, is in great shape. They have a lot of cash and capability. Their jobs are coming back. Their asset prices are good. Their home prices are good. And the good news is loans are down because they have money. They are not down because of a normal thing where they are trying to pay off debt in a recession. Inflation, I think, is coming. The only question is, how much and how quickly? We have never seen fiscal stimulus like this, other than World War II, and half of that money was spent on the war.

And also, in 2008 and 2009, there was huge de-leveraging in the years after 2008 and 2009, fundamentally different. If there is real inflation, the people who get hurt the most are the lower paid, and because it is gas and it is food, and that causes certain social disruption, and that, we should be very, very conscious about.

Inflation is not a good thing. It was at 1.6 percent. I don't know what was so bad about that. If it goes to 2.5 percent, I don't think it is that important. It is more than that today, but if it hits 4 percent on a sustained basis, it will cause disruption for the lower-paid individuals in America.

Mr. STEIL. I appreciate you sharing that because I completely agree with you. The mismatch of both the fiscal policy and our monetary policy, I have significant concerns that we are going to see inflationary pressure, and it will function like a tax on all

Americans, in particular, some of the lower-income earners as they see real cost increases and a decrease in their standard of living. I appreciate everyone's time here today. In observance of the clock, Madam Chairwoman, I yield back.

Chairwoman WATERS. The gentlewoman from Massachusetts, Ms. Pressley, is now recognized for 5 minutes.

Ms. PRESSLEY. Thank you, Madam Chairwoman. Panelists, as industry experts, I want to ask your opinion on several hypothetical questions to help me better understand how your bank gathers information and assesses risk before extending a loan. Mr. Moynihan, if my friend Joe started a business, would Bank of America provide him with a loan? Please answer with, "yes," "no," or, "I would need more information."

Mr. MOYNIHAN. I would need more information to underwrite credit.

Ms. PRESSLEY. Let's assume his financials are in good order, Mr. Moynihan. Would your bank then make the loan, or are there other risk factors that you would need to take into consideration? "Yes," "no," or, "I would need more information."

Mr. MOYNIHAN. We look at a series of risk factors, including the person, their credit, if it is a small business loan, and the person who is starting a business. It is probably going to be based more on the individual. Credit score is another factor, as we talked about earlier.

Ms. PRESSLEY. Reclaiming my time, I will take that as you need more information. So, Mr. Moynihan, please answer with, "yes," "no," or, "I would need more information" for the following two questions. Imagine a former employee of the company told you that Joe dismissed more than half of his workforce, including the CFO, for misconduct. Would your bank lend to Joe? "Yes," "no," or, "I would need more information."

Mr. MOYNIHAN. We would need more information to understand the situation.

Ms. PRESSLEY. Thank you. Imagine you heard from a customer that Joe lost sensitive data and 75 percent of his company's earnings due to a cybersecurity breach. Would your bank lend to Joe if you heard this rumor?

Mr. MOYNIHAN. We would need more information. If you are referring to a specific case, we can talk about that.

Ms. PRESSLEY. Thank you. Mr. Moynihan, you just expressed to me that you will not put your bank's money on the line if you were made aware of these red flags or if you are kept in the dark about these risk factors. The hypocrisy I see here is unbelievable. While you expect consumers and businesses to disclose this important information about risk when they apply for a loan, you withhold the same information about your megabank from the public and from Congress. The Federal Government and the public provide you with many benefits despite the systemic risks your institutions pose and the limited information you all share with us on a voluntary basis. This must end. This is unacceptable.

My bill, the Greater Supervision in Banking Act of 2021, would fix this by requiring your companies to publicly disclose cases of misconduct, your approach to protecting consumer data, climate risk, employee compensation, and support for CDFIs and MDIs. Allowing the public to make informed decisions and Congress to conduct oversight cannot be optional or inconsistent. Thank you, Chairwoman Waters, for holding this hearing and continuing to prioritize our role in oversight here. I yield back.

Chairwoman WATERS. Thank you very much. The gentleman from Texas, Mr. Gooden, is now recognized for 5 minutes.

[no response]

Chairwoman WATERS. Is Mr. Gooden on the platform?

[no response]

Chairwoman WATERS. If not, the gentleman from South Carolina, Mr. Timmons, is now recognized for 5 minutes.

Mr. TIMMONS. Thank you, Madam Chairwoman, and I want to thank each of the witnesses for taking time out of their busy schedules to come before the committee today and answer our questions.

Yesterday, in the Senate Banking Committee, you all said you believe capitalism is the economic system that produces the best economic outcomes. "Capitalism" is defined essentially as conducting business in such a way as to earn a return on invested capital. But my question is, can your banks process a $500 loan for a term of 90 days for a new customer for a $45 fee? That is the amount of revenue that would be earned on such a loan at 36 percent APR. And obviously, if one such loan defaults, it would wipe out all of the revenue for 10 other such loans that are being paid when due. So, tell me how financial services operators could feasibly provide this kind of short-term, small-dollar loan on a sustainable basis?

Mr. Dimon, you said yesterday that you would support a 36 percent cap on all loans pending a review. If such lending cannot be done profitably, what is the sustainable source of access to credit for the millions of customers who require this kind of short-term, small-dollar loan?

Mr. DIMON. You are asking a great question. It does cost money to produce a loan and underwrite it, and if that cost goes into APR and you include that in the 36 percent, it is impossible to do loans like that and make a profit. That is precisely why we don't do it, and there is no safe harbor. It doesn't affect us, so I am not going to fight that bill, but I do think it does push out some institutions. There are a lot of non-banks, and shadow banks, and payday lenders, and all who do that business, but they don't bear the legal and regulatory risk that we do.

Mr. TIMMONS. Sure, and I appreciate that answer. Ms. Fraser, you said yesterday that you supported the spirit of the proposal, but want to make sure that there are no unintended consequences. I think it is fairly obvious there will be many unintended consequences for short-term, small-dollar loans. In your opinion, would these types of loans be possible with a blanket 36 percent APR rate cap?

Ms. FRASER. As we said yesterday, we certainly don't charge a customer 36 percent, but I worry about the imposition of flat caps. They often have unintended consequences. I have seen this in many other countries where they have limitations on access to credit, and they actually end up almost hurting the customers they are trying to help more than they aid them. So, I think these types of rules require very careful consideration because of those factors. We have seen it elsewhere. You have to be very careful.

Mr. TIMMONS. Thank you, Ms. Fraser. Mr. Moynihan, companies, including your firm, face increasing risk of cybersecurity attacks. In addition, banking agencies recognize that cybersecurity risk from third-party vendors is also increasing, and Federal banking agencies recently provided guidance with respect to practices that banks can utilize to reduce vendor risk and improve operations. Can you please speak to how your firm approaches cybersecurity risk management, and discuss any improvements you have made or plan to make to your risk management frameworks, both in general and, in particular, with respect to vendor risk management?

Mr. MOYNIHAN. If you go back and think about the last decade or so, this issue has gone from something that was relatively contained to something that we spend a billion dollars a year on, and have 2,500 to 3,000 people working on every day. They are very good. We also work with the industry, so over the last three Administrations, we have worked closely with industry to create industry-sharing networks, "The Ark," it is called. FSAIC, I think, is the acronym. These are all institutions to share information.

So, we work very hard on this. There is a White Paper coming out from a group called Business, which studies this across all industries, and that White Paper is something that we would propose represents the interests of the financial services sector about what more can be done. So, we work very hard at making sure we manage this risk well, and we continue to learn more about it every day, and we continue to make suggestions and improve the practices.

Mr. TIMMONS. Sure. I really appreciate that. I actually graduated from NYU with a Master's in cybersecurity just last week, and many of your firms had some of your executives or team members in that program. So, I just appreciate you all making it a priority to learn from the past and make sure that you are doing everything you can to secure our data. And with that, Madam Chairwoman, I yield back. Thank you.

Chairwoman WATERS. Thank you very much. This committee will stand in recess for 5 minutes.

[brief recess]

Chairwoman WATERS. The committee will come to order. The gentleman from New York, Mr. Torres, is now recognized for 5 minutes.

Mr. TORRES. Thank you, Madam Chairwoman. I have a question for the CEO of Morgan Stanley. How much did you sustain in losses from the collapse of Archegos?

Mr. GORMAN. $911 million.

Mr. TORRES. And Bill Hwang, the head of Archegos, pleaded guilty to insider trading about a decade ago. Were you aware of his history of insider trading before entering into a credit swap contract with him?

Mr. GORMAN. I was not personally, but as a company, we were aware of that.

Mr. TORRES. Were you aware of all of the other credit swap contracts he had any entered into, and the lack of diversification in those contracts, and the extent of his overleveraging?

Mr. GORMAN. No, there was not clarity and transparency around his positions across the street.

Mr. TORRES. So, given the lack of transparency and clarity surrounding the credit risk of Archegos, would you support an SEC rule requiring disclosure of a significant economic interest in a company, regardless of the form that interest might take?

Mr. GORMAN. I think it is in everybody's best interest for adequate disclosure. I know Chairman Gensler is going to be looking at this, and I would certainly work with him on it.

Mr. TORRES. Is that a "yes?" I am not clear on the answer.

Mr. GORMAN. Clearly, the lack of disclosure here hurt. Fortunately, it didn't hurt taxpayers. It didn't hurt investors. It hurt Hwang and his family office, and it hurt the banks that were prime brokers to him. But generally, yes, I think this is something that should be figured out and the SEC is focused on it.

Mr. TORRES. The largest banks are earning more and more profits than ever before, but appear to be making fewer and fewer loans to consumers and small businesses. Citi had record profits in the first quarter, yet lending is down by 10 percent. Bank of America saw doubling of profits in the first quarter, yet lending is down by 14 percent. My questions are specifically for the CEOs of Bank of America and Citi. Can you briefly explain to me the dramatic decline in lending in the midst of record quarterly profits?

Mr. MOYNIHAN. Why don't I start? Our loans are down largely through a series of factors. One of them was obviously for small business loans, $35 billion of PPP loans that replaced loan credit. For middle-market companies, they are borrowing a percentage of their revolvers, 1 through 30, 5/30, 7 percent to 27 percent. That is tens of billions of dollars of loans. And then, consumers paid off their credit cards. We had $90 billion of credit cards before the crisis, and we would still want all of those loans obviously, because that is the business were in. So, it was demand-side driven by the markets.

The good news is, as the economy has healed and as final demands come back in, and spending by consumers and businesses is growing, you have seen the loan balances start to grow this quarter, and we will see where we end up. That has been a hopeful sign. But when you think about it, to give you just a snapshot, in May of 2021, we committed $1.1 billion in commercial lines of credit for small businesses. That is up 30 percent from where it was in May 2019. And you will see loan balances grow as companies reopen and need the lines of credit and start to access their lines.

Mr. TORRES. I am going to actually move on just in the interest of time. I have a question specifically about New York City. The government of New York City draws more than half of its revenues from real estate, particularly commercial real estate, and the vitality of the New York City economy, as well as the viability of New York City transit, depends heavily on foot traffic from those commuting to and from the office. My question to each of the CEOs is, do you plan to send most or all of your employees back to the office 5 days a week, and, if so, when? Please provide an exact timeline. Let's start with JPMorgan.

Mr. DIMON. Congressman, I would say we don't have a long-term plan, but we are aiming for everyone to be in half of the time starting around mid-July, and we are asking people to come in now, and get comfortable. It is very safe. No one is being forced to do anything. We want everyone to be vaccinated. We are not requiring that yet. It is quite safe. And a lot of us have been coming in every day since last June.

Mr. TORRES. Bank of America?

Mr. MOYNIHAN. Yes. We have started to bring vaccinated employees back. We collected the information voluntarily from them. We have about 50,000 teammates who put the information in and gave us the ability to call them back and have them work. In New York City, in particular, that is starting to take place. The top levels will be back in the office effective June 1st, and our goal is, by after Labor Day, to effectively be back to sort of where we were in January of 2020.

Mr. TORRES. Citigroup?

Ms. FRASER. Thank you. I am in the office in New York myself today. We are expecting to get 30 percent of our people back in the office in America by early July, with a view of 50 percent being back in September. And we are going to take it from there, depending on the guidance of social distancing and other factors.

Mr. TORRES. I see my time has expired.

Chairwoman WATERS. Thank you very much. The gentleman from Texas, Mr. Taylor, is now recognized for 5 minutes.

Mr. TAYLOR. Thank you, Madam Chairwoman. I appreciate you calling this hearing. And I appreciate the witnesses taking the time to be here with us. I wanted to talk about inflation and overheating. We have had a couple of allusions to that, and as I go around Texas' 3rd Congressional District, I talk to auto dealers that have 10 percent of the new cars they usually have on the lot. I talked to a steel manufacturer who has watched steel prices go from $500 a ton to $1,600 a ton. Gas prices from 1 year ago are up 70 percent. Lumber prices are up from 1 year ago, 300 percent, coffee up 45 percent, cotton prices up 43 percent, sugar prices up 54 percent, and propane prices up 20 percent.

Do any of you CEOs—and if you believe this, just put your hand in the air, and I would be happy to call on you—think the economy is not overheating? If you disagree with the statement, "the economy is overheating," just put your hand in the air. We would love to hear your thoughts on that because you all, collectively, are overseeing trillions of dollars of the U.S. economy. Yes, Mr. Gorman, please?

Mr. GORMAN. I don't think the economy is overheating. The economy is obviously making a dramatic recovery from a very depressed state a year-and-a-quarter ago. We have record-low interest rates and record-high fiscal stimulus. But I don't see that yet as saying the economy is overheating. I just think it is growing faster than it was, and it is a function of the recovery we are under.

Mr. TAYLOR. Okay. And, Mr. Gorman, thank you for volunteering that. I appreciate that perspective. Do you think in Washington, Congress should dump a couple more trillion dollars into the economy and government spending to kind of get things back where they need to be?

Mr. GORMAN. No, and that is obviously a separate question of where are we right now and where are we heading. Clearly, with the global economic recovery and the amount of stimulus so far, I would be very cautious about further elevated levels of stimulus. At some point, the combination of low interest rates, extra stimulus, and synchronized recovery becomes a problem. We are not there yet, which is why I said, "no" to the overheating.

Mr. TAYLOR. Okay. And Mr. Solomon, I think we have spoken about this, talking about some research that your bank did on Goldman Sachs, and I actually referenced it in a previous hearing, talking about fiscal stimulus as a percentage of slack in the economy. I think your bank's analysis, Goldman's analysis, was that last year, the Federal Government spent 4 times slack. Already this year, we have spent 6 times slack. Do you think the prescription for Washington is to dump a few more trillion dollars in the economy to get things going?

Mr. SOLOMON. My response to that would be very similar to Mr. Gorman's response. I think at some point, the loose monetary policy and the fiscal stimulus, combined with an accelerated recovery, will create issues. I don't think we are overheating yet, I agree with that, but I would be very cautious about putting additional stimulus in at this point in time.

Mr. TAYLOR. Mr. Dimon, I saw you nodding your head. What are your thoughts?

Mr. DIMON. I am right with them, and using Mr. Gorman's heating analogy, we are heating up. We are not boiling yet, but we are putting a lot more fuel on the fire, and my own view is we will get to the boiling point. And I don't know that for a fact. I am not betting that, but I just think with $6 trillion in stimulus, all the QE recovery from the pandemic, the balance sheets, which are raring to go, I think there is a good chance to see overheating sometime in 2022.

Mr. TAYLOR. And, Mr. Dimon, earlier you mentioned that you were concerned about inflation. I think you were very sure that inflation was coming. Are you changing the composition of your balance sheet in anticipation of inflation coming?

Mr. DIMON. We protect ourselves against multiple scenarios, and that is one of the scenarios, yes.

Mr. TAYLOR. Okay. So you are anticipating that, and then financially putting your money where your mouth is in terms of changing your asset-liability composition in anticipation.

Mr. DIMON. I will refer to the 10-Q, but it shows you that we have done some of that, yes.

Mr. TAYLOR. Okay. I don't mean to put you on the spot, sir. I appreciate that. And then, Mr. Moynihan, do you want to comment on reacting to inflation?

Mr. MOYNIHAN. Sure. If you look at it straightforwardly, as my colleagues said, the economy this quarter is expected to be as big as it was in 2019 before the pandemic. The growth rate projected forward is 7 percent, 3 times the rate the economy is projected to grow, and the interest rate environment is much more accommodative. That sets up a robust growth in the second half and beyond, as we all spoke about, and also the very tough discussion about whether it is inflation or not and whether that will be permanent. So, I think we have to be very vigilant right now or else we can find ourselves past the point of pulling back.

Mr. TAYLOR. Thank you, Mr. Moynihan. And I would just caution my colleagues to think about next steps for Washington to not dump trillions of dollars into the economy unnecessarily. I yield back.

Chairwoman WATERS. Thank you very much. The gentlewoman from Michigan, Ms. Tlaib, is now recognized for 5 minutes.

Ms. TLAIB. Thank you, Madam Chairwoman. Thank you so much for this hearing. I just want to ask my own yes-or-no question. Are you all familiar with the term, "environmental racism?" I will start with Chase Bank.

Mr. DIMON. Vaguely.

Ms. TLAIB. Are you familiar with environmental racism?

Mr. DIMON. I said vaguely, yes.

Ms. TLAIB. Vaguely. Okay. How about you, Citigroup? Ms. Fraser?

Ms. FRASER. The same, only vaguely. I don't know the specific definition of it.

Ms. TLAIB. That is fine. And how about you, Mr. Gorman?

Mr. GORMAN. No, I am not.

Ms. TLAIB. Morgan Stanley isn't familiar. Okay. How about Bank of America? Are you all familiar with the term, "environmental racism?"

Mr. MOYNIHAN. Vaguely familiar.

Ms. TLAIB. Yes. Wells Fargo, do you know what environmental racism is, yes or no?

Mr. SCHARF. I am not familiar, Congresswoman.

Ms. TLAIB. That is unfortunate. How about you, Mr. Solomon, Goldman Sachs?

Mr. SOLOMON. Vaguely familiar, but not specifically.

Ms. TLAIB. I want you all to know that environmental racism showed its face in a deadly way during the pandemic in my district, where more of my Black neighbors died at a higher rate from COVID than any other community in Michigan, even though our Black population in Michigan is less than 15 percent, due to the preexisting health conditions that come from living in the backyard of corporate polluters financed by your banks. When it comes to racial justice, I see many of you having these commitments to diversify your executive ranks. Good. But I think the American people really, truly want to know, what about the actions that are needed to invest in our communities, like mine, that you all profited off of, that left us with more pollution, decay, and poverty?

You all should know and be familiar with the term, "environmental racism," because for generations, Black, Brown, and Indigenous communities have seen the fossil fuel corporations use your banks to finance and construct oil and gas refineries, petrochemical plants, and pipeline projects. These polluting projects haven't been built in wealthy neighborhoods, as you all know. They have been built on land in frontline communities of color, and have contaminated our air, and polluted our water for generations to come.

JPMorgan Chase, Citibank, Wells Fargo, and Bank of America, all of you collectively financed $977 billion worth of fossil fuel projects and infrastructure since the Paris Agreement. That includes financing Marathon Petroleum right in my backyard. All of your institutions financed Marathon, but Mr Scharf, Wells Fargo led the pack, providing nearly $7.2 billion in financing Marathon over the past 5 years.

I want you all to know that Marathon has fought to dismantle fuel efficiency standards tooth and nail, and their refineries pollute frontline communities in my district and across the country: 48217, the neighborhood I represent with Marathon there, is the most polluted ZIP Code in the State of Michigan, and it is a majority Black community. It has left us with high rates of asthma and cancer. Countless families have lost their loved ones too soon because they were forced to breathe the polluted air your banks financed.

So, I want to ask you all, one by one, starting with Chase Bank, Mr. Dimon, do you live near a refinery? Yes or no, do you live near an oil refinery?

Mr. DIMON. I do not.

Ms. TLAIB. How about you, Ms. Fraser? Do you live near an oil refinery?

Ms. FRASER. No, I do not.

Ms. TLAIB. Mr. Gorman, do you live near an oil refinery?

Mr. GORMAN. No.

Ms. TLAIB. Mr. Moynihan, do you live near a refinery?

Mr. MOYNIHAN. I do not.

Ms. TLAIB. How about you, Mr. Scharf? Do you have a Marathon oil refinery in your backyard?

Mr. SCHARF. No, I don't.

Ms. TLAIB. How about you, Mr. Solomon?

Mr. SOLOMON. No, I don't.

Ms. TLAIB. So, I need all of you to address racial equity. What that means is understanding environmental racism and reversing decades of it, and halting the damage that you all continue to invest in. Please, I dare you all to come to my district. I offer this even to my fellow Members of Congress. Come and smell what my neighbors smell, breathe what they breathe. Tell me then whether or not you will continue financing for oil refineries, because right now, it is morally unacceptable. If you truly believe in racial justice, then you would make sure that you and your team understand environmental racism in our country. That has been a term used by Black and Brown communities since the 1970s and 1980s.

So with that, I just ask, again, Chairwoman Waters, let's please follow up and make sure these folks have the information they need to understand this term. That is critically important to communities they are directly impacting in a negative way. And with that, I yield back.

Chairwoman WATERS. Thank you very much, Ms. Tlaib. The gentleman from Georgia, Mr. Loudermilk, is now recognized for 5 minutes.

Mr. LOUDERMILK. Thank you, Madam Chairwoman. When all of you testified to this committee in 2019, I asked questions about cybersecurity. Since we had that hearing, we have experienced the Colonial Pipeline data breach, which everyone realizes shut down the gasoline supply for much of the country for several days, and yet we have had another major Federal Government data breach since that time as well called the SolarWinds hack. Mr. Dimon, what is the latest on the cybersecurity front, and is your bank using artificial intelligence to help protect and address cybersecurity threats?

Mr. DIMON. I think all of the banks here have spent a tremendous amount of time and money. In the financial services, we have been worried. This is not new. Maybe the pipeline problem is going to open other people's eyes. It is not opening ours. As Brian Moynihan mentioned, we have a financial services group that works with utilities to focus on this. We spend, directly, $600 million or $700 million on cyber. I think the financial companies are close to the defense companies. We are probably way ahead a lot of other people. And also, someone had mentioned before third parties. Most of us do a lot of oversight of third parties and demand a lot from them about how they run their affairs to try to minimize this.

Having said that, it is a huge risk to the system. Outside nuclear proliferation, this is the biggest risk to the system. It is not just what we do. It is what government entities do. It is what we get exchanges to do. It is what communication companies do, which I think are pretty good at it. It is what the utilities do, which I think some are pretty good at it. And it is what the government, and when Secretary Mnuchin was there, he did an excellent job getting all of the government together, from the security groups, the military, Homeland Security, working with the banks and the regulators to have a common view, and make sure we are partnering the way we can. And there is still a lot more you can do with the government.

Mr. LOUDERMILK. What about artificial intelligence (AI)? Is there any advancement made in using AI to address these issues?

Mr. DIMON. We use an extensive amount of AI, risk of fraud, and outside vendors to capture as much as we can. As you know, most of these companies will get attacked a million times a day, but they have not been able to break through in any material way. But honestly, the fear of that is very high.

Mr. LOUDERMILK. We appreciate the efforts there, and I think the fear of it being high is what is going to keep us a little more vigilant. But I do think Congress must enact national data security and breach notification standard to help address this problem across a multiple States and Territories.

Another issue is that demand for loans is incredibly weak right now. In fact, the amount of loans as a share of deposits across the banking industry is at record lows. Our economy is expanding after an extreme contraction, so you would think there would be a robust demand for credit. But the way I see it, and several others do, is that the one of the main reasons for the weak demand for loans is that we have put trillions of dollars of taxpayers' money in stimulus payments into people's pockets. So, everyday Americans are getting funds from the government instead of through loans from the private sector.

Mr. Moynihan, why is the demand for loans so low, and what needs to be done to return lending to the markets to normal?

Mr. MOYNIHAN. I think when you look at the small businesses, the PPP program, which was done well by the government and by institutions on the screen here by delivering $500 billion, $600 billion of what the total was, was very important, but that also squeezed out private sector loan demand, as you are saying. When you think about middle-market companies—one of your colleagues earlier talked about the auto dealers having 10 cars on the lot—we have auto dealer clients. Their lines of credit are way down because they just don't have cars to put on the lot.

So, I think there is a lot of demand there. It is building. I think you will see the loan balances start to grow in this part of the cycle. But because of the uniqueness of the situation, I don't think we can equate it to other down drafts, because the shutdown of the economy stopped all of the loan demand overnight for a whole bunch of types of businesses. It is now coming back, and I think as you see those move in the second half of the year, you will see that start to come back through. And the amount of cash was multiples of it before, so the deposits went up faster.

Using the loan deposit balance, I think, is a marker from a different era right now. It was handled completely differently, but I think it will start to come back and sync over time.

Mr. LOUDERMILK. Okay. I think so as well, and I would like to see the economy grow itself organically and get back to where the free market is doing this and not dumping trillions more dollars into the economy, just to shore up and to let it grow.

On another topic, the new FDIC Chief Information Officer recently stated that the best way to bank the underbanked is through technology, and I agree with that, and I believe policymakers should embrace FinTech. Ms. Fraser, what does FinTech provide to consumers and businesses within credit files? I am out of time, so I will just submit some questions for the record, and with that, Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you very much. The gentlewoman from North Carolina, Ms. Adams, is now recognized for 5 minutes.

[no response]

Chairwoman WATERS. Ms. Adams, can you hear me?

[no response]

Chairwoman WATERS. Okay. We are going to move on. The gentleman from Massachusetts, Mr. Lynch, is now recognized for 5 minutes.

[no response]

Chairwoman WATERS. If not, the gentlewoman from Pennsylvania, Ms. Dean, is now recognized for 5 minutes.

Ms. DEAN. Thank you, Madam Chairwoman. Are you able to hear me?

Chairwoman WATERS. Yes, I can hear you very well.

Ms. DEAN. Thank you very, very much. I, too, want to say to all of the leaders here today testifying, thank you for your work during this pandemic. And when I say that, I really recognize as well your officers, your lenders, and your employees, who worked tirelessly in partnership with us and the legislation that we passed in the first year in a bipartisan way, to make sure that we got capital and relief out to customers, to businesses, to small businesses, and beyond. So, I do thank you. I am particularly thinking of a lender in my area, who was working around the clock to make sure that people were getting PPP.

I would like to pivot to an area that I care desperately about, and I bet all of you do, too. This year has started once again with tragically heartbreaking and unacceptable amounts of gun violence in our country. Reported by the New York Times, there have been 232 mass shootings between January the 1st and May 26th of this year, over 100 more than that same period in 2020. Yesterday, as you all saw, nine more dead in a mass shooting in San Jose, California.

Financial institutions, your banks, are in the business of profits, as you should be, for yourselves and for your shareholders, but you are also in the business of managing risk, so I would like to ask you a few questions about how your banks are managing high-risk industries like gun manufacturers and companies that are a threat to your reputation, to your shareholders, to your investors, and to your customers and employees.

First, let me commend Citigroup and Bank of America for recognizing that ending gun violence in this country is, I would suggest, a decision, but also a command of corporate social responsibility.

Ms. Fraser, Citigroup's U.S. commercial firearms policy requires retail sector clients to abide by several best practices. Can you describe them briefly to us and what difference your corporate policy has made in terms of your corporate responsibility toward ending gun violence in our country?

Ms. FRASER. Thank you very much. It was informed because a number of our employees were directly affected by a number of instances, including Parkland, and I spoke myself to 11 families of our employees who had children in the school there. And so, we decided to put a part of our environmental and social unrest policy. We asked the retail clients, the retailers, to follow best practices in their sales practices for selling guns. They are widely-followed practices, but they include making sure that a background check is there at the point of sale, that there are no sales to anyone under 21 without training, and there are no sales of bump stocks. We felt very comfortable that those practices were ones that would help keep guns out of the wrong hands, and that was the thinking behind it.

Ms. DEAN. I commend you for that, and I ask you to consider other policies that Citi could enlist that would have an even greater impact, but thank you for being a leader there.

Mr. Dimon, in our hearing in 2019, I remember you telling Congresswoman Maloney that JPMorgan would consider a similar policy to Citigroup and Bank of America, but I don't think any such change has been made. What is your organization doing to prevent gun violence?

Mr. DIMON. I don't think it is that different, to tell you the truth, and I would have to go through the detail to go through it. But obviously, any retailer who sells a gun has to follow the law of the land, ATF, local laws, filing. They have to file them when someone buys a gun, so we try to do all of those same things. We do not finance manufacturers of military-style weapons for civilian use, though we do finance that for military use, because we obviously support and love the American military. So, I don't think it is that different. I would submit to you that there are a lot of laws that are on the books, and there are a lot of laws that could be changed that are on the books that could immediately fix this situation.

Ms. DEAN. I would call upon you and JPMorgan to call upon the Senate to pass the two bills that we have sent over for universal background checks for the closing of the Charleston loophole, and maybe you, JPMorgan, could message your strong commitment to ending gun violence in our country.

Mr. Scharf, Wells Fargo is the National Rifle Association's (NRA's) bank, a relationship you said in April of 2022 to investors was declining. What is the status of that relationship, and when you say, "declining," that is rather passive. Have you considered actively severing that relationship? And I would ask, Madam Chairwoman, if the gentleman would be able to briefly answer?

Chairwoman WATERS. The question has been directed to you, Mr. Scharf.

Mr. SCHARF. I actually have to see where we are with the NRA. I believe we have exited it—if not in total, we are very close to the end, but I can certainly get back to you.

Chairwoman WATERS. Please get back to Ms. Dean with that information.

Thank you very much. The gentleman from Minnesota, Mr. Emmer, is now recognized for 5 minutes.

Mr. EMMER. Thank you, Madam Chairwoman. I appreciate it. In the past year, urgently-expanding access to credit was more important than ever, especially for the unbanked, underbanked, and those living in the margins. As Americans moved out of urban areas, and government-mandated shutdowns forced people into their homes, financial technology companies were able to extend financial services to any and all Americans with a cell phone, which increased financial inclusion and further democratized access to credit.

Mr. Scharf, briefly, how did Wells Fargo partner with FinTech companies to prepare for and to adapt to the digital migration we have experienced in the past year, and how did you extend your services to those previously unreached, the unbanked?

Mr. SCHARF. Congressman, we partner with FinTechs on a whole range of things that are predominantly our digital offerings these days. When the pandemic hit, and we tried to keep as many branches open as we possibly could, we kept at least 70 percent of them open, but there was a significant migration on the service side, especially to use our digital offerings. It is something that we certainly talk very actively to our customers about because we thought it was a smart and safe way for them to continue to do business with us. We saw the digital activity depending on the month during the pandemic either be up 50 percent or be double what it was in prior periods. And so, the adoption has grown significantly, and a series of those underlying services are built with some of the power of FinTechs in the background.

Mr. EMMER. Great. I would like to open this question up to the other two witnesses and ask you to briefly describe what activities related to cryptocurrency your firms are engaged in. Why don't I start with Mr. Solomon?

Mr. SOLOMON. Thank you, Congressman. We are restricted by the regulatory structure to act as a principal trader or to own most cryptocurrencies. We do clear bitcoin futures. We provide advice to clients, particularly institutions and high-net-worth individuals that have an interest in gaining exposure, although often they go to other places to gain those exposures.

Mr. EMMER. Great. Mr. Dimon?

Mr. DIMON. Exactly where Mr. Solomon is, and I don't give personal financial advice, but if you did ask me, in this case, I would tell you to stay clear of bitcoin.

[laughter]

Mr. EMMER. Mr. Gorman?

Mr. GORMAN. Same position, and we allow clients to invest in funds that are focused on crypto.

Mr. EMMER. Great. Ms. Fraser?

Ms. FRASER. Similarly. We are proceeding with great caution here and are taking some tentative steps.

Mr. EMMER. Mr. Moynihan, it's good to see you.

Mr. MOYNIHAN. It's good to see you, too. We clear futures, and we are looking at some of the other things my colleagues do, but that is basically all we do is clear futures at this point.

Mr. EMMER. Okay. Now that I have gone through the group, Mr. Scharf, how about you?

Mr. SCHARF. We are looking at a whole series of things and proceeding very, very cautiously.

Mr. EMMER. That seems to be a theme. Again, thank you all for being here. I am going to make it brief because I know you have been here for a long time today. Madam Chairwoman, I will yield back.

Chairwoman WATERS. Thank you very much. The gentleman from Illinois, Mr. Garcia, is now recognized for 5 minutes.

Mr. GARCIA OF ILLINOIS. Thank you, Madam Chairwoman, and to all of our panelists. I am in Chicago, and I represent a working-class district, and many of my constituents are Latino immigrants, as am I. In neighborhoods like mine, it is very clear that environmental justice and racial justice are linked. Black and Latino communities suffer disproportionately from polluted air and dirty water, and we are barely consulted about issues and projects in our communities. All too often, Indigenous communities face the exact same issues, as pipelines are being built on their historic land despite their opposition.

Mr. Dimon, your bank has made a public commitment to racial justice and to reaching net zero carbon emissions by 2050, which is commendable, a target that would require no new oil and gas fields. Yet, JPMorgan Chase continues to do business with Enbridge, which is building its Line 3 pipeline over significant opposition from Indigenous communities. Will your bank commit to respecting treaty rights and protecting our climate by committing to stop funding Enbridge and the Line 3 pipeline?

Mr. DIMON. First of all, we did not commit to net zero like you just said. We are trying to be a rational player here. Oil and gas is not going to go away. You can actually get to net zero and still produce some oil and gas, just have it offset with other technologies, et cetera, and I think that is the more likely outcome, even by 2050. And I don't know about Enbridge, in particular. I would have to get back to you on that.

Mr. GARCIA OF ILLINOIS. I would appreciate it, sir. And my follow-up question is, how do you square your commitment to oppose racism and reach net zero emissions, but we can pick that up when you provide that answer.

Following up with Mr. Scharf, this January the OCC lifted one of its consent orders regarding Wells Fargo's compliance with anti-money laundering and the Bank Secrecy Act requirements. Many of the bank's legal issues boil down to a toxic, high-pressure culture that blamed frontline workers for decisions that senior management made. Since you became CEO, what new measures has Wells Fargo adopted to ensure that frontline bank workers do not fear retaliation for reporting inappropriate or unethical conduct by management?

Mr. SCHARF. Congressman, we have made a significant number of changes to the company in both our processes and our procedures, but also in our culture. Just to give you a sense, from the senior management, we have hired 11 people from the outside of the company to fill seats on our 18-member operating committee. Almost 100 hundred of the top 200 people are new to the company. We have put in a substantial amount of infrastructure around customer feedback, and employee feedback. Independent investigations occur, and there has been a dramatic series of changes inside the company as well as the cultural change that is necessary for these things to really take root.

In addition, we have changed compensation plans. Significant numbers of people—management people, that is—have exited the company. And so, while there is still more work to do—there is always more work to do on these things—it is a very different company today than it was.

Mr. GARCIA OF ILLINOIS. And since you are not a unionized workplace, without union representation or just-cause protections, how can you reassure frontline employees and regulators that bank workers can do their jobs without fear?

Mr. SCHARF. We have a no-retribution policy. If people believe that there is retribution, those things are looked at. We have multiple ways for employees to provide feedback, including a new process we are in the process of rolling out to the entire company. This information is reviewed by the operating committee on a regular basis and by the board of directors.

Mr. GARCIA OF ILLINOIS. Okay. Thank you very much, Madam Chairwoman. I yield back.

Chairwoman WATERS. Thank you very much. The gentlewoman from North Carolina, Ms. Adams, is now recognized for 5 minutes.

Ms. ADAMS. Thank you, Madam Chairwoman. Can you hear me?

Chairwoman WATERS. Yes, I can hear you.

Ms. ADAMS. Okay. I apologize for the problem I had before. But let me thank you for convening the hearing, and I want to welcome Ms. Fraser as the first woman ever to lead one of our megabanks, and hopefully, one day, we will truly have diversity that represents our country. But for all of the witnesses, many, if not all of you, have probably made public commitments and pledges to diversity, equity, and inclusion (DEI). You have made statements about the importance of cultivating, recruiting, and hiring, and promoting diverse talent in your companies. So, in particular, I want to focus on how you are cultivating diverse talent for your corporate officers in the C-suite. As you may know, I am a firm believer that Historically Black Colleges and Universities (HBCUs) must be a part of any corporation's DEI strategy. So, can each of you tell me as succinctly as possible what you have done recently, within the past week, month, or year to support, to invest in, and to cultivate talent at HBCUs, and specifically, how do HBCUs and their graduates play a direct role in your DEI strategies? That is for each of the witnesses.

Mr. DIMON. I will go first. This is Jamie Dimon, JPMorgan Chase. I have been going to Howard and Spelman for the better part of 30 years. We hire—I know the Howard number is more than 20 kids every single year, and I think we recruited at 15 HBCUs. So, we are bringing in a lot more people at the bottom level, and providing a lot more training. We have special programs. We just started a program to hire and train 300 Black financial advisors, to increase representation in financial advisors, and we have a lot of senior Black executives. We are up 40 or 50 percent in Black executive directors and managing directors in the last 3 years.

And unfortunately, we lost one of our top—part of my management team, top female Black leaders of the company, but it is bittersweet because we lost a wonderful shining light. She became CEO of another company, so we are also very proud of her, and we are making a lot of progress, and we are doing a lot.

Ms. ADAMS. Okay. Thank you, Mr. Dimon.

Mr. GORMAN. I am happy to go next, Congresswoman. We actually recently initiated a program of scholarships for 60, 4-year, full-time scholarships specifically for college kids at Spelman, Morehouse, and Howard, and combined with the scholarship is training for entering the workforce, dealing with recruiting interviews, and the like. So, very recently, that was initiated.

Mr. SCHARF. Congresswoman, I will go next. This is Charlie Scharf with Wells Fargo. One of the things that we have come to recognize is that there are many HBCUs in this country that have wonderful talent at them. Since 2007, we have actually provided almost $40 million through scholarship funds. Most recently, in Charlotte, we announced a series of community grants, including one to Johnson C. Smith University, which included a million-dollar grant for minority scholarships. And so, we are very, very firm believers in what HBCUs do for this country, and we will continue to support them.

Mr. SOLOMON. Congressman, this is David Solomon. We recruit from over 100 HBCUs. We have set a goal to double the number of people that we actually bring in over the course of the next 5 years. We just committed $25 million to a program we call HBCU Market Madness. It is a case study training program, a competition that provides scholarship aid that we think is highly successful. It includes eight HBCUs, including North Carolina A&T State University, and so we continue to invest in that program and expand it.

Mr. MOYNIHAN. Go ahead, Jane.

Ms. FRASER. Oh, thanks, Brian. From the Citi end, our CFO is a proud graduate of Howard, and he is the vice chair there, and he has been a wonderful advocate for the work that we are doing, similar to the other banks, with the HBCUs. We fund them, we recruit there, and we are very active around it. And they are such talented people. It is exciting to have them as part of the firm.

Mr. MOYNIHAN. I would just add a couple of things. Number one, happy birthday. But number two, one of the perceptions we had as we all expand our efforts to HBCUs is that they needed more help on their career development, career pathways work. So, we gave a grant to 11 of them in the last year of a million dollars each so they could expand their capacity of graduates into all of the programs, especially outside the financial services industry.

The other neat thing that I think we did is we started an entrepreneurship center between Spelman and Morehouse with the Black Executive Alliance that will create an entrepreneur center, which would be the first of its kind among HBCU universities. And also, like Mr. Scharf and Wells Fargo, we are working with Mayor Lyles on trying to figure out the future role of Johnson C. Smith University in Charlotte, and have made grants, and are trying to support that HBCU and its progress forward.

Chairwoman WATERS. Thank you very much. The gentlewoman's time has expired. Now, we will hear from the gentlewoman from Georgia, Ms. Williams. You are recognized for 5 minutes.

Ms. WILLIAMS OF GEORGIA. Thank you, Madam Chairwoman. To build an inclusive economy where everyone has a chance at success, we all need access to responsible financial services. Unfortunately, today, as we have discussed, we see disparities in assessing even the most fundamental of financial services. For instance, according to a 2019 FDIC survey, 13.8 percent of Black households were unbanked, while only 2.5 percent of White households were. We have to break down these barriers to banking, especially for those who are most marginalized.

According to the 2019 FDIC survey I referenced, nearly half of the unbanked said that they didn't have enough money to start a bank account. I would like to pose the following, "yes" or "no" question to the group: Has your institution adopted any policy changes in the last year that have made it easier or more affordable for individuals with low bank balances to maintain bank accounts? Mr. Dimon?

Mr. DIMON. Yes, we have a great product, I don't know if it was in the last year, called the Secure Account. It is $4.95 a month, but you get bill pay online, direct deposit, access to ATMs, access to branches, no overdraft, et cetera. We hope to do a million more, so that can reach out to a lot more of the unbanked.

Ms. WILLIAMS OF GEORGIA. Thank you, Mr. Dimon. Ms. Fraser?

Ms. FRASER. Thank you very much. Yes, we have a product called the Access Account that we launched back in 2014. It is now about 20 percent of our accounts in America. It is no fee. There is no overdraft. It is very easy to use and digitally available as part of it. We also provide our ATMs to 28 different partners and community banks and give them free access to the ATM machines to, again, drive access into areas that we don't have a presence in. And that has been successful in reaching more of the unbanked and making it easier for them to bank.

Ms. WILLIAMS OF GEORGIA. Thank you, Ms. Fraser. Mr. Moynihan?

Mr. MOYNIHAN. Yes, as was stated earlier, the SafeBalance account, which is a Bank On product, which a lot of us have, and Jamie talked about his and Jane talked about hers, now has about

2½ accounts in it, about 30 percent of new sales. It is $5 a month, no overdraft, et cetera, and if someone has direct deposits of more than $250 a month, we offer it free. And it is also offered free to people under the age of 24, college kids and high school kids, et cetera, and that is a growing product. And I think you will find out from this group, along with the VPI, which is the 25 banks, has really been driving this Bank On product really in conjunction with the FDIC, I think, starting 5, 7 years ago. So, you are going to find all of the core banks here doing the same thing and trying to push that unbanked number down. And you have seen it fall in the last few surveys.

Ms. WILLIAMS OF GEORGIA. And Mr. Scharf?

Mr. SCHARF. Yes, we as well have announced a Bank On product called Clear Access with the same features that you have heard. I think many of us on the call, if not all of us, have invested in MDIs, which is another source of serving the unbanked or underbanked population. And we, and, again, I know others as well, have started a financial inclusion initiative—ours is over 10 years—to really try and get to the unbanked population in multiple ways.

Ms. WILLIAMS OF GEORGIA. Thank you. And in the same survey, about one-third of the unbanked cited both high bank fees, which we have addressed, and unpredictable bank fees as barriers to getting banked. I would like to ask the same witnesses another, "yes" or "no" question. We are running out of time. Has your institution adopted any policy changes in the past year to eliminate, lower, or give customers more warning in the banking fees that you assess? Mr. Dimon, yes or no?

Mr. DIMON. Yes, that product does exactly that.

Ms. WILLIAMS OF GEORGIA. Thank you. Ms. Fraser, yes or no?

Ms. FRASER. Yes.

Ms. WILLIAMS OF GEORGIA. Mr. Moynihan?

Mr. MOYNIHAN. Yes.

Ms. WILLIAMS OF GEORGIA. And Mr. Scharf?

Mr. SCHARF. Yes.

Ms. WILLIAMS OF GEORGIA. And I would ask that each of you please follow up and give me more details on what those notices are so that we are more aware as we are talking with our constituents and trying to do more in our communities.

And last, we have heard a little bit about what you have done, and now I would like each of you to share just one goal that you have to address barriers to getting individuals of diverse demographic and economic backgrounds banked. What are your plans for the future to continue to reduce this number? And we are running out of time, so, Madam Chairwoman, I would ask that this information be followed up with me so that I have the additional details on what we are looking towards for the future to continue to reduce this disparity in the unbanked numbers in the Black community.

Chairwoman WATERS. Thank you very much, Ms. Williams, and I think that our witnesses heard what you said, and we would expect them to get that information to you. With that, I now recognize the gentleman from Massachusetts, Mr. Auchincloss, for 5 minutes.

Mr. AUCHINCLOSS. Thank you, Madam Chairwoman, for organizing this hearing. I have found this conversation to be edifying, and I took only a small leave of absence, and that was to meet with the Black Economic Council of Massachusetts (BECMA) formed 6 years ago to help support Black entrepreneurs and Black-owned businesses in Massachusetts. They have made tremendous progress, and we talked about the work that they are doing to advance their mission now really throughout the Commonwealth. According to the Kauffman Foundation, about three-quarters of new businesses struggle to find financing to fund their businesses, and the rate of small business startups, as opposed to high-tech growth startups, has actually fallen off precipitously in the last 25 years, leading to a less dynamic economy with greater concentrations of power amongst big business.

We also know that according to the Federal Reserve Bank of Boston, Black and Latino entrepreneurs hire residents in local communities at much higher rates than non-minority-owned businesses do. So, investing in Black entrepreneurs and Black-owned businesses is good for small businesses and gateway cities generally, as well as for the communities in which they work.

Mr. Moynihan, I have had the opportunity to speak with the president of your Massachusetts operation, who is a constituent of mine, about the great work that Bank of America has been doing in Massachusetts to support Black-owned businesses. I wonder if you would be willing to commit to working with me and with BECMA to advance the work that they are doing, whether it is a public bank or other options, to support Black entrepreneurs and Black-owned businesses?

Mr. MOYNIHAN. Congressman, I would be happy to have Miceal Chamberlain, whom you are referring to, meet and figure out if we can help. We have invested a lot of private equity funds in Massachusetts recently, along with other parts of the country, to help bridge that capital gap, which then makes the companies have the kind of equity that gets them into the mainstream lending practices of the local competitive banks. So, we would be happy to work you.

Mr. AUCHINCLOSS. That is great to hear. I am looking forward to working with you and with BECMA on this important mission. And they are my constituents, so I will know where to find you.

I would like to change gears here from small businesses to the ultra-wealthy, and talk about a bill that I co-sponsored, along with Representative Ro Khanna, the Stop CHEATERS Act. And this is about addressing the fact that the IRS has calculated that the tax gap, which is the expected gap between revenue and actual tax revenue, is about $400 billion a year. And the proposal at its core on the Stop CHEATERS Act is to require banks, for individuals who make more than $400,000 a year, to issue adjusted 1099s, functionally, that tracks the income in and the withdrawals out so that the IRS can better verify people's actual income, and to close that tax gap and ensure that everybody is paying their fair share of taxes.

There has been some pushback from the banking community about this bill. If directed by Congress, and, Mr. Dimon, I will start with you here, could your banks produce these new 1099 forms to help the IRS verify income?

Mr. DIMON. Yes, it would take about 18 months, but I urge you, if you're going to do it, do it right. Banks are worried about the litigation, the cost, and also you would have to include, to be fair, cryptocurrency, investment accounts, all of the other people who hold and move money.

Mr. AUCHINCLOSS. Thank you.

Mr. DIMON. Otherwise, you are just putting the burden on one industry and not the rest.

Mr. AUCHINCLOSS. Mr. Moynihan?

Mr. MOYNIHAN. I think, for the same cautions that Jamie spoke about. If it is the law of the land, we will implement it. It will take time to get it right, but I think the caution would be to make sure that you think through squeezing money out of the core financial system into other parts of the economy, as one of the things that has happened traditionally when only one part of the industry is asked to do something.

Mr. AUCHINCLOSS. To be respectful of time, I will just ask if any of the other CEOs disagree with the statements made by these two previous ones, to just raise your hand. Otherwise, I will assume it is in the same vein.

[no response]

Mr. AUCHINCLOSS. Seeing no other hands raised, Madam Chairwoman, I will yield back the remainder of my time.

Chairwoman WATERS. Thank you very much. The gentlewoman from New York, Ms. Ocasio-Cortez, is now recognized for 5 minutes.

Ms. OCASIO-CORTEZ. Thank you so much, Chairwoman Waters, and thank you to all of our witnesses who are here today for sharing your experience and expertise. I wanted to take today to focus in on an issue that I think it is concerning to everyone, and that is climate change. And I really want to kind of narrow in a little bit more on how we can take a collective approach to making sure that we get to where we need to be on carbon emissions.

And so for each of you, I just kind of want to start off and recognize that each of your firms have made a commitment to achieve net zero financed emissions by 2050, which is a key milestone for the Paris Climate Agreement. Just last week, the International Energy Agency (IEA) announced that all new fossil fuel projects must be stopped immediately in order to meet the Paris goal of limiting warming to 1.5 degrees Centigrade. I just wanted to pose a couple of questions to kind of discern a little bit about the details of each of your firm's commitments. So, for each of you, if we could just kind of go down the line and get a, "yes" or a "no." Are each of your firms still financing new oil and gas production? And we can start with Ms. Fraser.

Ms. FRASER. Yes, we also are financing some new ones.

Ms. OCASIO-CORTEZ. Okay. And for Mr. Moynihan?

Mr. MOYNIHAN. We finance oil companies, and we will continue to do so to help them make the transition that we have all talked about. And at the end of the day, we will get there with a private sector-driven innovation and investing in some new technologies. And some of these companies have intellectual property that is superior for carbon capture storage, things that we are going to need to make this happen. And so, we will continue to work with it.

Ms. OCASIO-CORTEZ. Is anyone who has not answered, not financing new oil and gas production?

[no response]

Ms. OCASIO-CORTEZ. Okay. I will take that as a, "no." Let's move on. Are any of the banks represented here today cutting their bank's financed emissions in half by 2030?

[no response]

Ms. OCASIO-CORTEZ. Okay. None. Have any of you set specific targets or significant reductions in financed emissions in absolute terms in terms of carbon emissions?

Mr. DIMON. We are working with clients to have targets for absolute returns in emissions, and we are doing it by industry. We haven't done all of the industries yet. We have done oil, utility, auto, but there are other industries, of course, pulp, paper, a whole bunch of other ones, and it is going to take a lot of hard work to do it. The clients actually want to do it.

Mr. MOYNIHAN. Yes, we are doing the same. I think that everybody here has a similar thing. We have made commitments now where you are literally going industry by industry to figure out those participants in that industry, what you can do to help them make the transition and what is their rational timeframe. And then behind, with the small and medium-sized clients, we are out educating them about what, "net zero" means, how they are going to have to commit to it, because their customers, their people who are their vendors, too, and others are making similar commitments.

So, the whole infrastructure has to come in line, and that takes education. All of these banks have tremendous capacity to educate their clients and help the small and medium-sized business make the same transition that these large companies have to make. And we are literally going industry by industry to figure it out. That is where the hard work is going on.

Ms. OCASIO-CORTEZ. Thank you so much, Mr. Moynihan. And, Mr. Dimon, you said that effort has been put in in defining absolute emission targets. Have those been released yet, or are those currently underway, and if so, is there an estimated time in which we can see those absolute commitments?

Mr. DIMON. They are not public yet, and we are also working with the clients on it, and I don't remember the exact timeframe, but that is not a 2050 number. It much earlier than that. I don't remember if it is 10 years or 15 years, et cetera.

Ms. OCASIO-CORTEZ. Okay. Wonderful. And I believe that those are all of my questions today, so thank you so much, Madam Chairwoman. I yield back.

Chairwoman WATERS. Thank you very much. Let me take this moment to thank all of our distinguished witnesses for their testimony today, and I would like to thank all of the Members for the questions that they raised, and for the research that they have done to help engage our witnesses here today.

We at the Financial Services Committee take our responsibilities seriously, and we want to make sure that there are available banking services for everybody, and that those services are fair. And we want to make sure that people of color and women are not excluded from jobs and career opportunities in the banking community. And you can see from some of the questions you were asked today that we have Members who are very serious about this responsibility.

So, again, I am very pleased that you were all able to spend time with us today. I know it has been 2 days, on the Senate side and on this side, and knowing that you would be grilled in some areas. We had a lot of areas of concern that we were able to talk with you about today, and we are going to be doing serious follow-up.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

Again, my sincere thanks to you. This hearing is now adjourned.

[Whereupon, at 5:11 p.m., the hearing was adjourned.]

A P P E N D I X

May 27, 2021

House Financial Services Committee

Written Statement of Jamie Dimon

Chairman and Chief Executive Officer

JPMorgan Chase & Co.

May 25, 2021

Chairwoman Waters, Ranking Member McHenry and distinguished members of the Committee, I appreciate the invitation to appear before you to talk about JPMorgan Chase, the strength and resilience of the U.S. financial system, and the people, businesses and communities we serve.

JPMorgan Chase is a global financial services firm with assets of $3.4 trillion and operations worldwide. We are a leader in investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing, and asset management. We serve millions of customers in the United States and many of the world's most prominent corporate, institutional and government clients. More information about our financial performance and shareholder information can be found in our 2021 Annual Proxy Statement, and in previous annual filings.

Banks play an essential role in a community, with the potential of bringing people together, enabling companies and individuals to reach their dreams, and being a source of strength in difficult times. Our 160,000 U.S. employees serve over 63 million households including more than 4 million small businesses. Over the last 20 years, we have grown our branch footprint through both organic growth and mergers with other banks. Today from nearly 4,900 branches located in 38 states and the District of Columbia, and through mobile and digital banking platforms, we serve customers with deposit products, wealth management, mortgages, auto loans and credit cards. Since 2017, we have expanded our branch footprint from only 23 states, and will be in all 48 contiguous states by this summer. We open 30% of our new branches in low- to moderate-income neighborhoods. Today, nearly one-third of all our branches are in communities of color, and one-third of our small business banking customers are in majority-minority census tracts. We have about 150 branches in the Southwest Border region, and nearly 100 branches in rural communities, with more to come as we expand into our new markets.

OUR SUPPORT FOR THE REAL ECONOMY THROUGH THE PANDEMIC

We are living through extraordinary times, for which history will judge the leaders of government and industry by the actions we take to address the health crisis, support the people and businesses suffering from the devastating economic impacts of the pandemic, and address longstanding structural inequities and racial economic inequality.

At JPMorgan Chase, our focus has been on what we, as a company, could do to serve. We entered this crisis from a position of strength, and leveraged our size and scale to contribute to stability in our country and ongoing support for the "real economy" – our customers, clients, employees and communities impacted by the global crisis:

- In 2020, we extended credit and raised capital totaling $2.3 trillion for consumers and businesses of all sizes, helping them meet payroll, avoid layoffs and support operations.
- We have delayed payments and extended forbearance options for about 2 million mortgage, auto, and credit card accounts, and refunded $120 million in fees on consumer deposit accounts, including overdraft fees, for over 1 million customers – all with no questions asked.
- Under the SBA's Paycheck Protection Program, we funded well over 400,000 loans to small businesses supporting over 3 million jobs, for more than $40 billion in total funding. About 80% went to businesses with fewer than 10 employees, and 90% to those with fewer than 20. Around one-third of Chase-facilitated loans went to businesses in communities of color.
- Outside of the PPP program, we provided $18 billion in new and renewed credit for U.S. small businesses in 2020. We delayed payments for 21,000 loans and refunded $24 million in deposit fees for more than 130,000 small businesses hit hard by the crisis.
- We took steps to make sure those in need, including those without access to traditional banking services, received each round of stimulus payments quickly. We deposited funds into our customers' accounts immediately after receiving them from the IRS, and temporarily credited any overdrawn accounts so customers could use the full value of their relief. We also cashed non-customer stimulus checks at our branches and waived the check cashing fee. We did not garnish checks unless compelled to by law.
- We provided more than $70 million in loan relief for owners of multifamily properties housing more than 27,000 tenants, offering these landlord borrowers periods of interest-only payments and mortgage deferrals so they could more easily offer rental payment relief to their tenants.
- We committed $250 million in business and philanthropic initiatives with a focus on helping underserved small businesses and nonprofits access low-cost capital.
- And we supported our own employees – especially our own frontline workers who continued to show up to their jobs in branches, call centers, lock boxes and for other roles that could not be performed at home. We gave special payments, provided additional paid time off to manage personal challenges at home and additional paid time off for illness or precautionary situations. We continued to pay branch employees for their regularly scheduled hours, even if hours were reduced or branches temporarily closed, and offered additional childcare support, including additional days of back-up childcare, discounts for childcare and subsidized full-service childcare in our 14 U.S. childcare centers.

There is no doubt that the bold and swift action taken by Congress, the Federal Reserve and the Administrations over the last 15 months was instrumental in reversing financial panic, avoiding a deep and lasting economic crisis, and providing vital emergency aid directly to individuals and small businesses. While real damage was done, particularly for those at the lowest ends of the economic spectrum, the size and scope of the programs mitigated further economic deterioration and put this country on a path for a healthy economic recovery. We were proud to have participated in various

Federal Reserve emergency programs, such as the Paycheck Protection Program, Primary Dealer Credit Facility, Commercial Paper Funding Facility, Money Market Mutual Fund Liquidity Facility and the Secondary Market Corporate Credit Facility, among others. We are very appreciative of the partnership with the Small Business Administration on PPP and proud of our thousands of bankers who worked around the clock to get funds to businesses as quickly as possible.

OUR COMMITMENT TO ADVANCING RACIAL EQUALITY

Events of the last year highlighted and exacerbated longstanding inequality, particularly among Black and Latinx families, increasing barriers to wealth creation and holding us back as a country. We believe it's our collective responsibility to address this, and why JPMorgan Chase recently committed an additional $30 billion over five years to advance racial equity, building on our past investments. Our commitment includes:

- **Promoting and expanding affordable housing and homeownership** for communities of color by committing to originate $8 billion in mortgages and up to $4 billion in refinancing loans for Black and Latinx households, and financing $14 billion for an additional 100,000 affordable rental units.
- **Growing Black and Latinx-owned businesses** by delivering $2 billion in loans to small businesses in majority-Black and -Latinx communities, and by spending an additional $750 million with new and existing Black- and Latinx-owned suppliers to the firm.
- **Improving financial health and access to banking** in underserved communities – including helping 1 million people open low-cost accounts – by opening new Community Center branches, hiring local Community Managers, and investing at least $50 million in Minority Depository Institutions to help them better serve their communities.
- **Building a more equitable and representative workforce** through recruiting, development, and retention efforts, holding senior managers accountable for diversity and inclusion priorities, and providing our employees with access to the skills training they need to advance their careers.

These are new business commitments that will help to drive real change. We have made solid progress since our announcement late last year and are on track for our five-year commitment. We have already refinanced over $2 billion in mortgages for Black and Latinx households and have funded equity investments and loans for construction or rehabilitation of an incremental 5,500 multifamily affordable housing units. We have funded over $60 million in investments in nine Minority Depository Institutions, already exceeding our initial five-year goal.

At the same time, we are building the foundation that will help us grow new relationships in communities of color to meet our aggressive commitments. We expanded our Homebuyer Grant program to up to $5,500 to help more customers with closing costs and a down payment when buying a home in more than 6,700 minority communities nationwide. We opened our first Community Center branch in New York's Harlem community, and have replicated that model in minority communities around the country, including Chicago, Minneapolis, New Orleans, Dallas, and the Crenshaw neighborhood in Los Angeles, with many more coming in the next year. We have hired Community

Managers, Home Lending Advisors and small business bankers in these communities, with many more to come.

We have also made other notable announcements in recent months that will materially and expeditiously contribute to addressing the racial wealth gap:

- **Bringing visibility to credit invisibles:** We recently announced that we are building a new utility in partnership with the OCC's Project REACh that will begin to address the 50 million Americans who are "credit invisible" and cannot access affordable loans. Working with Early Warning Systems and the three credit bureaus, a number of banks will soon pilot the utility that allows lenders to use deposit data to improve their ability to assess the creditworthiness for customers with no credit history or score. We expect a short-term impact on hundreds of thousands of Americans with no credit file, and that is just the beginning of new opportunities for more Americans to access the credit that is essential to building wealth.
- **Investing in midsized entrepreneurs of color**: JPMorgan Chase is co-investing up to $200 million alongside Ariel Investments to create an entirely new class of middle market Black and Latinx entrepreneurs that are positioned to scale their businesses.
- **Diverse venture capital funds**: We launched a new initiative aimed at providing capital to funds managed by diverse, emerging asset managers, including minority-led and women-led venture capital funds and other private funds. Called "Project Spark," we invested an initial $25 million in five funds managed by diverse senior executives across J.P. Morgan Asset Management.
- **Supplier diversity:** The firm is working to increase business with certified diverse businesses. By working to increase diversity within our supply chain, we are both creating a supply chain that reflects the diversity of our customers and driving growth in communities where we do business. Our commitment to spend an additional $750 million on Black and Latinx businesses will fuel this priority.
- **Affordable housing.** We recently launched a program to provide our new and existing multifamily clients an interest rate discount on their loan if they commit to not increasing rents in a portion of their property. The more affordable the property, the greater the discount. To date, this program has financed nearly 20,000 multifamily units, and our goal is to finance $10 billion or 100,000 units over the next five years. Additionally, early next month, we look forward to sharing additional steps and a new commitment we are making to promote affordable housing and homeownership. We have also begun expanding FHA lending at a hopeful and measured pace in key markets, and want to continue to expand, but further FHA reforms – including servicing reforms, employment and valuation relief, waivers for face-to-face meetings and addressing appraisal bias -- are still needed.

While our investment commitment is significant, we know there's more work to do. We are actively tracking our investments over time to evaluate their impact and partnering with outside experts to assess our performance and hold our business accountable so we can better understand trends and contributing factors that could hold us back.

OUR EMPLOYEES

At JPMorgan Chase, we consider our global workforce a competitive advantage, and our 260,000 employees our greatest strength.

- **Increasing wages**. We have been increasing starting-salary wages for thousands of employees. In early 2021, for the third time in the last five years, we increased our internal minimum wage to between $16 and $20 an hour, up from $12 to $16 in 2017, while providing an annual benefits package worth about $13,000. Career mobility from entry level roles is also critical, which we promote by offering 300 skills and education programs. Nearly 70% of employees who started at JPMC before 2017 with salary of less than $40k are still at the company and have experienced an average increase of 40% since that time.
- **Women at JPMorgan Chase**. Globally, women are paid 99% of what men are paid at our firm, considering factors such as role, tenure, seniority, and geography. We conduct periodic reviews of compensation and, for business segments where women are paid less than expected, we proactively address it where appropriate. And unlike in other sectors, we did not see increased attrition by women – in fact, this improved in 2020. Women make up nearly half of the firm's Operating Committee.
- **Improving ethnic diversity**. We also know that attracting the best talent can only be achieved through a dedicated focus on inclusive recruiting and internal advancement opportunities. We have made progress in this area with programs such as Advancing Black Pathways, a program focused specifically on increased hiring, retention, and development of Black talent. In year two of the program, we are currently at 63% of our 5-year goal to hire 4,000 Black students. Over the past five years, we have increased the number of Black professionals in our most senior ranks, with the number of Black Managing Directors and Executive Directors up by more than 50 percent. We have more work to do in increasing diversity in our most senior ranks and will be aggressive in pursuing our goals.
- **Transparency in reporting diversity.** We believe being transparent about our workforce data will help drive progress. Since 2010, we have publicly shared Equal Employment Opportunity Commission information about our workforce on our website. Starting in 2019, we began publishing global workforce data for our employees and Board of Directors, with demographics that include the LGBTQ+ community, veterans, and people with disabilities. Starting this year, we will publish our consolidated EEOC reports on our public website for the first time.
- **Accountability in executive compensation**. We have an equitable and well-governed approach to compensation, including pay practices that attract and retain top talent and encourage a shared success culture in support of our business principles. Our executive compensation program is designed to hold our senior leaders accountable for long term business performance and, starting last year, for diversity and inclusion efforts and outcomes. Executives are also held accountable, when appropriate, for meaningful actions and issues that negatively impact business performance in current or future years. We comply with SEC rules and disclose our CEO Pay ratio annually in our Proxy Statement.

- **Second Chance Initiative**. We have also expanded opportunities for individuals with a criminal background. In 2020, we hired about 2,100 people who have paid their debt to society – representing roughly 10% of all new hires in the U.S. We recently expanded our efforts by enhancing our recruiting strategy, which started in Chicago in collaboration with local community organizations, into Columbus, Ohio to build a hiring pipeline in the city. JPMorgan also joined a group of 29 major employers and national organizations to launch the Second Chance Business Coalition that will expand opportunities for more people to reenter the workforce.

RISK MANAGEMENT - HOW WE DO BUSINESS

We have unwavering principles that are not just about a fortress balance sheet, but also about risk management and culture. We must manage over two dozen capital and liquidity requirements while serving our clients. To do this, we have $202 billion in tangible common equity and $1.43 trillion in liquid assets, both of which have increased dramatically in recent years. While we are still awaiting the 2021 results, we agree with the Federal Reserve's conclusion following last year's stress tests that "the banking system has been a source of strength during the past year and stress test results confirm that large banks could continue to lend to households and businesses even during a sharply adverse future turn in the economy." Our capital and liquidity requirements have increased dramatically in recent years, and notably in 2020 when a combination of monetary and fiscal stimulus swelled bank balance sheets by $10 trillion, largely in low- to no-risk assets. We continued to meet the borrowing needs of our clients – households, businesses, and municipalities – providing more than $1 trillion in credit in 2020, despite low loan demand.

We devote specialized attention to compliance with the laws and regulations governing anti-money laundering and terrorist financing, economic sanctions and anti-corruption efforts. We have robust Know Your Customer and Anti-Money Laundering controls, processes, and technology, with thousands of employees dedicated to this important function. We applaud the work of Congress to reform AML oversight, and believe the AML Act, including a new centralized beneficial ownership directory and the improved use of artificial intelligence, will improve law enforcement's ability to identify and stop criminal activity.

Cybersecurity is also an incredibly important priority for us, and for America – a priority I cannot overemphasize. At JPMorgan Chase, we invest over $700 million annually and dedicate thousands of employees to maintain our defenses and enhance our resilience to this ever-increasing threat. But attacks are increasing in number and sophistication across all sectors, including government, utilities, technology companies, electrical grids and others. This is a serious national security concern that requires partnership and collaboration to address. To this end, designated critical infrastructure from Financial Services and the Electricity sectors have invested significant resources to create a collaborative organization for the analysis of cyber risk to the financial system. We need the government to meet us halfway and provide dedicated national security resources to collaborate with critical infrastructure companies and defend the national interest from cyberattacks. Also, as evidenced by the SolarWinds incident, we need appropriate reforms to ensure the data that is held by financial regulators is properly secured and that policies are in place to guide timely and meaningful notification and response to impacted firms when a breach does occur.

Climate change is also one of the defining issues of our time. JPMorgan Chase first announced its Paris-aligned financing commitment in October 2020, which includes establishing carbon reduction targets for 2030 for some of the most carbon-intense sectors. We have created the Center for Carbon Transition to help our clients invest in lower-carbon solutions, and help them set a path for achieving net-zero emissions by 2050. We also recently targeted $2.5 trillion over 10 years to advance long-term solutions that address climate change and contribute to sustainable development. And we have publicly advocated for market-based, carbon policy solutions, including a price on carbon, and investments in innovative technology to help companies transition to a cleaner future. The bottom line is this: Abandoning fossil fuels is not an option right now. Instead, we must work together, across public and private sectors, in a bipartisan fashion, to manage risk and invest in new solutions and technologies.

We have robust processes in place and are constantly evaluating with whom we do business, taking into consideration many factors when we make our decisions. In line with regulatory expectations, we use risk-based frameworks to determine our tolerance for a client's level of legal, credit, or regulatory risk. We serve businesses that can demonstrate adherence to the law, whatever the industry.

JPMorgan Chase has invested significantly in artificial intelligence and machine learning capabilities. We already use AI successfully in fraud and risk, marketing, prospecting, idea generation, operations, trading and other areas, but are still at the beginning of this journey.

Over the years, when we have faced legal and regulatory issues, we consistently acknowledged our mistakes, often self-identified them, and improved our controls where necessary. Where inappropriate behaviors have been identified, either by us or by our regulators, we have taken action to address them. In the last two years, there have been two regulatory resolutions of legacy issues. One of these matters related to past misconduct by certain former employees that occurred prior to 2016 relating to market manipulation. Their conduct was unacceptable, and we took action, including termination and cancelling millions in compensation. We also recently settled a matter with the OCC related to past deficiencies that were identified in our internal controls and audit over certain fiduciary activities. By the time the settlement was announced, we had already enhanced our controls to address the deficiencies. Over the years, we have meaningfully improved our control environment and simplified our business, which the Department of Justice and the OCC noted in their recent announcements in connection with these resolutions.

POLICY RECOMMENDATIONS

America is poised for a strong economic rebound. But we must ensure that the economic recovery benefits all, and that we address longstanding inequities that threaten the promise of America. Access to affordable healthcare, an education system failing too many of our children, crumbling infrastructure, climate change, and racial economic inequality are just some of the problems challenging our great nation. All of us – government, business and civic society – must work with a common purpose to address these challenges. We must unleash the extraordinary vibrancy of the American economy.

Economic growth will give us the wherewithal to deal with the issues stemming from inequality in ways that are sustainable. The actions we take today will determine the future of our country for generations.

Earlier this year, JPMorgan Chase released a set of data-driven policy recommendations informed by research from the JPMorgan Chase Institute and the work of the JPMorgan Chase *Policy*Center to provide immediate support to those most impacted, as well as longer-term policies to increase the financial health and stability of households and small businesses. Solutions that address longstanding racial and economic inequities will require efforts by all of us, including in these areas:

- **Households and the Social Safety Net**: There are large racial gaps in take-home income and liquid assets that persist across age, income, gender, and geography. This disproportionately impacts Black and Latinx families who, when faced with a negative income shock such as job loss, must cut their spending and consumption more than other groups. To address racial disparities in income and wealth and reduce household financial volatility, we support federal policies that boost earnings, improve job-quality, and increase access to good jobs, as well as reduce expenses that disproportionately burden Black and Latinx families. This includes increasing the federal minimum wage; reforming the Earned Income Tax Credit (EITC) by raising the maximum credit and income limit, extending the credit to childless adults, and eliminating the age cap; supporting side car savings accounts; ensuring workplace benefits and protections such as paid sick and family leave are available to as many working Americans as possible, as well as piloting portable benefits tied to and that move with the worker regardless of employer; and reducing barriers to employment for individuals with criminal backgrounds—one in three working-age adults—to expand economic opportunity to millions of Americans, which is part of JPMorgan Chase's Second Chance initiative.

- **Small Businesses**: Minority- and women-owned small businesses have faced historical barriers to accessing credit, and the COVID-19 pandemic only exacerbated it. Although federal law requires fair lending, many hurdles remain for both minority and women entrepreneurs. We must better align federal programs to meet the needs of the most vulnerable small businesses, enhance access to capital for minority- and women entrepreneurs and support an inclusive economic recovery in communities. This includes increasing resources for the Small Business Administration (SBA) Microloan program; making permanent the SBA Community Advantage program; increasing the Department of Treasury's Community Development Financial Institution Fund to $1 billion with a set-aside for Black-led CDFIs; and improving government procurement programs and policies to provide greater opportunity for underserved small business owners to secure government contracts.

- **Affordable Housing**: Many Black and Latinx households face a housing affordability crisis. Homeownership rates are lowest for Black families—30 points lower than for white families. As COVID-19 created more financial instability, Black and Latinx households are more likely to be cost-burdened than White households and are at the highest risk for eviction. We must work together to reform federal programs to expand affordable housing and homeownership for underserved communities and provide the support needed to weather economic uncertainty. This includes considering additional rental assistance funding to stabilize families facing continued economic hardship; ensuring all homeowners have access to mortgage forbearance;

supporting comprehensive housing reforms such as modernizing the Federal Housing Administration (FHA) to increase access to sustainable homeownership; and increasing federal funding for affordable housing programs such as Low-Income Housing Tax Credit, Housing Trust Fund, Emergency Solutions Grants, Community Development Block Grants, and HOME.

I want to close by thanking our employees for the tireless work, ingenuity, and singular focus on doing right by our customers. Over the last year, they performed their jobs with integrity and excellence, often remotely, while also navigating personal challenges. By working together and focusing on our mission, we proudly served our customers, communities, and our country through an extraordinary year.

I look forward to working with all of you to solve big challenges and foster healthy and inclusive economic growth. There will be areas where we disagree, but we all share a common purpose of creating a more perfect union. We have proven repeatedly that when we work together – government, business, and civic society – we can solve seemingly intractable problems and ensure we are a country of unlimited opportunity for all.

Thank you for your time, and the work you do for our country. I welcome any questions that you may have.

HEARING BEFORE THE UNITED STATES HOUSE COMMITTEE ON FINANCIAL SERVICES

May 27, 2021

Testimony of Jane Fraser,
Chief Executive Officer, Citi

Chairwoman Waters, Ranking Member McHenry and Members of the Committee: I would like to thank you for this opportunity to represent Citi here today. I am Jane Fraser and I have been Chief Executive Officer of Citi since March.

Citi believes deeply in its mission of responsibly providing financial services that enable growth and economic progress. We believe banking is the foundation of economic empowerment and mobility and we are committed to expanding access to financial services for all communities. The past year, and all the challenges it has brought, has been an opportunity for us to walk the walk. As the world's most global bank, we continue to support many of the most iconic American businesses as they navigate the uncertainty of markets abroad. And working in concert with federal assistance programs, we continue to serve as a source of strength for our customers and communities here at home. We are laser-focused on driving a sustainable and equitable recovery to the pandemic.

WHO WE ARE AS A BANK

The origins of this global crisis are very different to the last one: this is not a financial crisis, but a public health crisis with severe economic consequences. Likewise, Citi has shown during the pandemic that we are a very different bank than the one that entered the financial crisis more than a decade ago.

Right-Sizing the Bank to Increase Our Impact

As my predecessor, Mike Corbat, shared with you in 2019, since the financial crisis Citi has worked to become a smaller, safer, stronger and far less complex institution. We have gone back to basics as a bank and today we have two primary lines of business: our Global Consumer Bank and our Institutional Clients Group. An ongoing effort to simplify our structure has resulted in us shedding over 70 businesses and divesting more than $800 billion of non-core assets.

By divesting these non-core assets, we increased the efficiency in our use of capital and reduced our deferred tax assets by more than half, generating $7 billion of regulatory capital in the process. Even as we continue to meet the needs of our customers and communities during the pandemic, we remain well capitalized. We ended 2020 with a Common Equity Tier 1 Capital ratio of 11.7% and a supplementary leverage ratio of 7%. This allowed us to resume the repurchase of common stock this year, which we had voluntarily paused at the onset of the pandemic. (See appendix for more information.)

Like our peers, Citi has benefitted from government programs and facilities, including FDIC insurance and access to the Federal Reserve's Discount Window. But in turn, we provide a tremendous benefit to the government and the broader economy through the services we offer. We also support the federal government in much of its financial activity overseas.

Over the past four decades, Citi is proud to have financed more of America's public infrastructure than any other bank. Last year alone, we spurred the investment of more than $27 billion across the U.S. in projects including bridges, hospitals, airports, water, and public power, on behalf of a wide range of municipal and nonprofit clients. Many of these large projects would not be possible without the heft of a balance sheet like Citi's to finance them. In fact, over the past 10 years, Citi has been the source of $508 billion in financing for local governments, nonprofit healthcare institutions, public works, affordable housing and other anchors necessary for strong communities. Combined with the $77 billion we lend on average each year to companies in industries outside of the financial sector such as manufacturing, agriculture, retail and energy, Citi aspires to be an essential catalyst for growth and progress throughout American life.

Our Core Franchises

The U.S. economy needs banks of all sizes, scaled to support a full range of businesses and households. Today, Citi is right-sized to serve clients wherever they do business. Our Global Consumer Bank serves roughly 70 million customers in the U.S., where we operate just under 700 retail branches concentrated in the six metropolitan areas of New York, Washington, D.C., Miami, Chicago, San Francisco and Los Angeles. Our current branch count, while fewer than the approximately 1,000 branches we had 10 years ago, is greater than the 450 we operated at the turn of the millennium. Roughly 29% of our branches are in low- and moderate-income census tracts, which is commensurate with our peers. And through investments in our digital capabilities, new and expanded partnerships and our role as the world's 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.

Our Institutional Clients Group serves clients across more than 160 markets and jurisdictions, and has a physical presence in nearly 100 of them. We provide a full range of wholesale banking products and services to our clients via six main business lines including banking, capital markets and advisory; commercial banking; global markets; securities services; treasury and trade solutions; and wealth management and private banking. Working together, our Institutional Clients Group provides solutions to meet the needs of corporations, financial institutions, public sector entities, investment managers and high-net worth individuals and families. [1]

We are the leading financer of affordable housing in the country – and have been for 11 consecutive years. Our commercial bank serves many mid-sized American companies, including numerous firms looking to expand and grow across the country and the globe. We also help many state and local governments finance critical infrastructure, such as schools and

[1] Citi does not have a trading or prime brokerage relationship with Archegos, nor did we have any exposure to Archegos in our private bank.

health facilities. We endeavor to provide stellar execution to lead transformation for our clients as they navigate evolving global factors including environmental, social and corporate governance (ESG) issues, wellness, mobility and fintech. Our network-driven strategy and global presence allow us to provide products and services to clients who value a partner that can help them grow in any country they do business. This includes multinationals who are expanding globally, particularly in emerging markets, and emerging markets companies who are growing beyond their home market or region. We also assist 90% of global Fortune 500 companies in their daily operations and help them to hire, grow and succeed.

Serving as a Source of Strength during COVID-19

Because of the steps we have taken to invest in our resilience and improve our safety and soundness, we are on a strong footing from a liquidity and capital perspective to support our customers, colleagues and communities through this pandemic. The prudent decisions we made in the wake of the last crisis have proved their full value in this one.

At the onset of the pandemic, Citi quickly took action through a comprehensive, approach to provide immediate, on-the-ground relief. We were one of the first banks to announce temporary assistance measures. To date, we have provided assistance to 2.7 million consumers and small businesses in the U.S. who have suffered the impacts of the pandemic, and we significantly ramped up our capital support for corporate clients in the hardest-hit sectors such as retail and the airline industry.

Our credit card customers last year were eligible for waivers on late fees and could defer minimum payments for two months, with the option to re-enroll if necessary. There was no negative credit bureau reporting during the waiver period for accounts that were previously not delinquent. For retail bank customers adversely affected by the pandemic, we refunded certain banking fees, including penalties for early CD withdrawal and monthly account maintenance fees, upon request. In addition, we allowed free cash withdrawals at other banks' ATMs.

For our small business customers, we offered waivers on monthly service fees and remote deposit capture fees, as well as penalty waivers for early Certificate of Deposit withdrawals. Citi exited the direct mortgage servicing business in 2019, however, our mortgage sub-servicer, Cenlar FSB, continues to offer forbearance, loss mitigation, foreclosure and eviction practices in compliance with the CARES Act, GSE and other governmental pronouncements.

We are also proud to be the conduit for the extraordinary consumer and business aid that Congress and the Federal Reserve have provided. We helped deliver this aid across many government-sponsored programs, including the Small Business Administration's Paycheck Protection Program. To date, we have funded more than $5.1 billion in loans to small businesses in the hardest-hit sectors and in the hardest-hit areas of the country. Businesses such as Dinah's Chicken in Glendale, California, and the Maryland Youth Ballet survived partly on the help Congress enabled and banks like ours delivered. The average size of loans we disbursed was $100,711, and nearly 80% of those loans have gone to small businesses with 10 or fewer employees.

Earlier this year, we launched a series of PPP webinars, including one in Spanish, to help small businesses in communities across the country complete the PPP application and loan forgiveness process. We have also shared the webinars with 180 community-based organizations and promoted them on our social media channels. To provide further support, we are donating all net profits from our participation in the PPP to Community Development Financial Institutions (CDFIs) and small businesses. To date, we have contributed, or are in the process of contributing, $50 million in net profits, with at least another $40 million expected over the coming year.[2]

Mindful of the ever-changing COVID-19 landscape and its impact on our customers, Citi deployed protocols to enable consumers to receive full access to stimulus dollars, including applying temporary provisional credits so that customers can access deposited stimulus funds. Overdraft fees in 2020 were less than 0.1% of our total revenue and fees were down 18% compared to 2019.

We also expanded access to check cashing services for non-customers, eliminated surcharges for prepaid debit cards issued for stimulus payments and adjusted policies and procedures covering the garnishment of customer stimulus payments. For internal matters (i.e., where a customer owes funds to Citi), Citi continues to prohibit levying on any CARES Act or stimulus payments identified by the bank. For third-party garnishment orders, Citi complies with applicable state and federal laws and acts in conjunction with regulatory guidelines.

OUR PRIORITIES GOING FORWARD

As CEO, I have set several priorities for our firm, including continuing to support our customers and communities through the pandemic and recovery, establishing a standard of excellence in the way we manage risk and ensuring we are best positioned to deliver for our customers in the digital era.

1. Building on our record of financial inclusion to support an inclusive recovery

We are already seeing the shoots of a K-shaped recovery in which some will do better and others will struggle. Unfortunately, those who will struggle have been economically disadvantaged historically, and they will need special attention from our industry. At Citi, we have a strong record of breaking down barriers impeding access to financial services and helping direct the flow of capital into communities that have traditionally lacked it. Our partnerships with CDFIs and Minority Depository Institutions (MDIs) are emblematic of this work.

In the face of a broader consolidation of the banking industry, there is an important role for institutions of all sizes. Indeed, we are focused on ways we can support smaller banks, such as CDFIs and MDIs, because they often can serve communities in more effective and enduring ways than we can on our own or through our branch footprint. CDFIs level the playing field for

[2] Citi participated in the Main Street Lending Program (MSLP), opening the program to existing customers on July 20, 2020. Only two customers, totaling $86.3 million, met all conditions for MSLP approval and were successfully funded prior to the program's cessation. Citi's fees were $650,000.

underserved communities and populations, especially communities of color. That's why, in the last five years, Citi and the Citi Foundation have provided $173 million in capital and $79 million in philanthropic funding to more than 80 CDFIs across the U.S. in support of their small business and community development efforts. As noted earlier, we also are donating net profits from the PPP to CDFIs to provide further support to small businesses and households hit hard by the pandemic.

MDIs also are critical to the financial services ecosystem in diverse communities and are important partners of Citi. We are a founding partner bank for the Department of Treasury's Financial Agent Mentor-Protégé program, in which we are currently mentoring nine MDIs. Last year, Citi announced a partnership with the National Bankers Association, through which Citi created a purchasing facility to assume up to $50 million in PPP loans from MDIs. To date, five MDIs have taken part in the program, allowing them to free up capital that can be used for other lending activities. In addition, as part of Citi's Action for Racial Equity initiative to close the racial wealth gap, we have committed $100 million in support of MDI growth and revenue generation, allocating nearly $50 million in growth capital to MDIs to strengthen their ability to serve racially diverse and underserved households and entrepreneurs.

At Citi, we are also harnessing our capabilities in other ways to expand financial inclusion and make a direct impact on communities. Although we have a smaller branch footprint compared to some of our peer banks, across the nation Citibank customers have access to more than 65,000 fee-free ATM locations, including ATMs at Costco, CVS Pharmacy, Duane Reade, Target, Rite Aid and most Walgreens. In addition, our Citi ATM Community Network program helps eliminate one of the biggest barriers to banking by removing surcharge fees at Citibank ATMs for more than 440,000 customers of 28 minority-owned banks and credit unions.

One of Citi's fastest growing products is our Access Account, an FDIC-insured checkless account with low or avoidable monthly charges and no overdraft fees, launched in 2014. We recently partnered with the National Urban League to promote this account in additional underserved communities. Additionally, 10 years ago, we began working with the City of San Francisco to establish the nation's first universal, publicly-funded college savings account program for every family in that city's public school system. We are now expanding the program to San Jose and Los Angeles. [3]

We are especially proud of our role as the country's leading affordable housing lender. In 2020 alone, we worked with state and local governments across the country to provide more than $7 billion in financing for affordable rental housing projects. That includes the financing to renovate six developments in Cambridge, Massachusetts, for lower-income seniors and disabled residents and a brand new 480-unit housing complex reserved for low-income families and seniors in Las Vegas.

2. Achieving Excellence in our Risk and Control Environment

[3] For additional details on our work with CDFIs, MDIs, and support for the unbanked and underbanked, please see Helping Advance Racial Equity in the Financial Services Industry and pages 72-80 in Citi's 2020 ESG Report.

The pandemic is irrevocably changing many things about banking, including accelerating customers' adoption of digital channels. At Citi, we are embracing this opportunity to transform our business and achieve a state of excellence in how we operate and in our ability to serve our customers. A major part of this agenda is improving our risk and controls infrastructure. In 2020, compared to 2019, we invested an additional $1 billion towards modernizing our technology, simplifying our processes and improving and automating controls. We also hired our first chief administration officer to oversee these efforts.

We understand a world-class risk and controls infrastructure is critical to our ability to handle the volumes and scale of the new digital era and reaffirm the trust and faith our customers put in us. These efforts are also addressing the issues identified in consent orders by the OCC and Federal Reserve in October 2020 and are intended to reduce the risks that have led to other enforcement actions. We take pride in our role as a global leader in financial services and are fully committed to addressing the issues identified by our regulators. (Please see the appendix for additional information on public actions taken since Citi last testified in 2019.)

3. Delivering for Our Customers in the Digital Era

From financing the first transatlantic cable to developing the first mobile banking app from a major U.S. bank, Citi prides itself on both financing emerging technologies to enable progress and leveraging them responsibly to better serve our customers. In our approach to today's newer technologies, we remain guided by a focus on risk and controls. We were one of the world's first companies to develop our own set of ethical principles for artificial intelligence, which aim to ensure effective governance, risk management and responsible innovation in our use of AI. We recently launched an AI Center of Excellence to share and drive adherence to best practices across the firm.

Similarly, before we engage with cryptocurrencies, we see it as our responsibility to ensure we have clear governance and controls in place. Citi is focusing resources and efforts to understand changes in the digital asset space and the use of distributed ledger technology, including demand and interest by our clients, regulatory developments and technology advancements. These developments and important risk and control considerations are guiding our measured approach.

With the proliferation of new technologies, the use of mobile and cloud and managed services to conduct financial transactions, and the increasing sophistication of threat actors, prominent financial institutions such as Citi have been and will continue to be subject to cyber incidents. Recognizing the significance of these risks, 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. We also devote significant resources to implement, maintain, monitor and regularly upgrade our systems and networks. In addition, to protect Citi's and our customers' assets and information, we have implemented multiple layers of controls, including intrusion detection and prevention, endpoint detection and response, as well as various other prevention, detection and response processes.[4]

We invest in advanced technology to safeguard data and customer information. For instance, the Citi Virtual Card Account provides a secure, business-to-business digital solution for large workflows through the generation of one-time account numbers. The virtual card technology enables real-time transactions that are automated and secure, safeguarding against fraud and potential misuse. The account eliminates the need for paper-based payments but still leaves an electronic trace, which allows for easy reconciliation and reporting. In addition, our Citi Payment Outlier Detection solution uses analytics, artificial intelligence and machine learning to find transactions that do not align with typical patterns of activity. These outliers are then investigated to determine whether they indicate fraud. Each year, we provide our employees with training on how to properly handle and maintain the security and privacy of Citi's and our customers' information.

BRINGING OUR MISSION TO LIFE

The events of this past year are a stark reminder that companies like ours have a role to play in helping tackle the world's toughest problems. Citi's mission of enabling growth and economic progress is not just a nicety we put up on our website; it is something we take very seriously and bring to life through our day-to-day work across all parts of our business and our philanthropy.

Over the past decade, Citi and the Citi Foundation have provided more than $870 million to hundreds of community partners across the U.S. to support vibrant and equitable local economies in the communities where we do business. In addition to our financial support, we harness the passion and expertise of our employees to enhance our impact and engagement, with an average of 450,000 in total volunteering hours in the U.S. each year.

To illuminate the challenges affecting communities and to inform solutions, we have underwritten critical research including the groundbreaking U.S. Financial Diaries project, which tracked the financial lives of hundreds of low-income families over a year, and the annual Menino Survey of Mayors, the only nationally representative survey of U.S. mayors. We have also collaborated with leading national civil rights and advocacy organizations on policy developments that support financial inclusion and wealth creation in low-income communities of color.

1. Sustainability

Citi manages and mitigates credit and reputational risk through a number of internal initiatives, including Citi's Environmental and Social Risk Management (ESRM) Policy. The ESRM Policy provides the framework for how Citi identifies, mitigates and manages the potential

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[4] For more information about Citi's cybersecurity efforts, see pages 55-56 and 116 of Citi's 2020 Annual Report.

environmental and social risks associated with customers' activities that could lead to credit or reputational risks to the company.[5]

Climate change presents risks to Citi and its clients that will only increase over time. We are committed to helping our clients mitigate these risks and transition to cleaner energy. For instance, we have worked with oil and gas clients to support next-generation carbon capture and sequestration technology, and we have partnered with others on innovative loans that are linked to their sustainability performance.

The market continues to drive demand for sustainable finance, an area in which Citi has long been a leader. We helped create the Equator Principles in 2003 and the Green Bond Principles in 2014, both establishing important industry standards. In 2018, Citi became the first U.S. bank to report on our efforts to implement the Taskforce on Climate-related Financial Disclosures framework, providing transparency about the impact climate change has from a risk management perspective. And knowing how important it is to manage our own footprint, last year we fulfilled a goal of sourcing 100% renewable electricity for our facilities globally.

We recently committed to financing $500 billion in environmental projects and activities by 2030. This is a tenfold increase over our first environmental financing commitment made back in 2007. And on my first day as CEO in March, we committed Citi to net zero emissions by 2050. We know that to truly address the risks of climate change, we need to help our clients – which include many of the world's biggest multinationals, as well as investors and even countries – responsibly transition to net zero.[6]

2. Equity

The global pandemic has laid bare the systemic inequities that have impeded communities from reaching their full potential, and we cannot ignore the role our own industry has played in contributing to these disparities. In the aftermath of George Floyd's death in Minneapolis, as calls for racial justice intensified across the U.S., we launched Action for Racial Equity, more than $1 billion in strategic initiatives to help close the racial wealth gap and increase economic mobility. As part of this initiative, we are tackling the homeownership crisis in communities of color and are in the final stages of committing $200 million of equity to the preservation of affordable and workforce housing projects that will be co-managed by five Black investment managers.

We have set a target of directing $1 billion annually by 2023 to diverse suppliers to help more minority and women-owned entrepreneurs get the financing they need to start and grow their businesses. As part of that effort, 27% of third-party broker fees paid in 2020 went to minority- and women-owned firms. Our new, globally unified wealth business will increase the number of minority-owned third-party asset managers investing in minority-owned businesses offered to Citi clients, with a target of onboarding 5-15 diverse fund managers and seeking $200 million of

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[5] See Citi's 2021 Proxy Statement for more information.

[6] For more information about Citi's sustainability agenda, see pages 24-58 in Citi's 2020 ESG Report.

capital investment into these funds by the end of 2023. These are investments that promise to pay tremendous dividends: recent research by Citi found that if key racial gaps for Black Americans had been closed 20 years ago, U.S. GDP could have increased by an estimated $16 trillion.[7]

3. Diversity

We are also making sure we maintain a culture that embraces the diversity of our people and the communities we serve. Today, our board of directors is 50% women and 19% minority. I am proud to be the first woman to run a global financial institution, and equally proud that we have one of the most senior Black executives in our industry, Mark Mason, as our CFO. Of my US-based direct reports, five are women, one is Black, one is Hispanic and three are members of the AAPI community.
We are notable in our industry for recognizing the importance of transparency and accountability to our diversity efforts. In 2018, Citi was the first major U.S. financial institution to publicly release the results of a pay equity review comparing compensation of women to men and U.S. minorities to U.S. non-minorities. To close these gaps, we have set goals to increase our representation at senior levels of our firm. We are focused on increasing female representation to at least 40% globally, up from 37% when we established our goals in 2018, and to boost the representation of Black employees in those same roles in the U.S. to at least 8%, up from the 2018 baseline of 6%.

To help us recruit more racially diverse talent, we have established pipelines from historically Black colleges and universities and have expanded the diverse slates of candidates we interview for open roles. To help solve the two-pronged issues of representation and pay equity, we must have more women and minorities in senior, high-paying roles. Career development is one of our top priorities, and we promote from within to continue developing our existing talent. In 2020, 33% of open positions at Citi were filled with internal candidates.[8]

4. Human Rights

We are committed to identifying, preventing and disrupting human rights wherever we do business, regardless of a government's human rights record. As part of this effort, we engage human rights experts, clients and peers in line with the U.N. Guiding Principles on Business and Human Rights, a global framework for preventing and addressing the risk of adverse impacts on human rights linked to business activity.

We regularly initiate investigations concerning illicit activity related to sexual exploitation and human trafficking. Red flags may be the result of information received from law enforcement, NGOs or various global public-private partnerships that track activity suggesting human

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[7] Citi GPS Report: Closing the Racial Wealth Gaps - The Economic Cost of Black Inequality in the U.S., September 2020

[8] For more information on Citi's diversity and racial equity efforts, see pages 60-91 in Citi's 2020 ESG Report.

trafficking and child sexual exploitation. In addition, Citi was one of the first financial institutions to engage with the U.N. on their Survivor Inclusion Initiative, in which we provide financial services to survivors to help them transition back into society.[9]

I thank you for the opportunity to respond to your questions and to discuss our support for our customers, clients and the communities hit by the crisis.

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[9] For more information on Citi's work regarding human rights, see pages 118-124 in Citi's 2020 ESG Report.

APPENDIX

Arbitration clauses in contracts with consumers, employees, investors, and contractors

Select consumer products offer arbitration as a way to resolve disputes with an opt-out right for consumers, and there are no arbitration clauses in our mortgage products. We do require arbitration of employment disputes for U.S. employees, as permitted by law and as is customary in many firms in our industry and others. Our arbitration agreements with our employees specifically state that they are not prohibited from reporting their concerns to government agencies, such as the Equal Employment Opportunity Commission, other state and local human rights agencies, or our regulators.

Compensation, including minimum wage, and clawback policies.

Citi's compensation policy is designed to encourage prudent risk-taking and management of controls while attracting the world-class talent necessary to our success. Our approach is summarized by the following five objectives: reinforce a business culture based on the highest ethical standards; manage our risks by encouraging prudent decision-making; reflect regulatory guidance in compensation programs; attract and retain the best talent to lead us to success; and align compensation programs, structures, and decisions with stockholder and other stakeholder interests.

To support compensation decisions and to promote accountability among executives, we use a proprietary tool that evaluates their performance across four pillars – risk and control, financial, client and franchise and leadership. The results of these evaluations, combined with the market rates of pay adjusted to reflect each executive officer's experience and the scope of his or her role in our system, form the basis for our compensation committee's determination of incentive compensation amounts.

We provide an hourly minimum wage of $15 for all U.S. employees, and the median hourly wage is $43.52. In 2020, during his last full year as CEO, Mike Corbat's pay compared to the median pay of U.S. employees was a ratio of 213 to 1. In 2020, as president of Citi, Jane Fraser's pay ratio was 155 to 1.

Our robust clawback policies are applicable to incentive awards to executive officers and all other employees eligible for similar awards. The clawback provisions provide us with the right to cancel unvested deferred incentive compensation under a range of adverse outcomes. We will also consider making public disclosures whenever a decision has been made to cancel deferred compensation payable to an executive officer because he or she had significant responsibility for a material adverse outcome or otherwise.

Share buybacks, dividend payments, and other capital distributions

See attached

Federal and State enforcement actions since April 2019

See attached

STATEMENT OF

JAMES P. GORMAN

BEFORE THE

COMMITTEE ON FINANCIAL SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

CONCERNING

HOLDING MEGABANKS ACCOUNTABLE: AN UPDATE ON BANKING PRACTICES, PROGRAMS AND POLICIES

PRESENTED ON

MAY 27, 2021

Prepared Statement

Chairwoman Waters, Ranking Member McHenry and members of the committee, thank you for having me here again today. When we were here in 2019, none of us could have predicted the extraordinary public health crisis that would unfold around the world.

We remain in the midst of this crisis that has caused serious humanitarian and economic issues, leaving an indelible mark on many of us. Our hearts go out to all of those directly and indirectly impacted by this crisis.

In response to these extraordinary and challenging times, we were focused on serving our clients and our communities, and taking care of our employees.

- We helped our corporate and institutional clients raise additional liquidity and obtain financing. We raised over $50 billion of capital for the industry sectors most affected – airline, cruise and travel. Our team also helped raise healthcare capital for both Moderna and Pfizer, including a sustainable bond issuance by Pfizer to support patient access to medicines and vaccines, especially among underserved populations.
- For our retail clients, we guided them to manage their investment portfolios amidst extreme volatility.

Today's Morgan Stanley, through its three businesses, provides a stable foundation of support in any market environment.

- In our Institutional business, we are a financial advisor to companies and help them raise equity and debt capital – from taking a company public to helping it issue bonds so that it can grow and create jobs. We help public sector entities raise municipal financing. We also help pension funds, mutual funds and other financial institutions trade and manage their assets.
- In our other two businesses – Wealth and Asset Management – we are managing over $5.6 trillion of assets for households and institutions, including endowments and pension funds that manage the retirements of our teachers, firefighters, and other public employees. For millions of U.S. households, our services help families save money – whether for college, retirement or to put a down payment on their mortgages.

Beyond our day-to-day core businesses, we also support the more vulnerable in our communities through philanthropy and employee engagement.

A number of well-publicized events last year led to a heightened and necessary focus on racial and social justice, and a recognition that explicit support and purposeful collective action will be required. Some of our efforts over the past year include:

- Providing grants to Minority Depository Institutions to bolster their loan loss reserves in the wake of the pandemic, and to assist minority and women-owned businesses to ensure an equitable recovery; and
- Starting a program to provide 60 students with full four-year scholarships to Howard University, Morehouse College and Spelman College – three of America's leading Historically Black Colleges and Universities.

In addition, we are concerned that how we deal with climate risk over the next decades will have a profound socioeconomic effect on our communities. Morgan Stanley recognizes the threat that climate change poses – and we are working with our clients to find ways to mitigate its effect.

Finally, early in the pandemic, we committed to making no reductions in our workforce through 2020, thereby providing reassurance to our 70,000+ employees in a very difficult time. I am proud of the commitment they have shown to our clients and to Morgan Stanley in the extraordinary circumstances of the past year.

Chairman Waters, in your letter dated April 30, 2021, you asked me to provide information on fourteen topics. Information regarding these topics is included in the attached addendum.

I now look forward to your questions.

Addendum

1. Your bank's size and complexity.

Morgan Stanley employs approximately 68,000 employees—up from 60,000 in 2019. Our employees live and work in 39 countries. In 2020, we reported approximately $48 billion in net revenues and approximately $1.1 trillion in total assets, as compared to approximately $40 billion in net revenues and approximately $850 billion in assets in 2018.

No bank is too big to fail—including Morgan Stanley. One of the important lessons learned from the 2008 financial crisis was that banks need to organize themselves to prevent the risk of failure, but also have coherent and credible plans in the event of failure. We have more than doubled the size of our wealth management and investment businesses, which now account for more than half of the Firm's revenue. By doing so, we have given the Firm a stable foundation of support in any market environment.

Since the financial crisis, we have more than doubled the size of our wealth management business. And in the past year, we furthered the transformation of our business through the acquisitions of E*TRADE and Eaton Vance—continuing our strategy of maintaining a durable balance sheet and sources of revenue, which should provide more predictable results during various market conditions in the future.

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.

2. **Your bank's end of year capital and leverage ratios, as well as the annual amount of share buybacks, dividend payments, and other capital distributions, for the past ten years.**

(a) 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 the pandemic. In fact, our capital ratios are the highest among our peers of similar size. Specifically, as of December 31, 2020, our capital ratios were:

- 17.4% Standardized Common Equity Tier 1 ("CET1") ratio
- 19.4% Standardized tier 1 capital ratio
- 21.5% Standardized total capital ratio
- 8.4% Tier 1 leverage ratio
- 7.4% Supplementary Leverage Ratio ("SLR"), calculated in accordance with the FRB's interim final rule in effect as of December 31, 2020

As of December 31, 2018, our capital ratios were:

- 16.9% Standardized CET1 ratio
- 19.2% Standardized tier 1 capital ratio
- 21.8% Standardized total capital ratio
- 8.4% Tier 1 leverage ratio
- 6.5% SLR

(b) Annual Amount of share buybacks, dividend payments, and other capital distributions for the past 10 years.

Year (unless otherwise stated)	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)[1]	Total number of shares as part of Share Repurchase Program (in millions)[2]	Total number of shares (in millions)[3]
2011	$354	$0.20	$292	$0	0	11
2012	$400	$0.20	$97	$0	0	13
2013	$250	$0.20	$271	$350	12	27
2014	$703	$0.35	$311	$900	28	46
2015	$1,096	$0.55	$452	$2,125	59	78
2016	$1,348	$0.70	$468	$3,500	117	133
2017	$1,655	$0.90	$523	$3,750	80	92
2018	$1,930	$1.10	$526	$4,860	97	110
2019	$2,161	$1.30	$524	$5,360	121	135
2020	$2,295	$1.40	$496	$1,347	29	40
Q1 2021	$635	$0.35	$138	$2,135	28	34

[1] Reflects only the repurchase program and excludes shares acquired in satisfaction of tax withholding obligations related to stock-based compensation programs.
[2] Reflects only the repurchase program and excludes shares acquired in satisfaction of tax withholding obligations related to stock-based compensation programs.
[3] Includes both those acquired as part of the share repurchase program and in satisfaction of withholding obligations.

3. The number and location of your bank's branches and how that compares to 10 years ago and 20 years ago.

Morgan Stanley is not a brick-and-mortar bank and does not have any retail branches. As noted above, Morgan Stanley employs approximately 68,000 employees—up from 60,000 employees in 2019.

4. Your bank's approach to offering fair and affordable products and services to the unbanked, including individuals that do not have access to the Internet.

Morgan Stanley recognizes the importance of access to banking services in underserved communities. As we do not have a brick-and-mortar bank ourselves, we believe that the best way for us to help create and maintain access to banking services in underserved communities is to support community banks that operate in or near those communities.

To that end, in 2020 we provided grants and other capital support to three minority-owned depository institutions. Specifically, we gave $5 million grants to each of Industrial Bank in Washington, D.C. and Citizens Trust Bank in Atlanta, Georgia and we provided $14.6 million in grants and other support to our long-time partner, Carver Bancorp, a community development financial institution ("CDFI") headquartered in Harlem, New York. Our support enabled these institutions to strengthen their capital positions so that they could continue to provide financing to their small business and retail clients during the COVID-19 pandemic.

5. Public enforcement actions taken by a federal or state government since you last testified before the Committee, including any consent orders and settlements against your bank and the number of consumers or investors harmed per order, settlement and action.

Morgan Stanley has a comprehensive process to manage risk and ensure compliance with applicable laws and regulations. One of our core values is "Do the Right Thing," and we invest in people, resources and controls in support of this core value. 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. Like other large financial institutions, we have been subject to a few enforcement actions over the past few years. United States enforcement actions in excess of $5 million since 2019 include:

- A $5 million settlement with the U.S. Commodity Futures Trading Commission, on September 30, 2020, relating to swap reporting issues, which had no allegations of harm to counterparties or consumers.

- A $5 million settlement with the U.S. Securities and Exchange Commission, on September 30, 2020, regarding the organization of our aggregation units and compliance with Regulation SHO, which had no allegations of harm to counterparties or consumers.

- A $5 million settlement with the U.S. Securities and Exchange Commission, on May 12, 2020, in connection with disclosures and trades related to our wrap free program. The order noted that the Firm remediated the issues, including refunding fees to certain impacted clients.

- A $60 million civil money penalty imposed by the Office of the Comptroller of the Currency in October of 2020, relating primarily to a 2016 hardware decommissioning incident in our Wealth Management business. Impacted clients are notified and offered credit-monitoring services paid for by the Firm.

6. Your bank's capital market activities, including with respect to securities and derivatives, as well as any losses experienced as a result of the failure of Archegos Capital Management.

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 raise capital and manage their financial positions so that they can remain stable, grow and provide employment opportunities.

We recognize that, as a financial institution, our ability to leverage the financial markets has a significant impact on our society. Thus, if we identify a potentially significant environmental or social risk associated with a transaction, the transaction is escalated to senior management and our Franchise Risk Committee, which can veto new business opportunities and transactions that may conflict with our values. We also seek opportunities to make a positive impact through our business, as discussed in response to questions 9, 10, and 13.

At the same time, we have made significant changes to our own trading over more than a decade. As required by the Volcker Rule, our trading now focuses on making markets and executing trades for our clients, not on trading for our own profit and loss. We do not take risks that could jeopardize the stability of our Firm.

The derivatives markets, and our derivatives trading, have also undergone significant de-risking as a result of the reforms implemented under Dodd-Frank. These reforms include margin and central clearing requirements as well as extensive reporting on derivatives transactions to regulators.

With respect to Archegos, as the week of March 22, 2021 began, Archegos' collateral with Morgan Stanley appeared to be sufficient to meet our margin calls. When, later in the week, it became clear that was not the case, we moved quickly and prudently to limit losses. We liquidated large positions in a series of block trades Friday, March 26 through Sunday, March 28. That resulted in a net loss of $644 million. We then made a management decision to completely de-risk the remaining smaller positions, incurring an incremental loss of $267 million. The loss is disappointing, but has to be set against the backdrop of a strong performance by the Firm overall and by our Equities business.

7. The extent your bank utilizes forced arbitration clauses in its contracts with consumers, employees, investors and contractors.

As discussed in 2019, we believe that arbitration provides an opportunity for all sides to receive a fair hearing through a process that is generally more efficient and less costly than litigation. We ensure that information about our arbitration agreements is clearly disclosed and readily available to both prospective employees and customers before they enter into a relationship with us. In addition, our U.S. broker-dealers are FINRA member firms. For many years, FINRA has required that licensed employees arbitrate most non-statutory employment disputes with member firms.

When we made changes to our employee arbitration program in 2015, we provided our employees with detailed information on the program and gave them the opportunity to opt out. New Morgan Stanley hires are also provided an opportunity to opt out of our employee arbitration program.

8. Your compensation and clawback policies, including the minimum wage you pay employees, how these policies are designed to promote accountability of company executives, and how the compensation of the CEO and other C-suite executives compares to the median compensation of an employee at your bank.

Morgan Stanley has a robust pay-for-performance philosophy and practice, and is committed to responsible and effective compensation programs. The Compensation, Management Development and Succession ("CMDS") Committee of the Board of Directors, which is comprised entirely of independent directors, continuously evaluates Morgan Stanley's executive compensation to ensure that our approach is consistent with best practices in corporate governance, risk management and regulatory principles.

Over the past decade, we have made significant changes to our executive compensation program to better balance risk with rewards. These changes include: (i) enhancements to the long-term incentive program design by balancing fixed and variable pay, increasing deferrals, increasing the use of equity and performance-based awards and incorporating clawback provisions; (ii) strengthened processes and controls to integrate risk management into our compensation determinations; and (iii) increased board engagement in senior management compensation determinations.

Our executive compensation program, which has continuously evolved over the past 10 years, is designed around the following four key objectives.

1. 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. Moreover, Morgan Stanley conditions the vesting and payment of long-term incentives on future performance, which is measured against specified financial targets that align with long-term business strategy.

2. We align executive compensation with shareholders' interests. This objective is met by delivering a significant portion of incentive compensation in deferred awards that are subject to cancellation and clawback over a multi-year period. We have significantly reduced the portion of incentive compensation paid in cash. As discussed in more detail below, we have also expanded our clawback provisions. Moreover, the deferred award structure ties a significant portion of executive compensation directly to Morgan Stanley's stock price and encourages ownership by requiring executives to retain equity. Beginning with the 2020 year-end incentive compensation award grants, the Company reduced the group of eligible employees receiving deferred cash-based awards and instead granted more deferred incentive compensation awards solely in the form of restricted stock units. This adjustment to our pay mix increased the use of equity awards, which further aligns the interests of the Company's employees with those of its shareholders.

3. We offer competitive pay levels to support Morgan Stanley's objectives of continuing to attract and retain the most qualified employees in a highly

competitive global environment for talent. We structure incentive awards to include vesting, deferred payment and cancellation provisions that retain employees and protect the Company's and shareholders' interests.

4. In light of regulatory guidance, we have changed our approach to compensation to better balance employee conduct, such as risk taking, with rewards. We structure compensation arrangements to discourage unnecessary or excessive risk-taking that could have a material adverse effect on Morgan Stanley. Over the past decade, we have integrated risk management more directly into our compensation determinations. In addition, there is no automatic vesting and no excise tax protection for deferred compensation upon a change-in-control. Morgan Stanley annually evaluates our compensation programs from a risk perspective and reviews our findings with the CMDS Committee and an independent compensation consultant.

Morgan Stanley's commitment to our performance-based approach is further demonstrated by our four-part CEO pay framework:

1. The Board of Directors sets annual performance priorities at the beginning of the year to guide its assessment of Firm and executive performance. The priorities 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.

2. 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 peer financial firms.

3. At year-end, the CMDS Committee assesses Company and executive performance, including progress in achieving Morgan Stanley's strategic objectives and annual performance priorities, and the CEO's overall leadership.

4. The CMDS Committee then determines CEO compensation at year-end, based on its assessment of performance and discussion with the Board of Directors. The CMDS Committee determined CEO compensation elements that support the Firm's key compensation objectives.

With respect to the compensation for other Named Executive Officers ("NEOs"), the CMDS Committee evaluates both Firm and individual performance. As with CEO compensation, the CMDS Committee and the Board set performance priorities at the beginning of the year. The performance priorities are based on an assessment made at the beginning of the year in light of the market environment and Morgan Stanley's strategic objectives. The CMDS Committee then considers progress against the performance priorities in making executive compensation determinations at year-end. For 2020, the CMDS Committee reviewed performance priorities in the following areas:

- Firm financial performance;
- Business segment performance;
- Expense Efficiency Ratio and ROTCE;
- Total shareholder return;
- Capital and liquidity strength;
- Firm risk management and controls;
- Firm credit rating;
- Standing with regulators;
- Talent development and diversity progress;
- Board assessment of Firm culture, leadership, strategy, resilience and reputation.

With respect to clawback policies and procedures, in 2008, Morgan Stanley was the first major U.S. bank to enact a clawback provision that exceeded TARP requirements for a portion of year-end compensation. This clawback provision was further enhanced in 2009 to explicitly cover situations where there is (i) a substantial loss on a trading position or other holding or (ii) any loss on a trading position where an employee operated outside the risk parameters applicable to the trading position or other holding if, in either case, such position was a factor in that employee's compensation determination. This provision applied to deferred cash-based awards made to NEOs.

In 2011, we expanded our clawback provisions to apply to all long-term incentive compensation and enhanced our processes for preventing, investigating and addressing circumstances (such as poor risk outcomes, significant losses and improper employee behavior) that could require clawback or cancellation of previously awarded compensation, as well as adjustments to current year compensation.

Deferred incentive compensation awards generally are subject to clawback for, among other things, failure to comply with Morgan Stanley's internal policies, or compliance, ethics or risk management standards, termination for cause and misuse of proprietary or confidential information. Additionally, these awards are subject to clawback if an individual causes the need for a restatement of Morgan Stanley's consolidated financial results, violates Morgan Stanley's global risk management principles, policies or standards or violates an internal risk and control policy involving a subsequent loss. Managers may be held responsible for misconduct by their employees. For Operating Committee members, deferred incentive compensation awards are also subject to clawback if the CMDS Committee determines that the Operating Committee member had significant responsibility for a material adverse outcome for the Firm or any of its businesses or functions.

Throughout the year, employee conduct matters that are escalated through the Company's Global Conduct Risk Program are reviewed to determine whether they present situations that could require clawback or cancellation of previously awarded compensation, as well as downward adjustments to current year compensation. Clawbacks of previously awarded compensation are reviewed quarterly with the Employee Discipline Oversight Committee – a committee of senior management currently composed of the Chief Financial Officer, Chief Legal Officer, Chief Risk

Officer, Chief Audit Officer, Chief Human Resources Officer, and Chief Compliance Officer – and reported to the CMDS Committee.

Regarding risk management, beginning in 2009, the CMDS Committee worked with Morgan Stanley's Chief Risk Officer and the CMDS Committee's independent consultant to evaluate whether Morgan Stanley's compensation arrangements encourage unnecessary or excessive risk-taking and whether risks arising from Morgan Stanley's compensation arrangements are reasonably likely to have a material adverse effect on the Firm. The Chief Risk Officer continues to evaluate any new incentive arrangements for the NEOs.

Moreover, the Global Incentive Compensation Discretion Policy adopted by the CMDS Committee sets forth standards for managers on the use of discretion when making annual compensation decisions and considerations for assessing risk management and outcomes. Further, the Company's control functions conduct a semi-annual review of employee conduct with respect to risk and control matters, and are asked to identify inappropriate behavior that may not be captured through other Company processes. The results of the reviews are reflected in performance feedback and considered in compensation decisions.

As disclosed in our most recent proxy filing, in 2020 the estimated ratio between the CEO's total annual compensation and median annual total compensation for all other employees was 234 to 1, compared to 248 to 1 in 2019.[4] We have about 70,000 employees who perform a wide range of duties; this year our median employee compensation was over $126,000.

[4] As determined consistent with SEC rules.

9. The diversity of the directors of your board and executives that report to the CEO, the policies and practices implemented at your institution to promote diversity and inclusion among your workforce, and the policies to promote the use of diverse contractors, including diverse asset managers, brokers and underwriters, by your institution.

I acknowledge that progress in this area has been slow for us—and we can and should do better. The events of 2020 focused all of us in a way we had not been before and this was the ultimate call to action to make meaningful change.

We believe a diverse workforce is important to Morgan Stanley's continued success and our ability to service our clients. Achieving greater diversity throughout the Firm remains a key priority for the Firm and its management team, and we are working hard to achieve our diversity goals. While we are proud of the gains that we have made, there is still work to be done.

Establishing diverse leadership is essential to bringing greater diversity to the Firm as a whole. While change will not happen overnight, we made some immediate changes, which included calling out Diversity & Inclusion as one of our core values, establishing the Institute for Inclusion to provide outside input on our talent and diversity efforts, and elevating Black leaders, including the addition of two Black Managing Directors to the Firm's Operating Committee.

Diversity at the board level is a significant priority. Half of our Board is gender or ethnically diverse. Diversity in senior management is also critical to achieving our Firm-wide diversity goals. Twenty-one percent of our Operating Committee is ethnically diverse and 21% are women. With respect to our Management Committee, 31% of the members are ethnically diverse and 23% are women. Moreover, every senior manager is required to have a succession plan for his or her senior team members, and part of that plan must include developing a diverse candidate pipeline.

To build a diverse talent pipeline, we use global, targeted recruitment and development programs to hire, retain and promote women and ethnically diverse talent. From 2015 to 2019, we increased campus hires of women globally, and of Black and Hispanic students in the U.S., by 9% each—to 44% and 25% of all recruits, respectively. We note that U.S. Black Managing Director representation is up 24% from 34 to 42 since year-end 2019. And U.S. Black officer representation is up 29% from 535 to 689 since year-end 2019. In both cases, this growth was driven by a continued focus on hiring and providing promotion opportunities for our talent. And among employees in our most recent Managing Director class, 35% were women and over 25% were ethnically diverse, as we continued to increase their representation. While we have more to do, we are making progress and are committed to continuing to do so.

Our Global Diversity & Inclusion team drives the Firm's strategy across four key pillars: accountability, representation, advancement and culture. In 2020, we published our first annual Diversity and Inclusion Report, which represents the Firm's commitment to our diversity and inclusion strategy, priorities and goals, and provides comprehensive disclosure and information on the composition of our workforce, our progress to date and our efforts and initiatives in advancement and outreach. The report also includes our EEO-1 data. By providing data about our workforce and diversity and inclusion efforts, we are enabling our stakeholders to monitor and track our progress.

Additionally, for the first time, we published diversity and inclusion data in our SEC Annual Report on Form 10-K for the year ended December 31, 2020. Key data points include:

- 39% of our global and U.S. employees are women;
- 26% of our global officers are women;
- 30% of our U.S. employees are diverse;
- 23% of our U.S. officers are diverse.

Morgan Stanley is committed to providing a work environment that promotes diversity and inclusion, where everyone is treated with dignity and respect. Each of us must act, at all times, with due consideration towards our co-workers, treating others as we would want to be treated. We aim to provide our employees with the best opportunities to realize their potential. Our policies 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.

We understand the importance of explicit support and the purposeful participation that is required to effect change. To help accelerate our own efforts, we recently launched the Morgan Stanley Institute for Inclusion ("IFI") guided by an independent Advisory Board. I chair the IFI Board and it includes three of our current Firm-wide Board members. The IFI is focused on catalyzing an integrated and transparent diversity, equity, and inclusion strategy to deliver the full potential of Morgan Stanley and drive meaningful change within the Firm and beyond. We also recently announced the addition of a new core value, Commit to Diversity and Inclusion, to make explicit our commitment to cultivating and supporting a diverse workforce and a culture of belonging across the Firm.

With respect to suppliers, our supplier diversity program, currently a $350 million spend, seeks out minority-owned businesses to supply hundreds of our offices around the globe. We also make investments in diverse businesses, including our recent $100 million investment in Lafayette Square, a minority-owned holding company focused on flexible capital investments in sustainable housing and small businesses that are owned by women and people of color. We are also seeking to expand our wealth management services into new and diverse target markets and have created the Wealth Management Racial Equity Toolkit, a guide to racial equity investing.

Moreover, our Multicultural Client Strategy Group helps develop the Firm's strategy to address the significant market inefficiency that limits access to capital by female and multicultural technology entrepreneurs and small business owners. One such initiative is our Multicultural Lab, which supports the growth of tech entrepreneurs of color and women by providing the tools, resources and access to capital they need to succeed. Now in its fourth year, the Lab has invested in 31 companies with a multicultural or woman founder, co-founder, or C-suite executive.

10. Investments, loans, and partnerships with minority depository institutions (MDIs) and community development financial institutions (CDFIs) over the past ten years.

We deploy our Community Reinvestment Act ("CRA") resources with a focus on four areas:

1. Multifamily affordable rental housing;
2. Healthy communities;
3. Small business and economic development;
4. Access to capital for CDFIs.

In the last ten years, we have supported the creation of 145,000 affordable housing units. We have made $24 billion in community development loans and investments, including investing $5.5 billion in collaboration with CDFIs to further advance economic opportunity in underserved neighborhoods.

Our recent $1 billion Social Bond, issued in 2020, aims to advance this work by directing capital to projects that house individuals and families with low- or moderate-incomes across the United States, many of whom are struggling to meet housing costs in the pandemic-affected economy.

Following our acquisition of E*TRADE, we now have four banks that are subject to the CRA. In connection with that transaction, we announced a four-year, $15 billion plan that expands our community development activities, so that our new program will be greater than the sum of the legacy Morgan Stanley and E*TRADE programs.

The CRA requires our banks to focus their community development efforts on their home geographies (the Salt Lake City, New York, and Washington, D.C. metropolitan areas), but we also operate in other areas to the extent possible. One hundred percent of our affordable housing private equity also includes funding for quality of life issues, which can be access to broadband, assistance in resident access to EITC, after school education, and senior aging-in-place healthcare services.

To that end, in 2020 we provided grants and other capital support to three minority-owned depository institutions: we gave $5 million grants to each of Industrial Bank in Washington, D.C. and Citizens Trust Bank in Atlanta, Georgia, and we provided $14.6 million in grants and other support to our long-time partner, Carver Bancorp, a CDFI headquartered in Harlem, New York.

11. Your bank's approach to cybersecurity and protecting consumer data.

As discussed in the 2019 hearing, cybersecurity is also a top priority for Morgan Stanley. Our long-standing commitment to safeguard client information is essential to our goal to be the leading choice for financial services. Protecting the confidentiality and security of client information has always been an integral part of how we conduct our business worldwide. Today, like our peers and firms in many other industries, we must be extraordinarily vigilant on a constant basis, and we defend against numerous attacks every day and learn from attacks on others, whether in the financial industry or elsewhere.

We recognize the important role we play in protecting our financial system. For that reason, we work closely with our peers, some of whom are with me today, our government partners, and our vendors to gather and share intelligence that helps us strengthen our collective defenses. We also understand that upholding the trust our clients place in us to protect their data requires understanding those who would attack us and what they are after. That's why we have brought together our cybersecurity, information security, and fraud programs to face this common threat as a single team. And that is why we have staffed that team with professionals that bring to bear both industry and government experience, and who, as a result, understand the threats we face and the mindset of those who would do us harm.

Morgan Stanley employs multiple layers of security controls and practices to protect the personal information of its clients and employees, its proprietary data, its networks and other assets. We have in place physical, technical and procedural safeguards for personal information. We protect personal information from unauthorized access and use, instituting security measures – such as computer safeguards, secured files and buildings – that comply with cybersecurity laws and regulations in the United States and other countries in which we operate.

Cybersecurity risk is overseen by the Board as well as the Operations and Technology Committee. The Operations and Technology Committee has primary responsibility for oversight of information and cybersecurity operations. It receives reports at quarterly meetings from senior officers in the Information and Technology Department and the Firm Risk Management Department. The quarterly reports include information such as security, fraud and cybersecurity risk, as well as the steps that management has taken to monitor and control such risk. The reports also provide updates on Morgan Stanley's cybersecurity program, the external threat environment and Morgan Stanley's programs to address and mitigate the risks associated with the evolving cybersecurity threat environment.

The Operations and Technology Committee also receives an annual independent assessment of key aspects of the Company's cybersecurity program from an external party and holds joint meetings with the Audit Committee and Risk Committee. The Chair of the Operations and Technology Committee regularly reports to the full Board on cybersecurity risks. Senior management also discusses cybersecurity developments with the Chairs of the Operations and Technology Committee and the Risk Committee between Board and committee meetings, as necessary. Moreover, the Board or a relevant Board committee reviews and approves our cybersecurity policies at least annually.

12. Your bank's approach to and utilization of emerging technology, including artificial intelligence, machine learning, distributed ledger technology, and digital assets (including cryptocurrency).

(a) Artificial Intelligence and Machine Learning

Morgan Stanley recognizes the potential benefits of artificial intelligence ("AI") and has implemented AI and Machine Learning ("ML") to enhance its fraud mitigation program, monitor electronic communications to mitigate risk and comply with regulatory obligations. We recognize that there are also potential risks and we have implemented an AI/ML governance framework to mitigate those risks. We are also enhancing our framework to ensure that our use of AI/ML considers ethical considerations, including reducing bias and discrimination.

Cloud computing, artificial intelligence/machine learning and other emerging technologies bring significant potential benefits for the financial services industry and its customers. We are always evaluating new technologies to determine how to continue to deliver value to our customers with new and improved products and services in a safe and secure manner.

Accordingly, we are studying new encryption technologies with a goal of making the security of our business "quantum-proof" by the time quantum becomes broadly available while enabling our clients and the investing public to take advantage of the huge benefits that expanded computing capacity has to offer.

(b) Distributed Ledger Technology and Digital Assets (Including Cryptocurrency)

Blockchain technology, which can be utilized separately from the exchange of digital assets, presents potential opportunities to increase the speed of financial transactions across our business and we continue to evaluate how to leverage those technologies to enhance our services and overall efficiency, while ensuring we have the appropriate amount of security. However, we are still in the early stages of exploring the use of such technologies within both our infrastructure and businesses.

This is an evolving area, both from a business and regulatory perspective. Our clients are seeking increased exposure to the sector and we are being thoughtful on how to provide those services. We have been conservative in the marketplace. We have sought to develop products and platforms that provide our clients with appropriate access to these markets, while minimizing the risk that volatility in the crypto markets presents. However, we do not currently offer general, broad-based access to Bitcoin or other digital asset trading. We are continuously investing in our risk management capabilities in this area as we assess future opportunities.

13. Your bank's approach to climate risk, reputational risk, and other risks, including with respect to any products or services provided to gun manufacturers, and private prisons, and the fossil fuel industry, as well as individuals and groups that support any form of human trafficking, terrorism, and the attempted insurrection on January 6, 2021.

(a) Bank's approach to reputational risk, and other risks, including with respect to any products or services provided to gun manufacturers and private prisons.

Whenever we consider a potential client or transaction, we closely examine all the risks involved, including risks to the environment, communities and human rights. We give serious consideration to how we do business in specific sectors that raise significant social issues. Sectors or activities with potential for heightened environmental and social risk undergo enhanced diligence and may be referred to our Franchise Committees or senior management for review.

(b) Bank's approach to climate risk, including with respect to any products or services provided to the fossil fuel industry.

Recognizing the important role government plays in shaping policy to address these challenges, Morgan Stanley has been very public about the urgent need to address the climate challenge, including expressing support for the United States to stay in the Paris Climate Agreement.

Morgan Stanley, along with many of our peers and clients, signed a December 2020 letter convened by the Center for Climate and Energy Solutions calling on then President-elect Biden and the new Congress to "work together to enact ambitious, durable, bipartisan climate solutions."

Morgan Stanley is a member of the Steering Committee of the Partnership for Carbon Accounting Financials ("PCAF"), which is developing a methodology to track portfolio emissions for financing and lending activities across all sectors and counterparties. PCAF's methodology will help Morgan Stanley as we identify, assess and manage climate-related risks across our business. It will also help us identify client-oriented solutions to these issues as well.

Effectively addressing climate change will take coordinated efforts between the private sector, civil society and government, and we are committed to being part of the solution. We have been publicly on record as supporting a price on carbon as one way to leverage the power of markets to address climate change. We work with clients and customers around the globe to facilitate the transition to a low-carbon economy. We are a long-standing leader in leveraging capital markets to help scale sustainability solutions. In 2009, during the financial crisis, we created the Global Sustainable Finance ("GSF") Group to drive the Firm's sustainability strategy across our Firm and within our businesses.

We focus on climate and Environmental, Social and Governance ("ESG") matters because our clients demand it, because of the potential of these issues to create risks to businesses, and the related opportunity to drive sustainable solutions for our clients. Addressing the climate challenge and supporting our clients are simply good business practices.

In September of last year, Morgan Stanley was the first large U.S. financial institution to commit to net-zero financed emissions by 2050. Alongside Citigroup and Bank of America, we were the first American banks to join the Net Zero Banking Alliance announced last month. We recently announced an updated commitment to mobilize $1 trillion in capital, $750 billion of which will support low-carbon solutions by 2030. We have set a goal to achieve carbon neutrality for our global operations by 2022. As part of this goal, we will source 100% of our global energy needs from renewable energy.

Morgan Stanley is also a leader in sustainable finance, which focuses on making investments that aim to achieve market-rate financial returns while considering positive social and/or environmental impacts. In 2013, we launched the Institute for Sustainable Investing to help find innovative ways to drive capital toward sustainable development solutions. The Institute's Advisory Board, comprised of prominent leaders from business, academia and leading non-governmental organizations, guides our work and strategic priorities.

In 2017, we were the first U.S. financial institution to appoint a Chief Sustainability Officer. We have been working for years with our Wealth Management clients to align their portfolios with their values, including concerns about the impact of climate change.

Our Investing with Impact platform allows our Wealth Management clients to invest according to their sustainability values. For example, they can invest in funds that are specifically focused on financing innovations to address the challenges of climate change. To date, clients have invested more than $55 billion through this platform. We led the first ever corporate green bond offering and led approximately $65 billion green, social and sustainability bonds in 2020, and nearly $150 billion since 2013.

We see an opportunity to address climate change in working with our clients, employees, investors and other stakeholders. Climate change considerations are integrated into the Firm's risk management and governance processes. We have in place an enhanced due diligence process for high-carbon sectors and, when considering oil and gas transactions, we conduct enhanced due diligence and are prudent in the transactions we undertake. We also continue to engage clients to understand, and help them with, their diversification strategies in high-carbon sectors.

(c) Bank's approach to individuals and groups that support any form of human trafficking, terrorism, and the attempted insurrection on January 6, 2021.

Morgan Stanley is committed to being a responsible corporate citizen, respecting human rights and supporting the protection and advancement of human rights. We have an enhanced due diligence approach for human rights, including with regard to Indigenous People and modern slavery concerns. Senior management and our Franchise Committee assess specific situations that raise significant human rights issues.

Moreover, while as a policy, Morgan Stanley, as a company, does not make corporate political contributions or any independent political expenditures, Morgan Stanley maintains a political action committee comprised of voluntary contributions solely from our employees. Following the events of the 2020 election, Morgan Stanley PAC chose to temporarily suspend contributions to the group of 146 Members of Congress and U.S. Senators for the current Congress.

14. How your institution has generally changed its banking policies, procedures, services, risk management, investment and lending practices since you last testified before the Committee, and specifically how the requested items above have changed since your institution's last testimony before the Committee unless otherwise indicated.

Changes since my 2019 testimony are addressed throughout the responses to Questions 1-13.

Testimony of Brian Moynihan

Chief Executive Officer
Bank of America

May 27, 2021

Chairwoman Waters, Ranking Member McHenry, and members of the Committee:

On behalf of all of us at Bank of America, I am grateful for your consideration of this written statement, and I look forward to discussing these matters with you during my appearance before the Committee.

Beginning in 2020, the U.S.—and countries around the world—have faced challenges without modern precedent caused by a global health and humanitarian crisis. In response, Bank of America has taken many steps that will be discussed in this statement to help our clients, the communities we serve—and ultimately the U.S. economy—through the pandemic-driven economic crisis and recovery. We made additional investments to address the needs of our teammates and their families, to support our communities and to help deliver progress on important issues facing society, with a particular focus on racial equality and economic opportunity.

When the crisis hit, we were well-positioned to be a source of strength and stability. That reflects our decade-plus focus on driving Responsible Growth.

I. 2010-2020: A decade of transformation

I assumed the role of CEO on January 1, 2010. Over the past decade, my teammates and I have transformed Bank of America into a strong, straightforward, stable, transparent and client-centric company.

Our approach to how we run the company is shared and commonly understood by our team at Bank of America. We call this Responsible Growth, and it has four straightforward tenets:

1. We must grow in the market;
2. We must grow with a customer focus;
3. We must grow within our risk framework; and
4. And we must grow in a sustainable manner.

I'll discuss each of these tenets in greater detail later in this statement.

Coming out of the financial crisis, we adopted a straightforward strategy, serving three groups of customers—people, companies of all sizes and institutional investors—through eight lines of business. All of those lines of business operate within the United States. Outside the United States, we operate those lines of business serving companies and institutional investors.

We also took significant steps to reduce the scope and complexity of our company, as envisioned in the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"). We divested more than $80 billion of non-core activities and businesses, including private equity holdings, an insurance company, an asset management company, equity positions in non-U.S. financial institutions, and businesses outside the United States that served consumers and retail investors. We consolidated our capital to support the U.S. consumer, small and mid-sized companies, corporate clients and institutional investors we serve.

We also improved our risk management framework, again consistent with the principles embodied by Dodd-Frank and in alignment with a business model that emphasizes deepening relationships with core clients.

Another central element of our company's transformation since the financial crisis is how we have strengthened our capital and liquidity. Since the end of 2009, we have increased our tangible common equity[1] from $112 billion to $180 billion. Over the same period, our average global liquidity sources have increased from $214 billion to over $1 trillion. Our capital and liquidity levels give us the financial strength and flexibility to support our clients, regardless of the economic environment.

In addition, we have managed our loan portfolio to a more balanced credit profile, making it consistent with our risk framework.

As a result of these improvements, the Federal Reserve has modeled Bank of America's loan loss rate in its annual Comprehensive Capital Analysis and Review (CCAR) stress tests to be the lowest among peers in seven of the last eight years. Bank of America also had the lowest loan loss rate (6.1%) in the additional December 2020 CCAR stress test, which was prompted by macroeconomic uncertainties caused by the global pandemic.

Subject to federal bank regulations, we have remained committed to returning excess capital to shareholders, absent what is needed to support economic growth, deliver for customers and communities, reward our teammates through shared success, invest in our future and sustain strength and stability. From the beginning of 2011 through the end of the first quarter of 2021, we returned almost $115 billion through share repurchases and dividends, and ended that period with $35 billion in excess capital above our required minimum as well as record liquidity. And while we have continued to repurchase shares over the past decade, the number of shares currently outstanding is still nearly double the amount outstanding before the 2008 financial crisis, due to capital raised in the wake of the financial crisis. *Table 1 in the Appendix shows end of year capital and leverage ratios as well as capital distributions over the past 10 years.*

Thanks to the efforts of our team to transform the company over the past decade, and their ongoing focus on Responsible Growth, our company has been well-positioned to be a source of strength for all of our stakeholders during the health, economic and social crises of the past year.

II. Delivering for clients, teammates and communities

Supporting our clients when and where they needed us

For over a decade, we have invested heavily in our capabilities to be able to serve all of our clients where, when and how they choose. That includes investment in technology; from 2009 to 2011 we doubled our new technology initiative spending budget to roughly $3 billion and it has remained at that level or higher every year since then. This strong and consistent level of investment enabled us to rapidly respond to evolving client needs in 2020—and to be there for them when they needed us most.

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[1] Represents a non-GAAP financial measure. Tangible common equity is calculated as common shareholders' equity of $249.7 billion and $207.2 billion for the first quarter of 2021 and the fourth quarter of 2009, which has been reduced by goodwill of $69.0 billion and $86.3 billion for the first quarter of 2021 and the fourth quarter of 2009 and intangible assets (excluding mortgage servicing rights) of $2.1 billion and 12.0 billion, net of related deferred tax liabilities of $0.9 billion and $3.5 billion for the first quarter of 2021 and the fourth quarter of 2009.

Client support programs

Our support for clients included far-ranging measures to assist those impacted by the health and ensuing economic crisis, through our own relief programs and through government relief programs.

Client Assistance Program
Through our Client Assistance Program, we helped nearly 2 million consumers and small businesses defer payments on credit cards, vehicle loans and home loans as they managed their finances through the pandemic. Even with a deferral, the vast majority of those clients remained current on their payments. A small percentage have needed extended assistance, and we continue to work with them individually to help them get back on track. For example, for clients with mortgages originated by us, we are adding deferred payments to the end of the loan term so they aren't making a lump-sum payment up front.

At peak, we deferred roughly $55 billion in client loans through our Client Assistance Program. Today, due in part to government stimulus efforts, clients are better positioned to manage through the pandemic and deferrals are less than $7 billion.

Paycheck Protection Program
Beginning in late March 2020, thousands of Bank of America teammates worked to design, develop and deliver a digital platform to support clients through the Paycheck Protection Program (PPP). We began accepting PPP applications the day after the program details were announced in early April—the first major bank to do so. And in 2020, we provided PPP loans to more small businesses than any other financial institution.

To support that work, we dedicated more than 3,000 employees by the first week of the program to assist small business customers with PPP applications. We did not prioritize among client applicants when processing or submitting completed applications to the Small Business Administration (SBA) based on the amount of the customer's loan request or any broader client relationship.

To date, we have provided PPP loans to nearly 500,000 small businesses—reflecting more than $35 billion in funding. Of all PPP loans provided to Bank of America clients, 83% have gone to businesses with 10 or fewer employees; nearly 40% have gone to businesses in majority-minority communities; and 24% have gone to low- to moderate-income (LMI) communities. We sent millions of emails to help clients understand the program, and encourage them to apply if eligible, including targeted outreach to drive awareness in LMI and majority-minority communities.

We also took immediate measures to implement SBA guidance related to some of the smallest businesses—sole proprietors, independent contractors and single-member LLCs—allowing them to use gross income, instead of net profit, in the PPP application process and potentially benefit from a higher loan amount. We have provided PPP loans to more than 10,000 of these small businesses, with an average loan amount of under $20,000.

Bank of America's process for the PPP allowed any business client with an existing credit relationship, or a business client that had no credit relationship with Bank of America or another bank, to apply online for a PPP loan, because we could provide financial assistance more quickly to those with whom we already had a relationship. To assist businesses in under-served communities that weren't Bank of

America clients, we partnered with dozens of community development financial institutions (CDFIs) to assist them in providing PPP loans to more than 10,000 small businesses in the communities they serve.

In August 2020, we launched our digital portal to help clients apply for forgiveness on their PPP loan. We have since updated our portal to support the SBA's simplified application processes. To date we have helped more than 220,000 clients receive loan forgiveness and we continue to work closely with clients to help them in the PPP forgiveness process.

We expect to receive fees from our participation in the PPP consistent with the rules and formulas set forth in applicable laws, and will have a final assessment of total fees received once all loans have been processed. In 2020, we announced that any net proceeds related to PPP fees will be dedicated to support small businesses and the communities and nonprofits we serve.

Stimulus Payments
Since the start of the pandemic, we have supported clients and non-clients through three federal stimulus programs as well as two state programs and one local program. Through these efforts, we have processed over 43 million stimulus transactions totaling $73 billion.

We took steps to ensure all clients were able to access their funds immediately. Additionally, we provided overdraft credits to help those with a negative balance on their account access the full payment amount. If a client had a negative balance on their account when they received a stimulus payment, we provided a temporary credit to their account—for at least 30 days—equal to the amount of the negative balance. Through this expanded support, we have helped more than 1 million clients access the full amount of their stimulus payment.

To help non-clients access the full amount of their payment, we waived non-client check cashing fees for stimulus checks.

We continue to process stimulus payments pursuant to all applicable federal and state regulations on garnishments, including executive orders on garnishments issued in several states during the pandemic.

Unemployment Insurance
Bank of America has supported 12 state government unemployment agencies (Arizona, California, Iowa, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Nevada, New Jersey, North Carolina and South Carolina) with the distribution of unemployment benefits during the pandemic.

Those states have contracted with Bank of America to help distribute unemployment funds using pre-paid debit cards. Since March 1, 2020, we have experienced a more than six-fold increase in cards issued, compared with the rate of issuance prior to the pandemic, and loaded over $195 billion in unemployment payments to more than 24.7 million recipients, with California representing the largest share of active pre-paid cards and aggregate funds.

The delivery of unemployment benefit payments is a collaborative effort between state agencies and the bank they select to administer the delivery of payments, with each having different responsibilities. Unemployment claimants submit an application for unemployment benefits to the state agency, online, via email or by phone. The state agency determines both eligibility and benefit amount, then transmits a file with benefits recipient and payment information to the bank. The bank creates and mails a card, and loads funds into an account associated with that card. Once the benefits account is opened, the bank is responsible for routine card servicing issues relating to account access, lost or stolen cards, personal identification numbers, as well as account transaction claims and disputes. The state agency is also responsible for addressing ongoing questions regarding benefit recipient eligibility status.

The vast majority of state unemployment funds have been delivered to recipients as intended during the period of heightened activity brought about by the pandemic. However, Bank of America and the relevant state agencies have also seen unprecedented levels of criminal fraudulent activity in the form of eligibility and identity fraud. We have faced these challenges in all 12 states, although the scale of fraudulent activity related to California's program has been uniquely large.

A spike in criminal activity occurred in the third quarter of 2020, resulting in heavy volumes in our call centers and claims departments. In response, we took a number of actions with authorities in order to reduce fraud, including freezing suspicious cards, while also implementing measures to improve the experience for valid recipients. These steps, in connection with additional measures being taken by states, have led to a meaningful reduction in fraudulent activity and improved processes for legitimate recipients. We continue to monitor and adjust our response as needed to support these important state programs.

Supporting clients' day-to-day financial needs

Our services are essential to our clients and to the economy. Throughout the past year, our team has redoubled its efforts to support the everyday financial needs of our clients—in person and through digital channels—in all of the communities we serve.

Ongoing support through our financial centers
From the beginning of the health crisis, we've taken additional health and safety measures within our financial centers to protect our teammates, clients and communities. That includes implementing enhanced deep cleanings and temperature checks, and installing more than 44,000 wellness barriers. Like many businesses, we've had to continuously adjust our local operations in response to the spread of coronavirus, state regulations and local ordinances.

Through it all, our financial center teammates have been there for our clients—and our entire company is grateful for their efforts. I will talk more about how we have supported our teammates in financial centers later in this testimony.

Staying connected through digital platforms
For more than a decade, we've invested heavily to develop a secure, user-friendly digital platform that supports the full range of client needs. These industry-leading digital capabilities have allowed us to remain connected to our clients and deliver essential products and services without interruption during the health crisis.

In 2020, more than 9 billion out of 10 billion total client interactions with Bank of America came through digital channels. As clients navigated lockdowns and quarantines, we saw 84% of deposits come through our automated channels (mobile, online and ATMs), up from 78% the prior year. This includes a record 160 million checks—many of them government stimulus checks—deposited using our mobile banking app in 2020.

As the health crisis hit, we saw a spike in digital adoption among older clients, who needed a safe and reliable way to continue banking. As one client shared with us in the spring of 2020:

> "I'm a 75-year old senior in New York, currently sheltering in place at home. I received a few checks that I needed to deposit so I could pay my bills. I had heard about a way to deposit using my iPhone, so I decided the time had come to learn how to do it."

At a time when clients' schedules were pressured, our digital capabilities made it easier to connect with our teammates for support and guidance. In 2020, clients used digital tools to arrange a record 2.6 million in-person and virtual appointments. Our Bank by Appointment capabilities were responsible for more than 20% of account sales and service interactions in our financial centers, up from 13% in 2019.

The strength of our digital platforms enabled us to be responsive to rapidly changing needs of our clients during the crisis. For example, Erica, our AI-based financial assistant located in our mobile app, learned 60,000 new pandemic-related intents—for example, "Erica, tell me about coronavirus relief options"–in a matter of days to support our clients and connect them with the information and resources they needed. And our CashPro platform allowed our commercial clients—including those pivoting to remote work—to continue managing payments and cash flow uninterrupted.

Supporting underserved communities
We are committed to ensuring everyone has access to the products and services they need to achieve their financial goals, regardless of where they live and what they earn.

Throughout 2020, we continued to use our network of financial centers—including financial centers in LMI communities and our designated community financial centers, which I describe in greater detail later in this testimony—as well as our digital capabilities, to support financial needs within underserved communities. To complement these channels and to ensure these communities have access to capital, we continue to invest heavily in alternative channels of funding, including CDFIs.

Bank of America is the nation's largest lender to CDFIs, which provide affordable, responsible lending and support to low-income and other disadvantaged clients and communities. By funding CDFIs, including our support for PPP lending described above, we help make it possible for credit to flow to needs we might otherwise be unable to serve through direct lending.

Currently, we provide $1.8 billion to finance affordable housing, community facilities and small businesses through 256 CDFIs in all 50 U.S. states and the District of Columbia. More than $510 million of that total has been focused on small businesses.

In addition to funding CDFIs directly, Bank of America connects CDFIs with other sources of flexible capital. For example, Bank of America has facilitated CDFIs accessing more than $750 million in loan capital under the Federal Reserve's PPP Liquidity Facility.

Sustained outreach and engagement
Throughout the health crisis, our teams have continued to reach out to clients across all businesses in order to support their financial needs and help them navigate the current environment.

- We sent tens of millions of emails and placed outbound phone calls to Consumer & Small Business clients;

- We held thousands of calls, meeting and broadcasts to actively advise and connect with our Wealth Management clients; and
- We issued guidance and market insight from our BofA Global Research and Investment Insights teams through multiple channels, including virtual investor conferences.

While each outreach to clients varied in content, the overarching message was always the same: Bank of America is here to support you.

Taking care of our teammates and their families

Our teammates' health and safety is always our top priority. Since the beginning of the health crisis, we have taken many broad ranging steps to protect our more than 200,000 teammates and to support their families.

First, we transitioned about 85% of our employees, including any teammate who identified as high-risk, to work from home. Many high-risk employees have been redeployed to roles they can perform remotely.

We also expanded many of our benefits and resources, including additional support for mental health, free virtual medical consultations and no-cost coronavirus testing. And we delivered face coverings to all employees and contractors to help them stay safe, in line with guidance of medical experts, health officials, and the U.S. Centers for Disease Control and Prevention.

As the pandemic hit, we knew our teammates were going to be under pressure at home. For most of them, their home became their workplace. For our 40,000 teammates with children, home was often also a school or daycare. For many teammates with aging parents, home became an assisted living space as well. Our teammates needed help. We offered them $100 per day to hire that help and, to date, we've funded more than 4 million days of care. And we continue to expand our childcare benefit programs to support our teammates with children. Beginning in July, we will provide childcare reimbursement up to $275 per month, per child, for U.S. employees earning up to $100,000 in cash compensation.

We took additional actions to support the health of teammates working daily in our offices, and to recognize their efforts to serve our clients and help the economy move forward. In our financial centers, we implemented on-site coronavirus testing, temperature checks, daily health screenings, physical distancing markings and wellness barriers to keep teammates and clients safe. And we provided these teammates with special compensation programs, including supplemental pay and enhanced overtime pay, as well as transportation and meal subsidies.

We expanded our dedicated team of Life Event Services specialists—which was established in 2014 to assist teammates through disasters and other times of crisis—to provide personalized support to teammates impacted by the coronavirus. And we continue to offer 24/7 confidential counseling through our Employee Assistance Program for teammates and their immediate family members.

More than one year into this health crisis, we recognize that COVID-19 vaccines are key to returning to a more normal way of life—for our company and for the world. We continue to share extensive information and resources, including local tip sheets, to help our teammates learn more about vaccines and find out where they can get one. And we are providing all employees up to two half-days of paid time off to complete vaccination appointments in 2021.

Helping our communities move forward

Last year, as we confronted overlapping crises, we invested heavily to support the communities in which we work and live and, at the same time, help deliver progress on important issues impacting us all.

Promoting local health and safety
In response to the health and humanitarian crisis, our teams immediately set to work providing important resources to our local communities—including those hardest hit by the impacts of the coronavirus. We pledged $100 million toward medical supplies, food security and other vital support, and an additional $250 million to CDFIs to provide more companies and not-for-profits access to important capital.

Our support also included the donation of personal protective equipment (PPE) to communities across the country. To date, we have delivered roughly 29 million face coverings, more than 5 million gloves and more than 28,000 cases of sanitizer to communities in need.

In May of 2020, we also launched a $1 billion corporate social bond, the first issued by a U.S. commercial bank to focus exclusively on fighting the pandemic.

Racial equality and economic opportunity
Last year, we saw intensified passion to address the obstacles to true racial equality in the United States and around the world. In June of 2020, we accelerated our longstanding work to promote racial equality and economic opportunity for all under-represented groups with a $1 billion, four-year commitment. We recently expanded that to $1.25 billion over five-years.

We are delivering our commitment in our local communities through targeted investments in four key areas: jobs, small businesses, housing, and healthcare. Since June 2020, we have already deployed more than $350 million of the money into our communities, including:

- MDIs and CDFIs – We have completed equity capital investments in 17 minority depository institutions (MDIs) and CDFIs as part of a $50 million commitment made in 2020. As part of this commitment, we have acquired up to 4.9% of common equity in MDIs and CDFI banks facilitating benefits in the communities that these institutions serve through lending, housing, neighborhood revitalization, and other banking services. These equity investments are in addition to approximately $100 million in deposits from Bank of America in MDIs as well as our $1.8 billion CDFI portfolio, discussed earlier in this testimony.

- Private equity funds – We recently increased our target for equity investment in minority-focused funds to $350 million, and have already committed more than $250 million to 90 private equity funds across the U.S. These funds provide capital to Black, Hispanic-Latino, Asian, Native American, other under-represented minority and women entrepreneurs to help them establish and grow their businesses. These investments help advance racial equality and economic opportunity on several levels. The investments we make in the funds themselves provide capital to under-represented minority and women investors who own and manage the funds. These investors, in turn, are helping fund minority-owned businesses, and we anticipate the private equity funds investments we have already made will lead to more than 2,000 minority-owned operating companies getting the investments they need to hire employees, including, of course, under-represented minorities and women.

- Higher education institutions – Through our partnerships with 21 historically Black colleges and universities (HBCU) and Hispanic-serving institutions (HSI), we have worked to enhance up-skilling and re-skilling for Black and Hispanic-Latino students and create pathways to long-term career success.

- For example, in February, we partnered with the Black Economic Alliance Foundation, Morehouse College and Spelman College to launch the Center for Black Entrepreneurship (CBE), the first-ever academic center of its kind. Our $10 million anchor funding will support the development of an academic curriculum, faculty recruitment, co-curricular programming, modernization of existing facilities and the development of new physical space. The CBE will be located on the campuses of Spelman College and Morehouse College in southwest Atlanta.

In 2020, we also issued an industry-first $2 billion equality progress sustainability bond designed to advance racial equality, economic opportunity and environmental sustainability.

Affordable housing
During 2020, we continued to address the affordable housing shortage for individuals, families, students, veterans, the formerly homeless, those with special needs, and other at-risk groups.

We recently tripled our affordable homeownership commitment to $15 billion by 2025. By providing grants for down payments and closing costs through this program, we aim to help more than 60,000 individuals and families in low- and moderate-income communities purchase homes and, importantly, build wealth through the power of homeownership. And we have expanded our funding and long standing partnerships with non-profits like Neighborhood Assistance Corporation of America (NACA) for the same reasons.

Additionally, in 2020, we provided a record $5.87 billion in loans, tax credit equity investments and other real estate development solutions, and deployed $3.62 billion in debt commitments and $2.25 billion in investments to help build strong, sustainable communities by financing affordable housing and economic development across the country. Between 2005 and 2020, we financed more than 215,000 affordable housing units.

In April 2021, we committed $60 million—$30 million in loans and $30 million in equity financing—to support Enterprise Community Partners' Equitable Path Forward, a five-year initiative to help facilitate racial equality in housing. The investment will increase access to capital and career opportunities for diverse leaders developing multi-family, affordable and supportive housing across the country. Through this initiative, we will help provide much-needed Low Income Housing Tax Credit capital and debt financing to directly source, structure and close deals with diverse developers, especially emerging developers seeking both flexible capital and technical assistance.

III. Responsible Growth

Our company's purpose is to make financial lives better. Responsible Growth is how we deliver on that purpose. By driving Responsible Growth, we create value for our shareholders as well as our clients, our teammates, our communities and, at the same time, help deliver progress on important issues facing society.

Our decade-long focus on Responsible Growth prepared us well for the current health crisis. It positioned us to continue serving our clients through the worst economic shock in recent history, while at the same time increasing investments to support the needs of our teammates and our communities.

To reiterate what I described at the beginning of my statement, there are four tenets to Responsible Growth. First, like every business, we must grow to be successful. Second, we must grow with a customer focus. Third, we must grow within our risk framework. Fourth, we must grow in a sustainable manner.

1. Grow in the market

To be successful, we have to grow in the market—and that growth has to be consistent with our principles and risk framework, and beneficial for our stakeholders.

In 2020, we saw a surge in client activity due to the health crisis. As a result of our planning and investments over the past decade, and the tireless efforts of our global team, we were there to support our clients' evolving needs—including those consumers and small businesses hardest hit by the impacts of the coronavirus.

We supported our clients with our various customer assistance programs. We supported small businesses with PPP loans. We supported wealth management clients with advice, expertise and execution in volatile markets. We supported commercial clients with our strong balance sheet: providing more than $70 billion in loans in a few-week period, and raising $772 billion in capital for clients over the course of 2020. We supported institutional investors by providing market expertise and insights, trading capabilities and access to help them navigate through the uncertainty.

And we leveraged our digital capabilities to help all of our clients—from retail clients to CFOs to institutional investors—manage their finances wherever and whenever they needed.

All of this, and more, allowed us to continue to serve clients through the pandemic, even as volumes surged. We played our part, with our industry colleagues, in helping ensure economies around the world, and here in the U.S., recover more quickly. In the end, that is the role of the bank.

Our diverse set of businesses allowed us to respond to and support the financial needs of all clients, and our results for 2020 reflected the trust clients placed in us to do so.

In 2020, average deposits at our bank increased 18% year-over-year to approximately $1.6 trillion.

In Consumer Banking, we added $115 billion in average deposits during the year.

During 2020, we added roughly 22,000 Merrill and 1,800 Private Bank relationships, and ended the year with client balances at all-time highs of $3.3 trillion.

Apart from the role we played as one of the largest PPP lenders, we remained the largest small business lender in the country overall, ending 2020 with more than $32 billion in small business loan balances.

We supported our commercial clients in their rush to borrow as they sought liquidity in February, March and April of 2020—reaching a high of $585 billion in commercial loans during the year. As conditions stabilized, we helped provide market access for these clients to raise needed and permanent capital.

Through a dynamic market environment, we remained a source of strength and stability for our clients. And we grew as a result.

2. Grow with a customer focus

To drive Responsible Growth, we must grow with a customer focus. And by focusing on the needs of our customers and clients in 2020—through the extraordinary pandemic-related efforts described above and across the full range of our *high-touch* and *high-tech* capabilities—we made a meaningful difference in their lives. How do we know? In 2020, our client satisfaction scores were the highest in company history.

Our company has developed over many decades to one which now serves cities and towns across America. Our nationwide coverage, combined with our industry leading digital platforms, gives us the scale and breadth to address the individual financial needs of our roughly 66 million clients—with whom we interact tens of millions of times each day.

Our branch network

Our network of financial centers is an important *high-touch* way we connect with our clients, work with them to achieve their financial goals, and support the economic wellbeing of our communities.

Today, Bank of America's nationwide network consists of approximately 4,300 financial centers and 17,000 ATMs across 38 states and the District of Columbia. Over the past two decades, the size and footprint of our network has evolved to help us more effectively serve clients where they are. In 1999, we had had approximately 4,500 banking centers. Over the following years, the number of financial centers increased during a period of acquisitions to a high of 6,149 at the end of 2007.

Since 2008, we have opened approximately 650 financial centers to help provide local access to more clients and communities. During this period, we expanded our physical footprint into 5 new states (Colorado, Minnesota, Ohio, Utah and Kentucky). And we've continued to invest in renovations across our financial center network to help us more effectively support the financial needs of our clients. We completed more than 1,500 renovations in the past 3 years alone.

We continuously monitor client behavior, including digital engagement, and traffic patterns and make adjustments to our financial center footprint to most effectively serve them. This includes selectively consolidating financial centers, primarily in areas in which we have overlapping coverage.

In 2010, we reviewed our branch network and identified a number of locations that we felt could be better served by more local financial institutions. We sold more than 350 branches to nearly 30 other financial service institutions. That gave these local providers the opportunity to strengthen their local networks while preserving access to those branches for the people they serve.

Supporting LMI communities
As our network has evolved, we have made significant investments in LMI communities to ensure that they have better access to the full range of high-quality financial services and products that we offer. Since 2008, the portion of our financial centers in LMI communities has remained steady at approximately one-third. At the same time, the portion of centers in majority-minority communities has increased from 33% to 36%.

All our financial centers are staffed with professionals who can readily assist clients with any financial need. Each center provides free Wi-Fi for our clients' convenience, giving them the opportunity to connect to our leading digital and mobile resources and tools. At the same time, 72% of our financial centers are multi-lingual, reflecting the communities we serve.

Seven hundred of our financial centers are designated community financial centers focused on meeting clients' and communities' unique needs by connecting them to products and services, jobs and capital that will increase financial resilience and help our local communities thrive. Many community financial centers also include enhancements such as local art and cultural exhibits prominently featured in the lobby; kiosks with interactive, self-guided financial education content; and conference rooms where clients can attend Better Money Habits financial education seminars in English and Spanish. Many clients have appreciated the additional resources and support our community financial centers provide, and client satisfaction rates in these centers is at an all-time high.

Our efforts to lend, invest and provide services in LMI communities are subject to the Community Reinvestment Act (CRA) and are currently rated outstanding.

Digital banking

Complementing our *high-touch* offerings, our *high-tech* digital capabilities help us serve clients when and where they need us. Today, we have more than 40 million digital customers. In the first quarter of 2021 alone, these clients made 2.6 billion digital logins. In the first quarter, approximately 70% of Consumer & Small Business households actively used digital platforms and roughly half of all Consumer Banking sales came through digital channels. Of those clients, 61% are now fully paperless.

Digital is transforming how our clients send and receive money. Our 13.5 million Zelle active users, including Small Businesses, sent and received 170 million transfers worth $49 billion in the first quarter alone, that's up 66% and 83%, respectively, over 2019 levels.

On the commercial side, our CashPro platform continues to enable businesses and corporations to efficiently manage their finances from the office, home or somewhere in between. CashPro sign-ins were up 37% in the first quarter of 2021 compared to one year earlier.

Our wealth management advisors also used our digital capabilities to support the needs of our Merrill Lynch and Private Bank clients in a virtual setting. Digital engagement for both businesses hit records highs in the first quarter of 2021.

We deliver a wealth of services through our digital platforms for all customers and clients, across all lines of business. These benefits are equally accessible and applicable across all demographics. And we are constantly exploring ways to expand and interconnect these tools to deliver a more seamless, personalized experience for each client that spans and supports their entire relationship with us.

Emerging technologies

Artificial Intelligence
One of the ways we improve the overall client experience and better serve their financial needs across our platforms is by the thoughtful and responsible application of artificial intelligence (AI).

In evaluating the potential uses of AI, we first we look at the customer needs and how our potential AI-driven solution might benefit them and fit into our overall business process. We treat AI like every other technology: If it can improve the client experience, we will consider including it. If it does not, we won't.

While there are many new applications of AI available today, the building blocks of this technology—data science, predictive modeling, testing and training—have been around for over half a century. As with all technologies we use, we have rigorous policies and procedures in place for how we develop capabilities using AI.

Importantly, we take measures to ensure we have a diverse team in place to build, test and refine our AI capabilities. This helps remove the potential bias in algorithms. Ultimately, we understand that members of our team must be held accountable for the output of our AI. Human oversight is a critical factor in AI success.

We do not utilize the type of AI commonly associated with explainability challenges to decision outcomes for lending or hiring.

One of our most prominent applications of AI is Erica, our AI-based virtual financial assistant located in our mobile app. More than 20 million of our digital clients use Erica to do everything from checking their balances to paying their bills, and 99% of our clients who engage with Erica are able to find the information they need without calling a contact center. Additionally, Erica's personalized, proactive insights and guidance can help clients manage cash flow and optimize savings. For example, even if a client has not directly engaged the Erica financial assistant, Erica will reach out to help if a client's balance is at risk of going below $0 in the next week, or if a merchant charges them twice.

Erica continues to gain new capabilities and learn new ways to support our clients. This, in turn, has driven increased client engagement. In the first three months of 2021, clients interacted with Erica 100 million times, whereas it took 18 months for Erica to reach the first 100 million interactions.

Distributed Ledger Technology and blockchain
We continue to evaluate applications of new technologies that have the potential to deliver value to our customer and clients, including distributed ledger technology (DLT) and blockchain. While Bank of America holds more than 60 blockchain patents, we still have not found a use case at scale.

In 2019, we joined the Marco Polo trade finance network that leverages Corda DLT to provide transformative solutions to global trade participants. Through the network, we will be able to offer clients access to innovative risk mitigation solutions such as receivables discounting, payment commitment and payables finance programs, providing them greater transparency and making traditionally paper-based processes more efficient.

Cryptocurrency
We continue to evaluate the opportunities, risks and client demand for products and services related to cryptocurrency. Currently, we do not lend against cryptocurrencies and do not bank companies whose primary business is cryptocurrency or the facilitation of cryptocurrency trading and investment.

Data privacy

Bank of America does not sell personally identifiable customer data to third parties, nor do we allow third parties to conduct research for their own purposes using personally identifiable customer data that the bank has collected in the normal course of business. If any of our vendors receive customer data in the course of performing a function for us, Bank of America requires that the vendor meet our privacy and data protection standards and that the data be protected by the bank's strict information security controls. No further use of that data can be made without Bank of America's express approval.

Consumer-focused products and services

Early in the financial crisis, it became clear to us that customers in all income groups wanted clarity, consistency, transparency and simplicity in their financial products and services. As part of our transformation over the past decade, we've embedded these principles into our existing portfolio of products and services.

For example, we have cut the number of credit cards we offer from 25 to six today, and condensed 22 checking accounts into one operating account.

We also continue to add to our series of fair and affordable banking solutions to help clients budget, save, spend and borrow with confidence as well as attract the unbanked into the mainstream of available financial services.

In 2020, we added Balance Assist, a short-term, low-cost, and digital-only lending solution. An alternative to payday lenders, Balance Assist allows clients to borrow up to $500 (in $100 increments) for a $5 flat fee, regardless of the amount advanced to their account. Clients repay the loan in three equal monthly installments over a 90-day period.

In 2014, we introduced Advantage SafeBalance Banking, a full-featured bank account with no overdraft or non-sufficient fund fees. The low monthly fees for the account are waived for students under 24 and members of our Preferred Rewards program. Today, about 2.5 million clients use SafeBalance accounts to manage their everyday finances.

For clients who want to establish, strengthen or rebuild their credit, we offer Bank of America Secured Card. Clients can apply for an account with a security deposit of $300. With responsible credit behavior, clients can improve their credit score and, over time, may qualify for credit without the security deposit. More than 830,000 households currently use a Bank of America Secured credit card.

Our digital platforms help us deliver these products and services to our clients, and extend our reach further into our communities. Today, 64% of underserved clients use our mobile app to actively manage their accounts as well as to access information and resources to help them achieve their financial goals.

In September 2020, we launched LifePlan, which gives clients the power to select what's most important to them, selecting from items like "improve credit," "pay off student loans," and "budget and start saving." Clients then receive personalized insights to help them achieve their goals, through both *high-tech* and *high-touch* interactions. By the end of the first quarter of 2021, our clients had created more than 3 million plans, one of the fastest product rollouts in our history.

In 2013, we launched Better Money Habits, a free financial education program that helps people build financial know-how, with tools and resources in English and Spanish. For Bank of America customers, the platform is embedded in our online and mobile offerings—including LifePlan—and is enhanced by our Spending and Budgeting Tool, which puts timely information at clients' fingertips to help them improve their financial outcomes. Last year, consumers accessed financial education information on the Better Money Habits website 7 million times, reflecting a 12% year-over-year increase in traffic to our English site and a 133% increase in traffic to our Spanish site.

The impact of Better Money Habits has been significant. Among clients who use both Better Money Habits and our Spending and Budgeting Tool, about one in four grew savings by 20 percent or more, while about one in three grew their checking balance by 20 percent or more.

Non-sufficient funds and overdraft fees

In 2020, we saw net consumer fees from non-sufficient funds and overdrafts decline 29% from 2019 levels. In 2020, these fees represented 3.3% of Consumer Banking revenue, down from 4.1% in 2019 and 7.7% in 2009. As a percentage of Bank of America's total revenue, consumer non-sufficient funds and overdraft fees represented 1.3% in 2020, down from 1.7% in 2019 and 3.9% in 2009. As a percentage of average Consumer Checking balances, these fees represented .38% in 2020, down from .64% in 2019 and 4.36% in 2009.

Mandatory arbitration

Bank of America avoids relying on mandatory arbitration clauses in nearly all cases. Since 2009, Bank of America has not used mandatory arbitration in banking disputes with individual customers regarding consumer credit cards; auto, recreational vehicle and marine loans; and deposit accounts. Bank of America eliminated mandatory arbitration in its mortgage and home equity agreements several years before that, other than in a limited number of jurisdictions, where we have customized loan agreements with high net worth borrowers that contain mandatory arbitration provisions.

Bank of America, along with other securities industry firms, also uses arbitration clauses in our client agreements when establishing a brokerage or investment advisory account relationship. FINRA provides the forum and sets the rules for these arbitrations, subject to oversight and approval of the Securities and Exchange Commission.

Additionally, Bank of America does not include mandatory arbitration clauses in our offer letters to employees and thus, employees we hire are not required to arbitrate discrimination and harassment claims (though employees registered with FINRA are required to arbitrate non-discrimination employment claims as result of industry requirements and we have a mutual arbitration clause with a managed service provider for contract employees).

Supporting Small Businesses

Small businesses are the backbone of the U.S. economy and key to the economic wellbeing of our communities. Bank of America serves 13 million business owner clients nationwide who rely on us for their financial needs, both business and personal. More than 3 million of those business owners have their business banking relationship with us, and our team of more than 2,000 dedicated small business bankers work within our communities to help address their everyday needs.

According to the FDIC, Bank of America maintained its position as the nation's top small business lender at the end of 2020, with $50.3 billion in total outstanding small business loans (defined as business loans in original amounts of $1 million and under).

The success of the small businesses we serve helps support the wellbeing of their communities through economic growth, development and job creation. Currently, 60% of our small business lending is to LMI clients or communities. Approximately 40% of our small business clients are women and 13% of our small business clients are Hispanic, in-line with the nationwide averages for small business ownership. We serve over 1 million Hispanic business owners, making us a market share leader according to Deloitte.

Capital markets activity

Our capital markets businesses include Global Banking and Global Markets.

Global Banking, which includes Global Corporate Banking, Global Commercial Banking, Business Banking and Global Investment Banking, serves middle-market and large corporate clients. We help clients raise capital and hedge risks. When markets are volatile and clients are trying to manage their business, they turn to us for help. When markets are stable and there is less client activity or volatility, our revenues may be lower.

In 2020, we were the number three investment banking firm in the world with total investment banking fees of $7.2 billion, up 27% from the prior year primarily driven by higher equity issuance and underwriting fees as we provided clients access to markets.

Our Global Markets business offers sales and trading services and research services to institutional clients across fixed-income, credit, currency, commodity and equity businesses. Global Markets' product coverage includes securities and derivative products in both the primary and secondary markets.

Since the financial crisis, we have positioned this business to deliver steady and sustainable returns across the range of market conditions, while taking less risk. Over the years, our performance bears that out. Over the past five years and with all of the volatility in markets and trading activities during that period, Global Markets has delivered annual sales and trading revenue within a range of $12.9 billion and $15.2 billion. The average over that period was $13.6 billion. This relative stability reflects our leadership positions across multiple products and our ability to maintain the appropriate business mix during market shifts.

Our Global Markets business generated a 22% return on capital in the first quarter of 2021. This helped offset other segments that were more negatively impacted by the health crisis, reflecting the value of our diverse and complementary lines of business.

Our goal for our Global Markets business is to be large enough to serve customers and clients in every major market around the world but not so large, risky or volatile as to ever—even in the worst of times—hamper our ability to serve all our customers across every line of business.

Through our focus on Responsible Growth, we manage our Global Markets business through a well-established risk framework and oversight. This naturally limits activities that are highly leveraged and concentrated. As one example of the impact of these strategies, Bank of America did not have any exposure to recent events involving Archegos Capital Management.

3. Grow within our risk framework

Growing within our established risk framework is integral to how we drive Responsible Growth. Our principled approach to risk management allowed us to continue supporting our customers and clients against the backdrop of one of the worst economic declines in U.S. history, driven by the global pandemic.

Our risk management begins with the board of directors. The directors set the risk appetite for the company. That cascades through the company and defines the risk we take in credit risk, operational risk, trading, or otherwise. The Enterprise Risk Committee of the board reviews dashboards quarterly to review compliance with the risk appetite.

The risk function is an independent control function that is outside the lines of business hierarchies. The 7,000-plus teammates in the Risk & Compliance group report to the Chief Risk Officer, who has a reporting relationship to the Chief Executive Officer and to the Enterprise Risk Committee of the board. Other control functions, also outside the lines of business and reporting to the CEO, include the 1,100 person audit team that reports to the Chief Auditor (who reports to the Audit Committee of the board), the Chief Financial Officer, the head of Global Human Resources, the Global General Counsel, and the Chief Technology and Operations Officer.

We drive a culture of compliance and risk management deep into our company. To ensure that all employees across all levels are managing risk effectively, we conduct educational sessions and mandatory training on key risk types facing our company, including strategic risk, credit risk, market risk, liquidity risk, operational risk, compliance risk and reputational risk. We also sustain an open environment in which employees are encouraged to identify, escalate and debate potential issues.

As a global systemically important bank, Bank of America's business operations, resiliency and financial strength have the potential to both bolster and affect the stability of the financial system and the economy as whole, as the current health crisis demonstrated. Managing systemic risk is a priority for Bank of America, as it is for our regulators. It important to both external stakeholders and the company's core business strategy. To avoid passing these risks onto the government and taxpayers, Bank of America maintains billions of dollars in additional capital; plans extensively for the possibility of economic, financial or market stress; and expends substantial resources to meet heightened supervisory expectations for risk governance. As our balance sheet and external testing reflects, we are much stronger than we were ten years ago, having transformed the company in the wake of the financial crisis: We reduced scope and complexity, improved risk management, and are fully committed to growing responsibly.

Cybersecurity
Cyber threats are evolving and pervasive, and we continue to invest heavily in our cybersecurity capabilities to protect our clients and our company. That begins with the strength of our team, and over the past decade, we have doubled the size of our Global Information Security (GIS) team to nearly 3,000 teammates.

Our cybersecurity framework is designed to prepare, prevent, detect, mitigate, respond to and recover from cyber threats. We maintain strong, ongoing relationships with government partners, including the Department of Homeland Security, the Department of the Treasury, law enforcement, and the intelligence community. Coordination within our industry and across other industries is also critical to mitigating and managing today's cyber challenges. We continue to invest in partnerships to build a trusted community for cyber threat information sharing, and are leading efforts across the financial services industry to define resilience and recovery in today's marketplace.

We helped drive the creation of the first financial sector organization focused specifically on systemic risk and analysis, the Analysis and Resilience Center for Systemic Risk (ARC, formerly the Financial Systemic Analysis & Resilience Center). We hold or have held leadership/board positions in financial sector organizations working to improve the security and resilience of the sector. These include the ARC, FS-ISAC, FSSCC, and Sheltered Harbor.

We also participate in industry-wide exercises, along with government partners, to test the resilience of our crisis management plans and response to threats and incidents. We are leveraging our leadership role to help ensure that the financial sector is truly resilient. We are also working with partners in the electricity and communications sectors on these topics, given our mutual dependencies with them.

Compliance commitment
Since 2019, Bank of America has continued to take steps to improve compliance and prevent violations of laws and regulations. We have made important progress, and our work continues. Based on readily accessible public information, we entered into three settlements with government regulators valued at greater than $1 million since the last hearing: (1) in June 2019 Merrill Lynch Commodities Inc. agreed to pay $36.5 million to the U.S. Department of Justice and the Commodity Futures Trading Commission to resolve allegations that former precious metals traders misled the market for precious metals futures contracts; (2) in September 2019, Bank of America agreed to pay $4.2 million in back wages and interest to resolve allegations of hiring discrimination violations between 2008 and 2013 at six branches, as identified by the U.S. Department of Labor's Office of Federal Contract Compliance Programs; and (3) in December 2020, Merrill Lynch paid $2 million to the New Hampshire Bureau of Securities Regulation, and $24.3 million to an affected investor to resolve claims of unauthorized and excessive trading by a former financial advisor. To the extent a settlement included restitution to investors or consumers, the relevant terms are set forth in the respective settlement agreement. Two Foreign Exchange Consent Orders, one issued by the Office of the Comptroller of the Currency (OCC) and one by the Federal Reserve Board (FRB), were terminated in April and December of 2019, respectively.

4. Grow in a sustainable manner

To drive Responsible Growth, we must ensure that our growth is sustainable. There are three complementary and interdependent tenets to how we approach sustainable growth: driving operational excellence, being a great place for teammates to work and sharing our success with our communities.

Driving operational excellence

Operational excellence is key to ensuring our growth is sustainable and instrumental to our success. It describes the ways in which we drive continuous improvement, reduce operational risk and seek to find faster, simpler and more efficient ways of working and serving our clients. We then reinvest savings back into our team, our capabilities, our client experience, our communities and our shareholders.

In 2015, we had $57 billion in expenses. In 2020, we had $55 billion, including roughly $1.5 billion in net coronavirus-related costs. Compared with 2015, we have more customers and clients and more transactions—so more work. Yet compared with 2015, costs are down and client satisfaction is up. And over the same period, we invested about $18 billion in technology initiatives, provided companywide supplemental bonuses, increased our minimum hourly rate of pay for U.S. employees, opened 300 financial centers and refurbished 2,000 more. That's the power of operational excellence.

This work is fueled by the ingenuity and creativity of our teammates, who continuously look for ways we can do things better. In total, we've approved nearly 8,600 of their ideas, which commit to delivering billions in expense savings. In 2020 alone, our team generated more than 1,700 ideas that helped us define commitments to save nearly $1 billion.

Being a great place to work

Attracting and retaining the best talent is key to driving Responsible Growth and one of our top priorities. It helps us manage our operations, provide the best service for our clients and support our communities.

We strive to make Bank of America a great place to work for all teammates. And we fulfill this commitment by being a diverse and inclusive workplace, attracting and developing talent, recognizing and rewarding performance and supporting teammates' physical, emotional and financial wellness. *For additional information on these topics, including detailed metrics on workforce diversity, please see our 2020 Human Capital Management Report, which is included with this testimony.*

In 2020, one of the most important ways we made our company a great place to work was by supporting the health and safety of our teammates during the health crisis, described earlier in this testimony.

Diversity and inclusion
Another way we make our company a great place to work is by fostering a diverse and inclusive workplace. We want our workforce to reflect the communities we serve across all dimensions. As highlighted in our 2020 Human Capital Management Report, we have continued to make progress in our goal to ensure diverse representation at all levels of our company. That begins with our board, which is 50% diverse and one of only a handful of S&P 100 boards with six or more women. Looking across our company, 50% percent of our management team is diverse, more than half of our global workforce is

women, and 45% of our U.S.-based teammates are people of color. And over the past decade, the number of people of color we hire in the U.S. from universities has increased by 50%.

In 2018, we made a five-year commitment to hire and train 10,000 employees from LMI communities through our Pathways program, a program designed to provide the opportunity for long-term careers. To date, we've already hired more than 11,000 teammates through the program—well ahead of our commitment to do so by 2023.

We also surpassed our five-year pledge in 2014 to hire 10,000 veterans, National Guard and reservists, and continue to maintain that hiring momentum today by attracting, developing and retaining military talent.

At the same time, we are focused on creating a culture of inclusion in which every employee can be their best. We currently have 11 Employee Networks with over 340 local chapters across the globe. More than 90,000 of our teammates participate in at least one network, and our participation rate grew from 38.2% in 2019 to 42.7% in 2020. Additionally, our Courageous Conversations series helps us break down barriers, while driving greater accountability and action. Last year, we reached more than 165,000 employees through conversations with civil rights, social justice and inclusion leaders focused on racial, social and economic injustices.

A diverse and inclusive supply chain
In addition to our focus on workplace diversity, we recognize the value of having and promoting diversity in our supply chain, and actively seek to do business with certified diverse businesses either directly or indirectly through our Supplier Diversity Program. Examples of diverse vendors include companies owned by minorities, individuals with disabilities, veterans, women and lesbian, gay, bi-sexual or transgender individuals. We also encourage supplier diversity by mentoring and developing certified diverse-owned businesses so that they can become qualified to provide products and services that meet our requirements.

As part of our vendor Code of Conduct, we expect vendors to actively promote a diverse and inclusive environment through specific programs and initiatives to recruit, develop and retain diverse talent of all types. We also expect vendors to measure and report on the success of their workplace diversity programs and initiatives. Additionally, we expect our vendors to have policies and procedures to drive, and report on, inclusion of certified diverse owned businesses in their own supply chains.

We have taken additional steps to promote diversity and inclusion in the policies and practices of those with whom we do business, and throughout the broader economy. For example, our Chief Investment Office (CIO) has introduced initiatives to promote the representation of women and people of color among asset managers on our wealth management platform and across the industry. The CIO is now incorporating diversity analysis into the review and selection of all existing and new asset managers who are available to Merrill and Bank of America Private Bank clients.

In 2020, the CIO Due Diligence team enhanced its investment process to evaluate all asset managers' policies and practices on diversity and inclusion at both their organizational and investment team levels. Going forward, this analysis will be used in the CIO team's overall investment assessments and factor into their level of conviction in investment strategies. In addition, this team will collaborate with asset managers and industry groups who are focused on developing investment solutions that serve to (1) aggregate and direct capital to diverse managers, and (2) provide capital to diverse-owned businesses and populations as part of their underlying investment mandates.

Competitive wages and benefits
We want teammates who are invested in our company and our clients, and want to enjoy long careers with Bank of America.

To do so, we provide competitive starting wage and benefits, and then continue to invest in our teams over time. This includes a progressive compensation model. Each year, teammates with lower salaries, on average, receive higher compensation increases as a percentage of salary when compared to employees with higher salaries, with the highest increases going to those teammates earning less than $50,000. *You can see our average compensation growth rates broken down by salary in Chart 1 in the Appendix. This illustrates, for example, how a teammate who joined our company in 2010 at a salary below $50,000 has, on average, seen a 7% increase in his/her comp each year since.*

In 2020, we moved our minimum hourly rate of pay for U.S. teammates to $20—roughly $42,000 per year—one year earlier than planned. And we recently committed to raising our U.S. minimum hourly wage to $25 by 2025. Additionally, for teammates earning lower salaries, we provide higher company subsidies for medical premiums. For the tenth consecutive year, in 2022 there will be no increase in medical premiums for teammates earning less than $50,000.

The employees of our vendors are also integral to our ability to serve and deliver for our customers. We have been working with vendors to ensure all of their employees within the U.S. who are working exclusively on our account receive competitive wages. All of our U.S. vendors are now required to pay their employees dedicated to the bank at or above $15 per hour. Today, over 99% of our more than 2,000 U.S. vendor firms and 43,000 vendor employees are at or above the $15 per hour rate, as a result of the implementation of this policy.

We offer ongoing training and resources to support our teammates' continuous development. That includes providing up to $7,500 (up to $5,250 tax-free) tuition reimbursement per year for eligible undergraduate or graduate courses and discounts at a number of universities—plus free, unlimited individual academic advisory services. These resources help our teammates grow and thrive within our organization and, in 2020 alone, we helped more than 18,000 employees find new roles within the company.

The many steps we took in 2020 to support our teammates helped them individually, and contributed to an even stronger company culture. In the most recent companywide survey, our employee engagement scores were at an all-time high. At the same time, by increasing our support for our teammates, we enabled them to better serve our clients and deliver for our communities.

Compensation policies
At Bank of America, we are committed to ensuring that all employees are compensated equitably and competitively based on market rates for their roles and their job performance. We regularly benchmark compensation against other companies, both within and outside our industry, to ensure that our pay is competitive with comparable roles in the market.

This commitment to fair compensation has benefited all our employees, regardless of their position in the company. That includes our move to a minimum hourly rate of pay for U.S. teammates of $20, as described above, and our planned move to $25 per hour by 2025.

For our senior-level employees, we have developed a strong pay-for-performance governance framework that rewards long-term, sustainable results that are aligned with stockholder interests. And, for 2020, we recognized approximately 97% of our teammates globally with special compensation awards—the fourth year in a row we've done so.

Consistent with the principles embedded in Dodd-Frank, including a requirement for an annual shareholder "Say on Pay" vote, the company's CEO is compensated through base salary, cash-settled restricted stock units, performance-restricted stock units and time-based restricted stock units. From 2013 to 2020, CEO base salary was $1.5 million, while from 2010 to 2012 base salary was $950,000. The vast majority of CEO compensation (93.9 percent in 2020) was variable and directly linked to company performance. As has been the case since 2010, all variable compensation was awarded in equity-based awards. Each year, the CEO pay structure is put before shareholders for an advisory Say on Pay vote. In our most recent annual shareholder meeting (2021), 94.4 percent of the 6.4 billion votes cast voted in favor of the structure. Since 2011, the shareholder vote in support of the company's compensation plan has averaged 94.2 percent.

The CEO's direct reports receive a portion of their total compensation as base salary and the remainder as variable pay—a majority of which is delivered as deferred equity-based awards. Finally, the Board of Directors' Compensation and Human Capital Committee oversees all compensation plans and practices with periodic input from the Chief Risk Officer. Additionally, compensation plans are reviewed and certified annually by our risk management team and Management Compensation Committee of which the Chief Risk Officer is a member, and all variable pay awards are subject to clawback policies.

In 2009, we made equity-based awards to executive officers and other key risk-takers subject to a performance-based clawback to encourage sustainable profitability over the vesting period. If losses occur during the vesting period, awards may be canceled in whole or in part. Also beginning in 2009, equity awards have been subject to a detrimental conduct clawback to encourage compliance with policies and appropriate behaviors. If an executive officer engages in detrimental conduct, unvested awards can be cancelled and previously vested awards can be recouped. An additional recoupment policy, instituted in 2007, permits the Board to require reimbursement of any incentive compensation paid to an executive officer whose fraud or intentional misconduct caused the company to restate its financial statements.

Our Corporate Governance Guidelines require the CEO to hold at least 500,000 shares of common stock, and for executive officers other than the CEO to hold at least 300,000 shares of our common stock. The Guidelines also require that (i) our CEO retain at least 50 percent of the net after-tax shares from future equity awards until one year after retirement and (ii) our other executive officers retain at least 50 percent of the net after-tax shares until retirement. This ensures that executive officers have a significant and long-term financial stake in the company.

Furthermore, since 2011, certain executive officers have received a portion of their incentive compensation in the form of performance restricted stock units (PRSUs). Our performance-based awards continue to use a re-earn approach, meaning 100% of the award is the maximum that can be earned, and vest only if performance standards are met over a three-year period. Future performance below these standards will decrease the amount paid, and no PRSUs will be re-earned if results are below the minimum standards. As has been consistent practice, the Committee does not exercise discretion to change payouts.

In 2016, our Incentive Compensation Forfeiture & Recoupment Disclosure Policy became effective. Pursuant to this Policy, we will disclose publicly the incentive forfeitures or clawbacks recovered from certain senior executives in the aggregate pursuant to our Detrimental Conduct and Incentive Compensation Recoupment policies, subject to certain privacy, privilege, and regulatory limitations.

Bank of America is committed to equal pay for equal work through our pay-for-performance philosophy. We maintain robust policies and practices that reinforce equal pay for equal work, including reviews with oversight from our Board and senior leaders. We have a standard U.S. practice that restricts the solicitation of compensation information from candidates during our hiring process. This helps ensure that we consider new hires for their individual qualifications and roles, rather than how they may have been previously compensated. For over 15 years, we have conducted rigorous analysis with outside experts to examine individual employee pay before year-end compensation decisions are finalized, and we adjust compensation where appropriate. Results of our most recent review of employee compensation at Bank of America showed that compensation received by women is on average greater than 99% of that received by men, and compensation received by people of color is on average greater than 99% of non-people of color teammates, as validated by third-party analysis.

In 2020, the CEO to median employee pay ratio was 274:1.

Our compensation policies reflect the principles and requirements of Dodd-Frank. Transparent, equitable, competitive compensation is central to being a great place to work, which, in turn, is a fundamental element of Responsible Growth.

Sharing our success with our communities

One of the ways we ensure our growth is sustainable is by sharing our success with the communities in which we work and live and, at the same time, doing our part to deliver progress against society's biggest challenges. Last year, we significantly increased investments to do both.

Our support for our communities begins with $250 million in annual corporate philanthropy. In 2020, as discussed previously, we added another $100 million to increase access to food and medical supplies. Individual giving by my teammates, combined with matching gifts from Bank of America, amounted to more than $65 million in additional philanthropic support in 2020. To maximize the impact of each employee gift, we lowered the employee matching gift minimum to $1 and doubled our match for employee donations to 17 organizations whose work aligns to our commitment to racial equality and economic opportunity, through 2020.

Beyond corporate philanthropy, as important as that is, we commit all of our resources and capabilities to help create positive change. We commit our operations, our human resources practices, our client financing capabilities and the guidance we provide to investor clients. We bring our $2.8 trillion balance sheet, our $55 billion expense base and the trillions of dollars we raise each year for our clients to the task. And we leverage the considerable ingenuity, innovation and passion of our team.

Our work to promote racial equality and economic opportunity, discussed earlier in this testimony, demonstrates how we align all of our resources to help drive tangible progress on major societal issues—and we take a similar approach in addressing the issue of climate change.

The path to a low-carbon, sustainable economy
We are committed to achieving net zero greenhouse gas emissions in our financing activities, operations and supply chain before 2050. This is a focus that began many years ago at Bank of America. To accelerate the transition to a low-carbon, sustainable economy, we aim to deploy and mobilize $1 trillion by 2030 through our recently-expanded Environmental Business Initiative to help our clients make a just transition. This opportunity is made possible by commitments that clients themselves are making, and our ability to help finance their commitments. This is part of a broader $1.5 trillion sustainable finance goal aligned to addressing the United Nation's Sustainable Development Goals (SDGs).

To achieve our environmental targets and drive progress on this important issue, we take a "whole of bank" approach.

First, we drive environmental sustainability in our own operations. We are carbon neutral today and continuously look for opportunities to reduce emissions across our global footprint.

Second, we provide financing and our team's wealth of expertise to help small- and medium-sized companies refit their own operations to become more sustainable.

Third, we help our larger corporate clients raise capital to fund the restructuring of their operations, new facilities and clean energy. That includes helping fossil fuel companies—and others with business activities related to "brown energy"—make their own transition. We are a top underwriter in Environmental, Social and Governance (ESG) capital markets globally and a leading underwriter of green bonds. We have supported the sustainable business needs of more than 225 clients by raising in excess of $300 billion through more than 400 ESG-themed bond offerings—including green, social and sustainability bonds. We also raise equity for innovative new companies to fund their technologies and growth.

Fourth, our Global Research team helps show investors the path toward companies that prioritize sustainability and other ESG priorities in their operations, supporting the flow of capital to those companies driving progress. And through our investment platform of over $3 trillion in customer assets, we bring capital from individual investors, from whom demand for ESG funds or similar investments is growing.

All of these steps will help society's transition to a low-carbon economy, and we firmly believe the private sector is key to driving that transition. As more and our more of our customers and clients make their own environmental commitments, we are committed to helping them make this important change.

Driving profits and purpose
The principles of stakeholder capitalism—a concept created by the World Economic Forum (WEF) half a century ago, and discussed anew today by groups like the U.S. Business Roundtable—are embedded in Responsible Growth. We must deliver for our shareholders, our clients, our teammates, our communities and, at the same time, help deliver progress on important issues facing society. *More*

details about our company's commitment to the principles of stakeholder capitalism are available in my 2020 Letter to Shareholders, which is included with this testimony.

As a financial institution, our success has always been tied to the success of the communities and markets we serve. And we know from our own research that companies that focus on ESG issues tend to perform better over time than companies that do not. Our commitments to society's priorities are therefore complementary to the commitments we have to our shareholders.

We know what society's priorities are: The countries of the world identified them in 2015, when nearly 200 countries agreed to the SDGs. The SDGs reflect 17 categories of societal priorities that address equality of opportunity, affordable housing, prosperity, access to clean water, renewable energy, and other priorities, with specific goals to be met. Leaders in each country agreed these goals are the ones we need to address to build a sustainable future and create opportunity and prosperity for all.

Last year, the WEF's International Business Council, which I have the privilege to chair—working with the accounting firms Deloitte, EY, KPMG and PwC—developed a set of Stakeholder Capitalism Metrics (SCM) aligned to the SDGs. These metrics create a consistent way of measuring companies' long-term value, across industries. This, in turn, helps direct investment toward high performers and align capital to progress on the SDG and ultimately defines stakeholder capitalism. It also aligns capitalism's innovation, its entrepreneurship and its massive resources to the progress, which won't be made without the private sector.

To date, nearly 80 global corporations have agreed to implement reporting on the SCMs. Bank of America is one of those companies, and we published select SCMs in our 2020 Annual Report for the first time. We believe disclosing our progress against the SDGs creates public transparency and accountability in how we deliver for society.

We embrace our dual responsibility to drive both profits and purpose.

IV. Appendix

Table 1 – Year-end capital and leverage ratios and capital distributions

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Capital and leverage ratios at year end[1]										
Tier 1 common capital ratio	9.7%	10.8%	10.9%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Common equity tier 1 capital ratio	n/a	n/a	n/a	12.3%	10.2%	11.0%	11.8%	11.6%	11.2%	11.9%
Tier 1 leverage ratio	7.4%	7.2%	7.7%	8.2%	8.6%	8.9%	8.6%	8.4%	7.9%	7.4%
Tangible common equity[2]	6.6%	6.7%	7.2%	7.5%	7.8%	8.0%	7.9%	7.6%	7.3%	6.5%

[1]We reported regulatory capital ratios under both the Standardized and Advanced approaches from 2015 to 2020. The approach that yields the lower ratio is used to assess capital adequacy, which was the Advanced approaches at December 31, 2015, 2016, and 2017; and the Standardized approach at December 2018, 2019, and 2020. We reported under Basel 3 Standardized - Transition at December 31, 2014, and under the general risk-based approach at December 31, 2011, 2012, and 2013.

[2]The tangible common equity ratio is a non-GAAP financial measure and represents adjusted ending shareholders' equity divided by total tangible assets. For a reconciliation to GAAP see Table 2 of the Appendix.

Capital distribution (millions)											**Total (2011 - 2020)**
Dividends	$ 413	$ 437	$ 428	$ 1,262	$ 2,091	$ 2,573	$ 4,027	$ 5,424	$ 6,146	$ 6,289	$ 29,090
Repurchases	-	-	$ 3,220	$ 1,675	$ 2,374	$ 5,112	$ 12,814	$ 20,094	$ 28,144	$ 7,025	80,458
Total	**$ 413**	**$ 437**	**$ 3,648**	**$ 2,937**	**$ 4,465**	**$ 7,685**	**$ 16,841**	**$ 25,518**	**$ 34,290**	**$ 13,314**	**$ 109,548**

Table 2

Reconciliation of year-end shareholders' equity to year-end tangible shareholders' equity and year-end tangible common shareholders' equity		**2020**		**2019**		**2018**
Shareholders' equity	$	272,924	$	264,810	$	265,325
Goodwill		(68,951)		(68,951)		(68,951)
Intangible assets (excluding MSRs)		(2,151)		(1,661)		(1,774)
Related deferred tax liabilities		920		713		858
Tangible shareholders' equity		**202,742**		**194,911**		**195,458**
Preferred stock		(24,510)		(23,401)		(22,326)
Tangible common shareholders' equity	**$**	**178,232**	**$**	**171,510**	**$**	**173,132**

Reconciliation of year-end assets to year-end tangible assets						
Assets	$	2,819,627	$	2,434,079	$	2,354,507
Goodwill		(68,951)		(68,951)		(68,951)
Intangible assets (excluding MSRs)		(2,151)		(1,661)		(1,774)
Related deferred tax liabilities		920		713		858
Tangible assets	**$**	**2,749,445**	**$**	**2,364,180**	**$**	**2,284,640**

Table 2 (continued)

Reconciliation of year-end shareholders' equity to year-end tangible shareholders' equity and year-end tangible common shareholders' equity		**2017**		**2016**		**2015**
Shareholders' equity	$	267,146	$	266,195	$	255,615
Goodwill		(68,951)		(69,744)		(69,761)
Intangible assets (excluding MSRs)		(2,312)		(2,989)		(3,768)
Related deferred tax liabilities		943		1,545		1,716
Tangible shareholders' equity		**196,826**		**195,007**		**183,802**
Preferred stock		(22,323)		(25,220)		(22,272)
Tangible common shareholders' equity	**$**	**174,503**	**$**	**169,787**	**$**	**161,530**

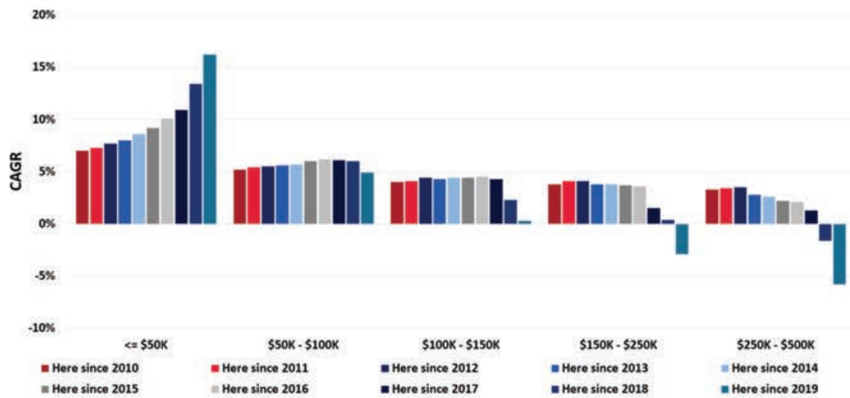
Reconciliation of year-end assets to year-end tangible assets						
Assets	$	2,281,234	$	2,188,067	$	2,144,606
Goodwill		(68,951)		(69,744)		(69,761)
Intangible assets (excluding MSRs)		(2,312)		(2,989)		(3,768)
Related deferred tax liabilities		943		1,545		1,716
Tangible assets	**$**	**2,210,914**	**$**	**2,116,879**	**$**	**2,072,793**

Table 2 (continued)

Reconciliation of year-end shareholders' equity to year-end tangible shareholders' equity and year-end tangible common shareholders' equity		**2014**		**2013**		**2012**		**2011**
Shareholders' equity	$	243,476	$	232,475	$	236,962	$	230,101
Goodwill		(69,777)		(69,844)		(69,976)		(69,967)
Intangible assets (excluding MSRs)		(4,612)		(5,574)		(6,684)		(8,021)
Related deferred tax liabilities		1,960		2,166		2,428		2,702
Tangible shareholders' equity		**171,047**		**159,223**		**162,730**		**154,815**
Preferred stock		(19,309)		(13,351)		(18,768)		(18,397)
Tangible common shareholders' equity	**$**	**151,738**	**$**	**145,872**	**$**	**143,962**	**$**	**136,418**

Reconciliation of year-end assets to year-end tangible assets								
Assets	$	2,104,539	$	2,102,064	$	2,209,981	$	2,129,046
Goodwill		(69,777)		(69,844)		(69,976)		(69,967)
Intangible assets (excluding MSRs)		(4,612)		(5,574)		(6,684)		(8,021)
Related deferred tax liabilities		1,960		2,166		2,428		2,702
Tangible assets	**$**	**2,032,110**	**$**	**2,028,812**	**$**	**2,135,749**	**$**	**2,053,760**

Chart 1 - Total compensation growth (including special awards) for global employees
Data as of compensation year-end 2020



HEARING BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES

May 27, 2021

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

I. Introduction

Chairwoman Waters, Ranking Member McHenry, Members of the Committee: good afternoon, and thank you for the opportunity to be here today.

Just over a year ago, I appeared before this Committee upon assuming my role as CEO. We were on the verge of a global pandemic, and I cannot help but look back and think how little we understood then of what 2020 would bring. When the pandemic struck, we all came together to stand up unprecedented assistance at a scale and speed that had never been done before. Though the process was not perfect, we, the government, and others worked together to help our fellow citizens. Banks were a part of the solution to beat back the economic impacts of a global pandemic, and now we must continue to work together to ensure a fair and equitable recovery.

As we begin taking steps toward a healthier economy, I am proud of all that Wells Fargo has done to support our customers, our employees, and the communities we serve—all while continuing to transform our organization. There is much more work to do, but Wells Fargo wants to be a constructive partner to forge an inclusive recovery for all.

II. Our Response to the COVID-19 Pandemic

Throughout the pandemic, our focus has been on providing high levels of support for our customers and the broader communities we serve.

Support for Customers During the Pandemic. We deferred payments and waived fees for more than 3.7 million consumer and small business accounts to help people during these challenging times. We provided more than one million mortgage forbearances and suspended residential property foreclosures and evictions to keep people in their homes. And we processed approximately $80 billion in federal stimulus payments. Further, we paused for 60 days the collection of negative balances existing at the time when federal stimulus payments are deposited to customers,[1] and we cashed federal stimulus payment checks for non-customers in our branches—with no fees charged. Additionally, during the pandemic, the number of overdraft-related fees collected dropped by more than 35 percent.

We donated $225 million through the Wells Fargo Foundation to support economic recovery for communities and vulnerable populations affected by COVID-19. We helped more than 200,000

[1] Where Wells Fargo has acted as garnishee and received third-party garnishment orders with respect to stimulus payments, our practice has been to follow federal and state guidance.

renters and homeowners stay in their homes through grants to nonprofits offering eviction and foreclosure prevention assistance, rental assistance, and financial counseling. We also undertook extensive efforts to keep at least 70 percent of our branches safely open, and we supported millions of customers through digital and mobile banking during the pandemic.

Paycheck Protection Program and Other Federal Stimulus Programs. We were also one of the leading lenders in the Paycheck Protection Program ("PPP"). To date, we have funded more than 275,000 loans, totaling over $13.7 billion to small businesses throughout the country, with an average loan size of approximately $50,000, making us an industry leader in providing support to the smallest businesses in need. This lending has supported more than 1.7 million jobs, and more than 40 percent of our loans were made to businesses in either low- and moderate-income ("LMI") or majority-minority census tracts.

As part of our PPP commitment, we created the *Open for Business Fund* to donate more than $400 million we earned from PPP program fees in 2020. The *Open for Business Fund* shares the same goal as the PPP itself: to help small businesses survive the pandemic and navigate its impact. The fund will donate roughly $250 million to Community Development Financial Institutions ("CDFIs") to help expand access to capital, $50 million to nonprofits focused on technical training and services for diverse entrepreneurs, and more than $100 million for long-term resiliency and other programs to strengthen the small business sector. We have already distributed more than $158 million to CDFIs around the country, which is projected to help more than 26,000 small businesses maintain an estimated 75,000 jobs nationwide.

Additionally, through the Federal Reserve's Main Street Lending program, Wells Fargo has originated $279 million in loans, helping more borrowers than any other large financial institution.

III. Our Company and Its Transformation

Our Company. In 1852, our founders, Henry Wells and William Fargo, built an innovative start-up to help customers build businesses and manage money in a rapidly changing world. A lot has changed since then, but through prosperity, depression, and war, customers have turned to us to help them through any challenge. And we're committed to continuing the Wells Fargo legacy of looking forward by finding solutions and removing barriers to help our customers.

Today, with approximately $1.9 trillion in assets, we proudly serve one in three U.S. households and more than 10 percent of all middle-market companies in the country. We have more than 65 million customers and over 260,000 employees, and we are an industry leader in affordable housing, retail mortgage, and commercial real estate lending. We have also recently been recognized as being among the best corporate citizens in the U.S., a top company for philanthropy, and one of the most generous companies in America.

We are well-capitalized and have been a source of strength for our customers and the financial system throughout the pandemic and beyond.[2] Despite the challenging environment brought on by

[2] Information regarding Wells Fargo's capital and leverage ratios as well as the annual amount of share buybacks and dividend payments for the past ten years can be found in Appendix A and in our annual reports. (*See, e.g.*, Wells Fargo 2020 Annual Report (Feb. 19, 2021), available at https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2020-annual-report.pdf).

the COVID-19 pandemic, the strength of our balance sheet was evident throughout last year. Our capital and liquidity levels remained well above regulatory minimums, and the results of two Federal Reserve stress tests confirmed our strong capital position. Given the economic uncertainty, we took appropriate measures to maintain strong capital by voluntarily suspending stock buybacks in March of 2020 for the balance of the year and subsequently reduced our dividend to comply with the temporary restrictions imposed by the Federal Reserve. These actions contributed to a $9 billion increase in our capital since March of 2020.

More broadly, we have generally maintained large amounts of excess capital and have taken a number of measures since the financial crisis to reduce our complexity, enhance our risk management framework, and change our culture, particularly over the last year and half as part of our ongoing transformation. As a result, we are a safer, sounder institution today, and we are confident that our company presents minimal risk to the government and taxpayers. We also believe we have contributed positively to the economy over the past 10 years.

We further recognize that, like so many companies and individuals, we benefit from our nation's strong central banking system and the support provided by various federal programs, facilities, and public financial infrastructure. And we are proud to support our customers and the American economy as a whole. For instance, even during the height of the COVID-19 crisis, we were able to extend significant credit to our clients. In fact, in March 2020 alone, our commercial customers utilized over $80 billion of their committed loan facilities.

Today, we provide a diversified set of banking, investment, and mortgage products and services, as well as consumer and commercial finance, through our four reportable operating segments: Consumer Banking and Lending; Commercial Banking; Corporate and Investment Banking;[3] and Wealth and Investment Management.

We believe these businesses, working together, form a differentiated platform that benefits all stakeholders. This vision has not always been realized in recent years, but we know our potential and have a roadmap to achieve it. We are committed to building the necessary foundation for a bank of our size and complexity; we recognize our responsibility; and we are committed to completing the work of making substantial changes in how we operate.

Our Transformation. Since I became CEO in October 2019, much has changed at Wells Fargo. While working to effectively serve our customers throughout the challenges of the last year, we have also been committed to advancing our regulatory work and implementing organizational and cultural change. While we still have significant work to do, we are committed to devoting the

[3] Corporate & Investment Banking delivers a comprehensive suite of advisory, capital markets, banking, and financial products and services to corporate, institutional, and government clients around the globe. The division includes a commercial real estate finance and capital markets platform, as well as investment banking, leveraged finance, mergers and acquisitions, equity and fixed income sales, trading, and research solutions for large and middle market companies.

With respect to Archegos, Wells Fargo had a cash prime brokerage relationship with the firm. We were well collateralized at all times in late March and no longer have any exposure as of March 30, 2021. We did not experience losses related to closing out our exposure.

resources necessary to operate with strong business practices and controls, maintain the highest level of integrity, and have an appropriate culture in place.

We have new leadership. In particular, we made significant changes to our management team by elevating strong internal talent while bringing in people with the experience and skills necessary for our success. Since the fourth quarter of 2019, we have replaced more than 50 percent of our Operating and Management Committees and added at least 30 senior strategic hires in risk management, operational excellence, and other key areas across the company—including a new Chief Operating Officer; Chief Financial Officer; Chief Compliance Officer; General Counsel; Head of Sales Practices; Head of Operations; Head of Wealth Management; Head of Consumer Lending; Head of Home Lending; Head of Credit Cards; and Head of Diverse Segments, Representation, and Inclusion; among many others. Our broader group of senior leaders is also a new team. Over 40 percent of our top leaders are new to the company or their roles from the start of 2020. Our Board of Directors also appointed a new chairman and elected a new member to add additional financial services experience and support our transformation.

We have also implemented a flatter organizational structure. One of my early observations when I joined Wells Fargo was that we were not managing the Company at the level of granularity necessary. As a result, we made changes to the management structure, most notably having more of our businesses report directly to me.

We now have five principal lines of business—that operate within the aforementioned operating segments—to ensure clear authority, accountability, and responsibility. All of those line of business leaders now report directly to me and sit on our Operating Committee. These changes have created the right structure to build our businesses over the long term and increase our ability to successfully execute our top priority, which is our risk, regulatory, and control work. I am confident that this organizational model and our strengthened risk and control foundation has brought greater focus and accountability to the company.[4]

We are also simplifying the company. We identified certain businesses that aren't core to our mission and decided to exit them, opting to focus on our customers and our core, scaled businesses. In the past months, we have announced sales of or our intention to exit the student loan business, international wealth management, asset management, corporate trust, and direct equipment finance in Canada.

During my short tenure, our focus on these changes has begun to yield results. In January of this year, the OCC terminated an open consent order from 2015 related to our Bank Secrecy Act and anti-money laundering compliance program. This is a positive step, but I recognize that we still

[4] Our leaders are also held accountable by the Company's compensation policies. The Human Resources Committee of Wells Fargo's Board made a number of enhancements to our executive compensation program for 2020, including the adoption of a new clawback and forfeiture policy that significantly strengthens the Company's ability to hold certain senior executives and other employees accountable for misconduct or risk events though forfeiture or recovery of compensation. Our most recent compensation policies are discussed in detail in our 2021 proxy statement. (*See* Notice of Annual Meeting and Proxy Statement (Mar. 16, 2021), available at: https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2021-proxy-statement.pdf.)

have multiple consent orders and regulatory matters that continue to require our urgent attention.[5] And we are continuing to commit significant resources to addressing them.

We are focused on making long-term, sustainable changes. And we know there is still much more to be done. As I've said before, this is a multi-year journey. As we execute on our commitments, we may have setbacks, but we believe we are doing what is necessary to move forward and satisfy our obligations.

Ultimately our regulators will decide when we have fulfilled our obligations. My commitment to them is that we are continuing to approach this work with the greatest sense of urgency, and we are intent on committing all necessary resources to diligently do what is necessary, issue by issue.

IV. Our Commitment to Customers

Doing what is right for customers must be at the center of everything we do, and we acknowledge that we have fallen short of that standard in the past. We have been taking dramatic steps to embed a customer-centric approach in all of our decisions that impact customers. This extends from product design and pricing, to our coverage and service models, to how we approach complaints and remediation.

While we have more work to do, we are making strides. In 2020, we rolled out a new set of company expectations with "Do What's Right" as one of six core pillars. It sounds simple — but that is the point. These new expectations are clear and straightforward and guide how we lead ourselves, collaborate with colleagues, and make decisions; they apply to everyone at the company and are directly linked to how we evaluate performance.

Additionally, we deployed a new customer feedback program and complaints management platform to collect and react to customer feedback and improve the customer experience. We also built our Sales Practices Management and Oversight program, designed to make sales practices monitoring and reporting more robust and consistent across the company. And lastly, we just recently announced the launch of an Office of Consumer Practices, a consumer-focused advisory group that will partner with our businesses on consumer product development, policies, procedures, training and other areas. All of these efforts are designed to keep the customer front and center and embed that perspective into our decision-making. They are also a critical part of strengthening our risk and control infrastructure.

We firmly believe that Wells Fargo is uniquely positioned to serve customers throughout the country. We operate at a local level, supporting consumers as well as small and larger businesses. We also actively support the communities where we do business. The quality, depth, and breadth of what we can offer customers are matched by few, and we continue to invest in a robust customer experience both digitally and through in-person interactions in our branches.

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[5] Since my testimony in March 2020, Wells Fargo has agreed to pay $20 million to settle claims by the Maryland Attorney General regarding residential mortgage-backed securities between 2005 and 2009. The Company also agreed to pay $7.8 million to resolve an inquiry by the U.S. Department of Labor into certain hiring practices at particular Wells Fargo locations between 2010 and 2018.

Branch Network. Our branch network provides local, in-person financial advice and planning. At the end of the first quarter of 2021, Wells Fargo had 4,944 branches[6] with more than 25 percent of those branches located in LMI census tracts. We have branches in 36 states and the District of Columbia and serve more markets than other major banks. Our branches are in 25 of the largest 30 markets in the U.S. and 27 of the 30 fastest growing markets in the country. And a Wells Fargo branch or ATM is within two miles of over half of the U.S. census households and small businesses in our footprint.

Financial Inclusion. In addition to our branches, Wells Fargo provides multiple choices for customers, including those who are not digitally connected, to conveniently access financial services and advice. We have an extensive ATM network and offer no-fee access for customers at approximately 13,000 ATMs for various banking services including withdrawing cash, transferring funds, checking account balances, and making deposits. Wells Fargo ATMs offer banking in English, Spanish, Chinese, Hmong, French, Korean, Russian, or Vietnamese and meet the Americans with Disabilities Act requirements. In addition, we offer free access to our ATM network for customers of our Minority Depository Institution ("MDI") partners and make our ATM network available to non-customers to pay their wireless bill with Visible, a Verizon subsidiary.

We provide 24/7, multi-lingual customer service over the telephone through our automated system as well as through our customer service representatives. This allows customers to get assistance with common needs, including asking questions about account balances and transaction history or initiating transactions like account transfers or stop payments. We also serve 32 million digital (mobile and online) active customers.

Wells Fargo further offers and continues to develop products and services to advance inclusion in the financial system. We are the number one mortgage lender in lower-income neighborhoods and to Black borrowers compared to other depositories. And we have made commitments to reduce the Black and Latino homeownership gap. For example, in 2015, we announced our support of the goals of the National Association of Hispanic Real Estate Professionals' Hispanic Wealth Project, which seeks to triple Hispanic household wealth by 2025.

In addition, we offer our Dream.Plan.Home. low-down-payment mortgage and closing cost assistance program for LMI borrowers with affirmative outreach to LMI communities and communities of color, and we provide significant grants in connection with the NeighborWorks LMI down payment assistance program, NeighborhoodLIFT. Since 2012, Wells Fargo has invested $521 million in NeighborhoodLIFT and other LIFT programs to help more than 24,700 individuals and families buy homes through 80 program launches by providing homebuyer education and down payment assistance. These efforts collectively seek to close the homeownership gap in key markets.

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[6] At year-end 2010, Wells Fargo had approximately 6,310 branches. At year-end 2000, Wells Fargo had approximately 5,500 branches. Please note, however, that the year-end 2000 number is a rough estimate, as the timeframe predates Wells Fargo's merger with Wachovia. A map of Wells Fargo's branches at year-end 2020 is included as Appendix B.

Wells Fargo also actively participates in the OCC's Roundtable for Economic Access and Change (Project REACh), which focuses on removing barriers to financial inclusion and providing greater access to credit and capital. We chair the REACh Homeownership Working Group.

We are committed to bringing the unbanked into the financial mainstream. For example, last week, we announced the Banking Inclusion Initiative, a 10-year commitment to help unbanked individuals gain access to affordable, mainstream, digitally-enabled transactional accounts, a meaningful entry point to fully participating in the economy and achieving financial stability. It also will assist those who are underbanked or underserved—individuals who may have a bank account yet continue to use high cost, non-bank services and have similar needs. Overall, the initiative will focus in three areas: (i) access to affordable products and digital solutions; (ii) financial education and advice; and (iii) the launching of a National Unbanked Advisory Task Force that will feature representatives from leading organizations, including the League of United Latin American Citizens, the National Association for the Advancement of Colored People, the National Bankers Association, the National Congress of American Indians, UnidosUS, the National Urban League, and Hope Enterprise Corporation.

Additionally, we accept a range of alternative identification for account openings, including several consular cards, and we offer affordable and responsible products, such as Clear Access Banking, a checkless checking account with no overdraft or non-sufficient funds fees. The account is certified by Bank On, an organization led by the Cities for Financial Empowerment fund that works to ensure everyone has access to a safe, affordable transactional banking account. We also offer Everyday Checking, a full-service account for a $10 monthly fee that is waived if the customer is under 25 years old or maintains certain minimum balance or direct deposit amounts. The Everyday Checking account is equipped with our Overdraft Rewind feature, which automatically reverses overdraft fees assessed on prior business day transactions if the customer has a covering direct deposit credited to their account.

Arbitration. With respect to arbitration, we are in the process of removing confidentiality restrictions in all types of customer arbitration agreements that have them, thereby increasing the transparency of the arbitration process. Moreover, we will be updating all consumer arbitration agreements to provide for reimbursement of filing fees where the customer prevails. This is designed to ensure the costs of filing for arbitration do not prevent consumers from bringing justified disputes to the Bank's attention. These changes follow our decision last year to end the use of mandatory arbitration for future employee claims of sexual harassment. We are committed to maintaining a thoughtful approach to resolving disputes fairly and efficiently.

V. Our Commitment to Employees

To our employees: I am proud of the work you've done over the past year to support our customers and our communities during these uncertain times. We have prioritized safety and wellbeing, and my deepest gratitude goes out to our front-line workers, who made it possible to keep branches safely open. I am also thankful for the more than 200,000 employees who efficiently adapted to a new and challenging remote work environment.

For those employees who continue to work in person, we have taken significant actions to support their safety, including mandating social distancing, enhancing cleaning protocols, increasing sanitation supplies, and requiring employee self-screening. We are providing safety kits to all employees working on-site in branches and offices, and we launched temporary on-site nursing services at 56 of our largest U.S. sites. We also offer free, voluntary on-site or self-administered COVID-19 testing for employees currently working in-office at a Wells Fargo location in the U.S. as well as additional paid time off for COVID-19 vaccine appointments.

We also made a cash award to the approximately 165,000 employees who make less than $100,000 per year and an additional special payment to those working on the front lines as a way of recognizing their unique contributions.

To support eligible employees who faced challenges with child care, we granted additional days off to arrange for child care and provided a $100 per day reimbursement for eligible employees seeking child care through their own personal networks during the early phase of the pandemic. More than 22,000 employees benefitted from this assistance. We also made a $25 million grant to the We Care Employee Relief Fund, which is available to employees affected by COVID-19 and who have limited resources. The fund helped more than 23,000 employees in 2020.

Compensation and Benefits. In addition to our pandemic-related efforts, in 2020, we raised minimum hourly pay levels in a majority of U.S. markets from $15 to $20 based on employee location. And we saw a nearly 13 percent increase in median employee pay for the year.[7]

We provide a 401(k) plan to help employees save for retirement, and we match employee contributions, dollar for dollar, up to 6 percent of their eligible pay on an annual basis, after they complete one year of service. Additionally, in 2020, we announced a new base contribution of one percent of certified compensation that will be made to the 401(k) plan accounts for eligible employees whose annual compensation is less than $75,000, which is in addition to the matching contribution. These and additional benefits and opportunities are outlined in our recently published commitment to our employees.[8]

VI. Our Commitment to Diversity, Equity, and Inclusion

Our efforts to strengthen and improve Wells Fargo would be incomplete without a sustained commitment to diversity, equity, and inclusion, both for our customers and for our employees. These ideals are essential to our future and personally very important to me. I recognize that, as a bank and an industry, we can and must do better in this regard, and I am committed to making sure that we continue to make progress.

We have made significant strides to diversify our senior leadership, increase the pipeline of diverse talent inside Wells Fargo, and use our market position to increase the share of diverse suppliers

7 Median employee pay for 2020 was $74,416, up from $65,931 in 2019—a 12.9% increase. Wells Fargo's ratio of CEO to median employee annual total compensation for 2020 was 274:1.

8 *See* Wells Fargo: Our Commitment to Employees (May 6, 2021), available at https://stories.wf.com/wells-fargo-our-commitment-to-employees.

and diverse asset managers. We also maintain sustained partnerships with third party stakeholders to drive positive outcomes for diverse communities.[9]

I am pleased that, in my short tenure, we have added three diverse executives to our Operating Committee, including our Head of Diverse Segments, Representation, and Inclusion, who reports directly to me. Additional new diverse leaders include our Head of Operations; Head of Strategy, Digital and Innovations; and CEO of Home Lending.

Among our U.S. employees, approximately 56.1 percent are female, and 44.6 percent are racially diverse. Our Operating Committee is currently 23.5 percent female and 17.6 percent racially diverse. And our Board of Directors is 25 percent female and 25 percent racially diverse.

Beyond particular roles, we are accountable for continuing to attract diverse candidates to all levels of our organization, including leadership. As part of the year-end evaluation process, Operating Committee members will be evaluated based on, among other performance metrics, their progress in improving diverse representation and inclusion in their area of responsibility. These evaluations will have a direct impact on year-end compensation decisions. Additionally, for the hiring of many senior roles, we have implemented guidelines that require a diverse slate of candidates (at least 50 percent) and a diverse interview panel.

We also continue to focus on early talent recruitment by working with historically Black colleges and universities ("HBCUs"), Hispanic serving institutions ("HSIs"), and other national partners to identify talent and build engagement. HBCUs and HSIs are national treasures that have been leading the way for generations in producing minority leaders in a variety of fields. We have deep and longstanding relationships with these institutions and related auxiliary groups. For example, since 2007, we have provided more than $38 million to support programming and scholarships for the Hispanic Scholarship Fund, the Thurgood Marshall College Fund, and the United Negro College Fund.

VII. Our Commitment to the Communities We Serve

For the communities we serve, we have continued to invest in the institutions critical to their success. While we are encouraged to see signs of improvement, we realize that not all communities are benefiting equally in the recovery. That is why Wells Fargo has been working to support a more inclusive economic recovery, with a focus on racial and social equity, economic mobility, and investments in LMI communities.

Investments in CDFIs and MDIs. We are a proud investor in CDFIs and MDIs. In total, we have provided more than $2.4 billion in funding to support CDFIs and more than $40 million to support MDIs from January 2011 to May 2021.

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[9] *See* "Elevating Diversity, Equity, and Inclusion," 2020 Social Impact and Sustainability Highlights, at 13-26 (Apr. 2021), available at https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/social-impact-sustainability-highlights.pdf.

Within the last year, we made approximately $50 million of equity investments in Black-owned MDIs across the country.[10] Relatedly, we recently launched the Black Economic Alliance Entrepreneurs Fund, along with the Black Economic Alliance Foundation, to accelerate the growth of Black entrepreneurs and business owners. The $50 million evergreen fund will provide seed, start-up, and early-stage capital to businesses founded and led by Black entrepreneurs.

Additionally, through our *Open for Business Fund*, we have given more than $150 million over the past year to CDFIs around the country, which are providing grants to hard-hit small businesses with a focus on diverse-owned organizations. Our *Diverse Community Capital* ("DCC") program has dedicated $175 million to CDFIs over five years to provide capital and technical assistance for diverse small business owners in the U.S. The DCC program has enabled CDFIs to lend nearly $350 million to Black small business owners across the country since the program launched in 2015, according to Opportunity Finance Network. And on March 30, 2021, Wells Fargo closed on a $5 million patient capital loan to Hope Enterprise Corporation, a 501(c)(3) and certified CDFI that is dedicated to strengthening communities, building assets, and improving lives in the Delta and other economically distressed areas of the Deep South.

Investments in Underserved Communities. In the communities we serve, we focus on building a sustainable, inclusive future for all by supporting housing affordability, small business growth, financial health, and a low-carbon economy. For instance, last week, we announced the issuance of a $1 billion Inclusive Communities and Climate Bond, our first Sustainability Bond, designed to drive both social and environmental impact. The bond will fund projects and programs that support housing affordability, socioeconomic opportunity, and renewable energy. And diverse underwriting firms will receive the bulk of fees from the bond.

I am also proud to share that Wells Fargo received a rating of "Outstanding" in its most recent Community Reinvestment Act performance evaluation, which covers the years 2012 to 2018. This rating reflects Wells Fargo's strong performance on the exam's components and the company's proven commitment to serving LMI communities.

These commitments and investments complement a host of additional initiatives we have undertaken in recent years that aim to support all of our customers and communities. For example, we committed $1 billion through 2025 to help address the U.S. housing affordability crisis. Additionally, in the 10 years spanning 2009 to 2018, Wells Fargo was the number one financier of home loans to Black individuals and originated more mortgages to help Black home buyers purchase homes than the four other largest bank lenders combined. Similarly, in 2017, we pledged to create 250,000 Black homeowners by 2027 through lending $60 billion for home purchases, increasing the diversity of the sales team, and supporting homebuyer education and counseling. In

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[10] As part of its $50 million equity investment commitment, Wells Fargo has invested in the following MDIs: Broadway Federal Bank (Los Angeles, California and Washington District of Columbia); Carver Federal Savings Bank (New York, New York); Carver State Bank (Savannah, Georgia); Citizens Savings Bank & Trust (Nashville, Tennessee); Citizens Trust (Atlanta, Georgia); Commonwealth National Bank (Mobile, Alabama); First Independence (Detroit, Michigan); Harbor Bank (Baltimore, Maryland); Industrial Bank (Washington, District of Columbia); Liberty Bank & Trust (New Orleans, Louisiana); M&F Bank (Durham, North Carolina); Optus Bank (Columbia, South Carolina); and Unity National Bank (Houston, Texas).

the first three years of the commitment, 60,527 Black homeowners have been supported with $15.2 billion in financing.

Our Approach to Risk and Societal Engagement. Beyond our investments, we know that in order to be a trusted partner in the communities where we operate and contribute in meaningful ways to the growth of the U.S., we must be guided by delivering for our customers every day in a manner that will make us, our employees, our customers, and our communities proud. Now more than ever, there is a renewed desire for businesses to operate with all stakeholders in mind.

In 2020, we launched a new Social Impact and Sustainability strategy designed to make a greater impact in communities by more effectively combining our financial resources and business expertise. In the communities we serve, the company focuses its social impact on building a sustainable, inclusive future for all by supporting housing affordability, small business growth, financial health, and a low-carbon economy. Through our businesses and the Wells Fargo Foundation, we are using our resources, business expertise, ingenuity, and collaborations with public and private sector organizations to help solve complex problems. A major near-term focus is fostering an inclusive recovery from the COVID-19 pandemic and strengthening communities that have been disproportionately impacted.

Also last year, we began an effort to be more transparent and comprehensive in non-financial reporting and disclosures. The company moved from a single, annual corporate responsibility report to a suite of disclosures that more completely addresses our approach to environmental, social, and governance ("ESG") risks and opportunities, and performance on related measures. Our inaugural ESG Report details how the company is working to create solutions for stronger communities through diversity and inclusion, economic empowerment, and environmental sustainability.[11]

Likewise, we recognize that our business decisions and those of our customers have the potential to impact communities and the environment. We believe it is important to evaluate and consider the environmental, social, and human rights impacts of our lending and investments along with the traditional financial risk. Our Environmental and Social Risk Management framework and policies are tied to our due diligence requirements, and they help us identify, evaluate, and manage the environmental and social risks associated with our lending and investments.[12] Similarly, in February 2021, we released our first Task Force for Climate-Related Financial Disclosures Report, which provides an update on the company's progress managing climate-related risks and opportunities.[13]

Recently, we made a significant announcement regarding our ongoing efforts to support the transition to a low-carbon economy. Climate change is one of the most urgent environmental and social issues of our time, and we are committed to helping transition to a net-zero carbon economy.

[11] Environmental, Social, and Governance Report (Aug. 2020), available at https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/environmental-social-governance-report.pdf.

[12] Environmental and Social Risk Management Framework (June 2018), available at https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/esrm-framework.pdf.

[13] Task Force For Climate-Related Financial Disclosures Report (Feb. 2021), available at https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/climate-disclosure.pdf.

The risks of not taking action are too great to ignore, and collective action is needed to avoid significant impacts on our most vulnerable communities.

Accordingly, we set a target to achieve net-zero greenhouse gas emissions—including our financed emissions—by 2050. We will also launch an Institute for Sustainable Finance to manage the deployment of $500 billion of financing to sustainable businesses and projects by 2030, as well as support science-based research on low-carbon solutions and advocate for policies that enable client transitions. Our aim is to support our customers as they work to transform their businesses for success in a low-carbon economy and to support our communities as they work to adapt to and mitigate the impacts of climate change.

These goals build on efforts already ongoing. We recently surpassed $10 billion in tax-equity investments in the wind, solar, and fuel cell industries, having invested in more than 500 projects, helping to finance 12 percent of all wind and solar energy capacity in the U.S. over the past 10 years.

As we move forward, we will continue to approach critical issues such as these with the care and diligence they deserve.

VIII. Our Commitment to Cybersecurity, Privacy, and Responsible Technology

We recognize that cybersecurity is an area where we must remain ever vigilant to meet evolving threats. We invest heavily in cyber threat management and controls aimed at preventing and preparing for cyberattacks, and we maintain tools to quickly detect and respond to adverse events, limiting their impact. Relatedly, we prioritize personal data privacy and support transparency in our information collection and use practices.

Finally, we believe safe and responsible use of emerging technology has great promise for our industry. Artificial Intelligence ("AI"), for example, has the potential to help detect and prevent harm from bad actors and greatly enhance customer experience and financial inclusion. Responsible use of AI at banks carries with it fundamental value propositions including making better business decisions, driving leaner and faster operations, enhancing customer experience, and detecting patterns or irregularities in data.

We have been involved in research and development in the area of distributed ledger technology ("DLT") to facilitate next-generation settlement services in a variety of areas, including announcing a pilot that will begin soon. It will be an internal settlement service which will run on our internal DLT platform and allow us to complete internal book transfers of cross-border payments within our global branch network.

Finally, we continue to closely and actively follow developments around cryptocurrencies, which have emerged as alternative investments products, though their status as a currency and mechanism of payment remains fluid.

IX. Conclusion

Last year was a challenging one for all, but I am proud of what Wells Fargo has done to support our customers, our country, and our communities throughout an incredibly difficult time. Even in the face of a global pandemic, we made progress in transforming our company, and we will continue to approach the work ahead with urgency.

Thank you, again, for the opportunity to testify. I look forward to answering your questions.

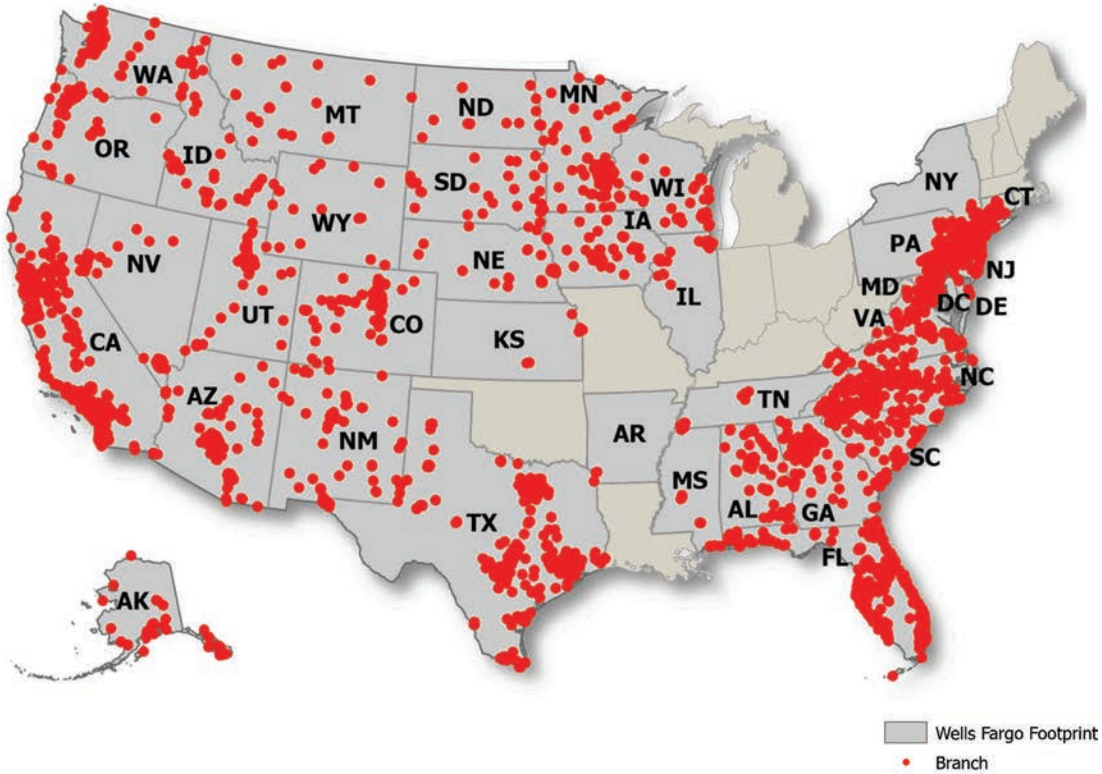
Appendix A
Wells Fargo Capital & Leverage Ratio, Dividend, and Stock Repurchase Data 2011 – 2020[14]

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Common Equity Tier 1 Capital Ratio	11.59%	11.14%	11.74%	12.28%	11.13%	11.07%	11.04%	10.82%	10.12%	9.46%
Tier 1 Capital Ratio	13.25%	12.76%	13.46%	14.14%	12.82%	12.63%	12.45%	12.33%	11.75%	11.33%
Total Capital Ratio	16.14%	15.75%	16.60%	17.46%	16.04%	15.45%	15.53%	15.43%	14.63%	14.76%
Tier 1 Leverage Ratio	8.32%	8.31%	9.07%	9.35%	8.95%	9.37%	9.45%	9.6%	9.47%	9.03%
Supplemental Leverage Ratio[15]	8.05%	7.07%	7.7%	8.0%	7.5%	7.7%	–	–	–	–
Common Stock Dividends	$5.0 b	$8.4 b	$7.9 b	$7.7 b	$7.7 b	$7.6 b	$7.1 b	$6.1 b	$4.7 b	$2.5 b
Common Stock Repurchased	$3.4 b	$24.5 b	$20.6 b	$10.7 b	$7.9 b	$8.9 b	$9.2 b	$5.1 b	$3.9 b	$2.4 b

[14] All data reflected here appears in Wells Fargo's public annual reports.

[15] 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.

Appendix B: Branch Map



Testimony of David M. Solomon
Chairman and Chief Executive Officer of Goldman Sachs
Before the U.S. House of Representatives
Committee on Financial Services

Chairwoman Waters, Ranking Member McHenry, and members of the Committee, I appreciate the opportunity to provide an update on banking practices, programs and policies since I last testified before this Committee on April 10, 2019.

Overview of Goldman Sachs

Goldman Sachs is a leading global financial institution that delivers a broad range of financial services across investment banking, securities, investment management and consumer banking. 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 institution.

At Goldman Sachs our purpose is to advance sustainable economic growth and financial opportunity. Specifically, as an investment bank, we advise companies on raising capital including through initial public offerings or lending, managing risks, and seeing opportunities for them to innovate and grow through acquisitions or divestitures. We also help local and state governments finance their operations so they can invest in infrastructure such as schools, hospitals and roads. As a market maker, we 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) and help ensure markets are liquid and efficient. We are also an asset manager preserving and investing assets for institutions, including mutual funds, pension funds and foundations. We invest capital in private companies to help them grow their business and increase employment. And we act as a private wealth manager, providing advisory solutions, including financial planning and counseling, and managing assets for individuals.

In 2016, we launched a retail banking franchise that, while relatively small, has been recognized for its consumer-centric approach. Through our consumer banking digital platform, Marcus by Goldman Sachs, we offer personal loans, savings and CDs, investing services, free financial tools and trackers, and through associated partnerships like Apple Card, we issue credit cards to consumers.

As of the end of April 2021, we had 40,300 employees, with 51% based in the United States. 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. Given its small size, our branch network has not meaningfully changed over time.

Goldman Sachs Remains Well-Capitalized

As a result of Dodd-Frank, Basel capital and liquidity and other market reforms, today the U.S. financial system is substantially safer and more resilient against failure or disruptions in critical services 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.

Goldman Sachs was well capitalized before and throughout this COVID-19 pandemic period. Our capital levels have allowed us to serve our clients and provide support for the economy (as described below), and the last two rigorous stress tests conducted by the Federal Reserve in 2020 attest to that fact.

Moreover, 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, at Goldman Sachs, since the end of 2007:

- Our common equity has more than doubled in absolute terms (from $40 billion to $88 billion); as of 1Q21, our common equity tier 1 ratio exceeded 14% under the Standardized approach and exceeded 13% under the Advanced approach
- Our gross leverage has decreased by 49%
- Our TLAC (i.e., loss-absorbing long-term debt and equity instruments) was 40.7% of our risk-weighted assets as of 1Q21, exceeding our minimum requirement of 22.0%
- Our average liquidity pool has more than quadrupled in absolute terms (from $64 billion to $299 billion) and increased 4x as a percentage of our average total assets (from 6% to 24%)
- Our deposit funding has increased approximately 19x (from $15 billion to $286 billion) and increased 10x as a percentage of our funding sources (from 3% to 33%)
- Our Level 3 assets, which are illiquid, have decreased by more than 50% (they were only 2.1% of our balance sheet as of 1Q21)

Goldman Sachs Has Reduced Its Complexity
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. Additionally, 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 requirement 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.

As of today, we have taken several key actions since the financial crisis that have reduced our complexity:

- We reduced the total number of our legal entities
- We simplified our ownership structure and funding lines to our material operating subsidiaries, separated the ownership for our core and non-core legal entities and aligned staff, technology and other resources with the entities they serve
- We simplified the management of businesses by merging certain businesses together into our Asset Management Division and moving our consumer banking business and wealth management business into one combined division
- We realigned business segments to more closely align with how we manage the firm with clear lines of management responsibility and leadership over each segment, which also allows us to be more transparent, including about how we track our lending and financing activities across businesses
- We sold several non-core businesses and activities including:
  - our Americas reinsurance and European insurance businesses
  - our hedge fund administration business
  - our mortgage servicing business
  - our investments in several commodities-related businesses that hold physical commodities, including a metals warehouse, a coal extraction facility and power generation plants
- We sold our investment in the Industrial and Commercial Bank of China
- Pursuant to Volcker Rule requirements, and before the final rule went into effect, we exited all of our proprietary trading businesses

Moreover, in accordance with good risk management practices as well as the spirit of Dodd-Frank's Section 165 resolution plan requirements, when we have sought to enter new businesses or make acquisitions, we subject all decisions to our Firmwide New Activity Committee and other processes to ensure that the new business or acquisition would be properly capitalized, have sufficient funding support and would not unduly impede our resolution strategy.

Investing in Our People

As the pandemic hit, we transitioned our workforce to be 98% remote. To help our people during the pandemic, we added to and extended their benefits, including mental health support and an additional 10 days of COVID-19 family leave to allow time to care for family members or child care needs, including homeschooling. In introducing telemedicine access to US employees and covered dependents, we waived all costs of urgent-care visits, including COVID-19 consultations, and we provided virtual mental health counseling and fitness sessions. Most recently, we offered employees a half day of paid time off for each dose of the vaccine.

Throughout the pandemic, we have partnered with healthcare experts to develop policies and protocols that prioritized the health and safety of our people. Our comprehensive protocols have included regular testing (via either on-site testing or through at-home testing), mask usage, daily health attestations, temperature checks at arrival and physical distancing.

Additionally, we have a lot of people who support our organization and operations through contracted and vendor services, including in our mail room, our cafeteria, our security guards and our janitorial staff. We extended our support to on-site vendor staff to ensure they were paid during the pandemic, whether they worked or not. For those who came into work, we reimbursed transportation costs and provided in-office meals. Most recently, we paid a bonus to nearly 3,000 vendor staff who supported us in the office and enabled the continuity of our operations through the lockdowns that took place around the world.

Investing in Our Retail Customers

Goldman Sachs entered the consumer financial services market in 2016. We launched our digital consumer platform called Marcus by Goldman Sachs because we saw an opportunity to serve consumers through consumer-centric products that are simple and transparent and on the side of the consumer. We set out to build our consumer business from a clean sheet of paper. In designing Marcus, we spoke with more than 10,000 people across the country to understand their banking needs and have since spoken to more than 100,000 consumers. Value, simplicity and transparency are at the core of our consumer products, which is based on this feedback.

We have two primary channels through which we acquire and serve customers: through our consumer business Marcus by Goldman Sachs and through partnerships with large brands Because we are not operating with an expensive branch infrastructure, we are able to deliver more value to the customer when compared to other traditional banks.

Through Marcus, we offer:

- Personal loans with fixed rates, customizable payment options and no fees. These loans range from $3,500 to $40,000, and because we fund our personal loans from our own balance sheet, we can provide more flexibility to consumers, allowing them to select from various monthly payment and loan length options
- Savings accounts / CDs that pay consumers a relatively higher interest rate on their savings than traditional banks offer, with no minimum balance and no fees (including no monthly fees, no transaction fees and no overdraft fees)
- Invest, which offers individuals the ability to invest as little as $1,000. This product combines the accessibility, simplicity and transparency of our Marcus platform with our firm's leading advisory capabilities
- Free financial tools and trackers that help customers aggregate their various accounts, track spending, and get a more holistic picture of their finances

Although we are working to launch digital checking accounts in the United States, we do not currently offer consumer checking accounts. For our customers who have Marcus savings accounts, we did not garnish accounts in connection with amounts owed to Goldman Sachs.

Additionally, through our partnership with Apple via Apple Card, we are providing innovative financial services to millions of customers that help them to understand their spending and payment options better and seamlessly earn and redeem rewards.

Marcus was created to help millions of Americans take control of their financial lives with products that offer value, transparency and simplicity. That approach positions Marcus to meet the financial services needs of a broad range of consumers, including low-to-moderate income (LMI) consumers. Moreover, Marcus is a digital platform. Customers do not need to walk into a branch to open an account; they can do it directly from their mobile phone or call one of our Marcus Specialists. We believe that digital banking can be leveraged to be more inclusive, particularly with regard to communities that are underbanked. That being said, we understand that digital connectivity is a prerequisite to inclusion in the digital banking ecosystem. That is why we have incorporated digital connectivity as one of our key impact areas in our One Million Black Women initiative (described below). We are currently exploring ways to invest in increasing affordable high-speed internet access and to close the digital divide.

While still new to consumer businesses, we substantially increased our support for consumers during the pandemic across all of our major consumer products. For example, our consumer loans, credit card lines and deposits each increased approximately 20% in 2020 during the pandemic, not decreased, including to those in LMI communities.

We also continued to invest in our consumer bank products and serve our Marcus clients throughout the pandemic. For example, we launched our Customer Assistance Program to help customers navigate through the pandemic, including by giving customers the flexibility to defer Marcus loan payments for four months or Apple card payments for six months at no cost, no interest accrued during the deferral period and no impact to their credit score. Moreover, Marcus customers were able to access funds in high-yield certificates of deposit early without a penalty. We focused on offering seamless digital enrollment, because customers should be able to get help quickly and easily when they need it. Around 10% of our customers enrolled in the program, and we are proud we were able to be there for them during a difficult time.

Investing in Our Clients and the Broader Economy

At the beginning of the pandemic, our economy plunged into the steepest economic decline since the Great Depression. However, there is no question that we would have had an even more severe recession had the Congress, the Treasury, and the Federal Reserve not taken swift, bipartisan action to support our economy through the CARES Act and related programs and subsequent actions.

We believe that our strong financial position allowed us to continue to provide financing to our clients throughout the pandemic, including during the peak of the market volatility and economic uncertainty last March, to our clients and the broader economy. We were also able to continue to support deep and liquid capital markets, while maintaining resilient operations without any major outages despite an unprecedented working environment. During the first six months of 2020, when uncertainty over the economic impact of COVID-19 was at its highest, we experienced historically elevated levels of client demand for access to equity and debt capital.

Over the first half of 2020, we raised approximately $180 billion of financing for our corporate clients, with two thirds of the activity in the United States. We led the largest capital markets offering for the cruise industry, and we worked with large U.S. airlines on significant financing transactions and led the first insurance deals post the start of COVID volatility last year. We also provided approximately $1 billion of lending commitments across the investment grade energy sector to provide them with additional liquidity during the pandemic.

As debt markets were largely closed to most borrowers in March and April 2020, we developed creative solutions to support clients who were most in need of immediate financial assistance, including by lending directly to clients from our own balance sheet. For example, from March through June 2020, we provided $20 billion of non-acquisition financing related credit to more than 200 clients. Of this financing, we provided $13 billion of direct financing that was specifically aimed at providing additional liquidity to clients in hard hit sectors to help them weather COVID-related stresses to their businesses, including to airlines, cruise lines, automobile companies, and the hospitality and entertainment sector.

In addition to corporate financing, we also supported pandemic relief efforts by underwriting nearly $66 billion in financings for sovereigns and multilateral institutions, designed to help alleviate the economic and social impact of the pandemic. These included a $2 billion sustainable development bond for the World Bank tied to addressing the United Nations Sustainable Development Goals, and a COVID-19 response bond for the New Development Bank, also for $2 billion.

Our financing and assistance helped enable businesses across the country and around the globe to pay their workers, operate their businesses and meet funding needs. We remain committed to continuing our support for American businesses and the broader economy to help build a robust, inclusive and sustainable economic recovery.

Investing in Our Communities and Small Businesses

We started investing in underserved areas in 2001, well before we had a regulatory obligation to do so, because we strongly believed it made sense to invest in areas that others had overlooked and deploy our capital to make a real difference in these communities.

Our Urban Investment Group (UIG)'s entire purpose is to make investments and loans that benefit underserved people and places. The team has a comprehensive approach to closing opportunity gaps, predominantly by making direct investments, rather than investing in funds. This approach allows us to engage directly with community leaders and stakeholders impacted by our investments.

Specifically, through UIG, we finance the creation of affordable housing, space for educational and health facilities, and grocery stores in food deserts. To date, UIG has committed more than $9.8 billion to benefit underserved people, places and small businesses. Since UIG was founded, our investments have spanned 101 cities in 33 states across the country, bringing affordable housing, quality schools, new jobs, and growth capital for small businesses to neighborhoods in need. Approximately 70% of UIG's investments are located in or serve minority communities.

Goldman Sachs has deployed over $200 million in capital to support Black-led Minority Depository Institutions (MDIs), starting with our investment in Carver Bancorp, one of the largest African-American operated banks in the United States, in 2011. Our partnerships with and investment in MDIs has continued to evolve since then and, most recently, we announced a $130 million commitment to Hope Enterprise Corporation, a leading Black-led MDI and Community Development Financial Institution (CDFI) in the South, to establish the "Deep South Economic Mobility Collaborative," a public-private partnership with seven cities and nine historically Black colleges and universities across the South. This Collaborative will provide credit and support services to entrepreneurs of color, particularly Black women entrepreneurs, in historically disadvantaged neighborhoods.

Most recently, UIG stood up a loan program in partnership with the City of New York which will provide funding to support staffing New York City's safety-net hospitals related to the COVID-19 vaccination process and potential additional COVID-19 patient care throughout the remainder of 2021. The program aims to support safety-net hospitals, all of which are located in low-income neighborhoods and treat the City's poorest and most vulnerable patients. As we know, COVID-19 has disproportionately impacted Black communities.

Goldman Sachs Partnerships with CDFIs and MDIs

We also provide access to capital to small businesses and high-achieving low-income students by partnering with CDFIs, MDIs and other types of mission-driven lenders. 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 for the last 10 years. Importantly, since the beginning of this pandemic, our response efforts have been guided by our belief in partnership and collaboration, and our ability to respond quickly and creatively and remain nimble in the face of evolving challenges.

Unlike most of the banks appearing before the Committee, our bank is not an approved Small Business Administration (SBA) lender and therefore did not have the systems in place to comply with the SBA rules under which Paycheck Protection Program (PPP) loans were made. Rather than participating directly in the PPP, we felt that we could provide the greatest value most quickly by committing $1.25 billion in capital to CDFIs and mission-driven lenders to facilitate emergency lending, including PPP loans, to underserved and minority-owned small businesses. We recognize lending capital is not the only need facing the small business ecosystem, so we paired that lending capital with $25 million in philanthropic support to CDFIs and community-based organizations that were on the frontlines helping businesses navigate the unprecedented crisis.

As a result of this intentional, local-partnership approach, our small business lending capital deployed during the pandemic reached very small businesses. To date, the current median employee count among recipients is around two and our average loan size is $43,000. The program reached businesses that serve underserved communities. Nearly half (approximately 45%) of the capital was deployed to businesses located in minority communities.

In addition to our $1.25 billion CDFI commitment, we recently committed an additional $1 billion in partnership with the SBA and our CDFI partner Lendistry to fund approximately 40,000 PPP loans, over half of which will benefit minority-owned businesses. We moved expeditiously to ensure these applicants were able to have their loans processed and approved before the PPP funds were exhausted. The commitment to Lendistry, one of the most active SBA Community Advantage lenders in the country, will be the largest ever to a Black-led CDFI and will provide much-needed capital to underserved small businesses, especially Black-run small businesses and communities, who have been disproportionately impacted by the massive economic, health, and social disruption over the last 16 months.

To amplify the reach and impact of our capital, we engaged with stakeholders in the public sector to identify opportunities to partner to support the efforts that were already undertaken to support small businesses hit the hardest in the early days of the pandemic. As a result, we were able to support emergency funds with New York City and Chicago, which has served as a model for other relief funds across the country. Additionally, to ensure the furthest reach of this capital to underserved small businesses, we partnered with organizations such as the National Urban League, the U.S. Hispanic Chamber of Commerce, and the New Voices Foundation to deploy capital, critically important information, and technical assistance, to small businesses owned by entrepreneurs of color.

We applaud Congress's move to expand PPP late last year by injecting additional funding into the program so that the hardest hit businesses could get a second PPP loan, and importantly, the decision to provide for a $15 billion set aside for CDFIs and community-based lenders, which is something we advocated for from the very beginning. As a result of this expansion of the program, we expanded our commitment by providing an additional $500 million to our CDFI partners to fund PPP loans in 2021, bringing our total commitment to $1.25 billion.

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. To date, we have graduated 10,800 small business owners, with 73% of graduates reporting revenue increases and 54% adding jobs within 30 months of graduation. I am particularly proud that Goldman Sachs is one of the largest private contributors to community colleges in the United States.

Additionally, our commitment to and investments in CDFIs and MDIs is 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.

In 2020, we announced an additional $250 million commitment to the program to serve 10,000 more entrepreneurs.

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 recently launched a new investment initiative, 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 new 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 $300 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 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. For example, the New York City safety-net hospital loan, described above, is part of this initiative and we expect thousands of Black female healthcare workers and patients will benefit from the GS loan.

To date, we have announced that we will provide investment capital and philanthropic grants to 12 organizations nationwide, as listed in the Appendix.

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) and Rosalind G. Brewer (CEO of Walgreens) 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.

Launch With GS
Three years ago, we developed Launch With GS, a $500 million investment strategy that aims to increase access to capital and facilitate connections for women, Black, Latinx, and other diverse entrepreneurs and investors. Since its inception, Launch With GS has deployed more than $500 million globally to companies and funds with diverse management teams. In early 2021, we announced an additional $500 million commitment to Launch With GS, for a total of $1 billion toward investing in these entrepreneurs and funds.

Launch With GS is grounded in our belief that diverse leadership teams outperform if they are given access to capital and the resources to drive their businesses forward. In addition to deploying capital, we are fostering a global ecosystem of founders, investors and clients. In early 2020, Launch With GS announced Goldman Sachs's first Black and Latinx Entrepreneur Cohort, comprising a group of high-growth start-ups from across the United States. Beyond access to capital, these businesses participate in a customized six-week virtual experience — including one-on-one and sector-specific workshops with our research, banking and investment teams, and interaction with start-up experts across key areas, including legal services, capitalization, marketing and branding.

Philanthropic Initiatives
A dedication to service and a commitment to using our expertise and convening power to help address broader issues has long been a core element of our culture. Moreover, since the onset of the pandemic, we have been focused on how we can help communities around the world, including those where we live and work.

As a key element of the firm's overall impact investing platform, we established our Goldman Sachs Gives program to coordinate, facilitate and encourage global philanthropy by our most senior leaders – partners. GS Gives is committed to fostering innovative ideas, solving economic and social issues, and enabling progress in underserved communities globally. Since 2010, GS Gives has granted more than $1.8 billion to over 8,000 nonprofits in 100 countries around the world. In 2020, GS Gives deployed nearly $200 million in grants to support pioneering nonprofit organizations and firm initiatives such as the COVID-19 Relief Fund and the Fund for Racial Equity.

The Goldman Sachs COVID-19 Relief Fund was designed to address the most pressing challenges brought on by the pandemic in the world's hardest-hit communities. Grants deployed provided assistance for healthcare providers on the front lines, aid for the most vulnerable populations, including underserved children and families, economic relief for reduced and lost work, and support for accelerated medical research. The fund has deployed a total of $42 million to date, supporting 305 nonprofits working directly on COVID-19 relief and response efforts in more than 30 countries around the world.

Additionally, in response to the COVID-19 pandemic, we facilitated the donation of more than 2.5 million surgical masks and 700,000 N95 masks to hospitals worldwide. In New York, we connected Mount Sinai Hospital with our ground transportation partner and donated cleaning supplies to help the dedicated car service safely transport healthcare workers to and from three local hospitals.

Most recently, we announced an additional $10 million commitment to support relief and recovery efforts in India, which is home to three Goldman Sachs offices and thousands of our people. Our funding will be deployed to support frontline health facilities that are leading the fight against COVID-19, including ongoing vaccination efforts. It will also be used to support initiatives promoting mental health in several cities across India and to support communities with economic recovery.

In addition to our COVID-19 relief and recovery efforts, last June we created a $10 million fund, the Goldman Sachs Fund for Racial Equity. Through GS Gives, the fund supports the vital work of leading organizations addressing racial injustice, structural inequity and economic disparity. To date, the fund has donated to (among others) the NAACP Legal Defense Fund, the Black Economic Alliance Foundation, the United Negro College Fund, Equal Justice Initiative, Black Girls Code and the Innocence Project.

Investing in Diversity and Inclusion

Improving our diversity and inclusion efforts in every aspect of the work we do at the firm is 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 and disability or whatever contributes to who we are. Effectively serving a broad and diverse set of clients means having an appreciation and understanding of their different experiences, interests and values, and we are committed to building a team capable of that critical work. I believe a core part of my tenure as CEO will be defined by our progress on this front. I believe that we should have a company that looks like the regions and communities we serve.

We are focused on driving accountability and transparency as it relates to these efforts and ensuring we have impact not only on the people of Goldman Sachs but also on the communities where we operate. For the first time, we published in April our inaugural People Strategy Report, which provides a comprehensive overview of our approach to attracting, developing, retaining and rewarding diverse talent. The Report also discusses how we hold managers and senior leadership accountable for our diversity and inclusion commitments, including by our global, regional, and divisional committees.

Board Diversity

We have been, and will continue to be, committed to diversity on our Board, and in recent years, have maintained a particular focus in our director searches on diverse candidates. Our Governance Committee aims to develop a Board that, as a whole, reflects diverse viewpoints, backgrounds, skills, experiences and expertise.

As of July 1, 2021, our five most recently appointed independent directors will be women: Kimberley Harris, Jessica Uhl, Dr. Drew Faust, Vice Admiral Jan Tighe (Ret. U.S. Navy) and Ellen Kullman. Of our 13 directors who will be in place on July 1, our Board will include: six directors who are women, two directors who are Black, including our Lead Director and our newest director Kim Harris, one director who is of Indian descent, one director with career service in the military and three directors who are non-U.S. or dual citizens. Overall, our Board will be 62% diverse by race, gender or sexual orientation.

Diversity of Senior Leaders
Having a diverse Board is not enough to achieve where we want to be on our diversity efforts. Our most recent partner class had the highest percentage of women (27%, up 4% from 2016) and Black partners (7%, up 3% from 2016) in our history. We also recently added two women and one ethnically diverse leader to the Management Committee, bringing the total on the committee to seven women and four non-white leaders out of 28 Committee members.

Most recently, I announced a number of new leadership positions within our firm – many of whom are women. These include the Chief Legal Officer and General Counsel, the Global Co-Head of our Consumer and Wealth Management Division, the Head of Investor Relations, the Chief Operating Officer for our Asset Management Division, and our Deputy Chief of Staff for the firm. I have also recently promoted a number of Black professionals into leadership seats in the last year, including our Chief Strategy Officer, our Global Head of Corporate and Workplace Solutions, our Co-Head of Investment Banking in Asia (ex-Japan), our Global Chief Operating Officer of Global Investment Research and our Private Wealth Management New York Region Head.

However, more work needs to be done to enhance the diversity of our senior leaders across the firm, and we are working to improve these efforts.

Increasing Diverse Representation
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. In 2019, we set forth ambitious aspirational goals and a comprehensive action plan to increase diverse representation at all levels and create an even stronger culture of inclusion for all of our people. We are aiming to achieve representation in entry-level hiring of 50% women globally, 11% Black professionals and 14% Hispanic/Latino professionals in the Americas, and 9% Black professionals in the UK.

With consistent and persistent focus, we have attracted more diverse talent to Goldman Sachs than ever before. In our 2020 campus analyst class in the Americas, 55% were women, Black talent made up 11% of the class, Hispanic/Latinx talent made up 17%, and Asian talent made up 31%. The positive results we have achieved demonstrate the power of setting aspirational goals and holding ourselves accountable.

In addition to setting clear aspirational goals, we continue to find innovative ways to democratize 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 HBCUs, we launched a $25 million commitment to HBCUs over the next five years. The commitment is tied to the *Market Madness: HBCU Possibilities Program*, a four-month training in finance fundamentals. 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, and over time we believe that this expansion in our long-term investment in HBCUs will help us better serve our clients and contribute to a more inclusive and dynamic economy and society.

But we know it is not enough to recruit talent; we also need to make sure they can realize their potential, so we've set additional representation goals to hold ourselves accountable and do so transparently in the public domain. By 2025, we aim for 7% of our vice presidents in both the Americas and the U.K. to be Black, 9% of our vice presidents in the Americas to be Hispanic/Latinx, and 40% of our vice presidents across the globe to be women. By increasing the diversity of our vice president population, we pave the way to increase the representation of our most senior roles at the firm.

We have also embraced our responsibility as a leader in our industry to promote change. In July 2020, we began a new policy to only underwrite initial public offerings for companies domiciled in Western Europe and the United States that have at least one diverse board member. The feedback we've received from clients and investors has been overwhelmingly positive, and in July 2021 we will raise that figure to two.

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, minority and women 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.

Moreover, we actively encourage our sourcing teams to include small and diverse businesses in competitive bids and encourage our larger, non-diverse vendors to do the same. Our Vendor Code of Conduct, which all of our vendors must acknowledge, also states the expectation we have of our vendors to provide diverse companies with the opportunity to compete on a fair and equal basis for business. In 2020, in an effort to minimize barriers to entry, we built a new website to increase transparency on doing business with Goldman Sachs and simplified our online application form to encourage more prospective diverse vendors to submit their details as to expertise and experience, which is then shared with our strategic sourcing teams.

In recent years, we have further expanded our program globally and firmwide. In addition, we continue to partner with our 10,000 Small Businesses program, 10,000 Women program, Launch With GS and One Million Black Women initiatives, among others, to identify diverse vendors for upcoming sourcing opportunities.

This year, for the first time, we publicly reported our spend with small and diverse businesses. In 2020, we bought goods and services worth over $265 million from small and diverse vendors globally. Seventy percent was with minority-women-owned businesses and 30% with small businesses. Twenty-eight percent was subcontracted through our non-diverse prime vendors to multiple smaller diverse vendors.

Over the course of 2021, we are further enhancing our reporting capabilities and we remain committed to holding ourselves and our vendors accountable in our efforts to increase activity with small and diverse businesses from our 2020 baseline by 50% by 2025.

Use of Diverse Asset Managers
Our asset management business works with nearly 40 external asset managers that are majority women-owned or ethnically diverse-owned firms. This number has almost doubled over the last two years due to a focused effort to increase our pipeline and onboard more diverse managers. These firms manage equity, fixed income, hedge fund and private equity assets for Goldman Sachs institutional and private clients.

In addition, we are continuing to refine and enhance our diverse manager sourcing across all asset classes to further increase the number of diverse-owned managers on the platform. We are increasing the training of our manager selection team on diversity, equity and inclusion and will be hiring additional professionals with experience in sourcing diverse managers. We also plan to partner with diverse industry trade organizations to connect to smaller diverse-owned managers and have partnered with organizations focused on creating an asset management investor pipeline.

Use of Diverse Broker-Dealers
Goldman Sachs is one of the largest issuers of corporate bonds in the investment grade capital markets, and we have had an established diverse broker-dealer program for many years. Specifically, in the last 10 years, we have employed a range of diverse firms on every new syndicated USD benchmark and preferred financing we have issued for ourselves, representing over $156 billion of aggregate issuance. We have endeavored to be inclusive across all diverse firm types with strong representation from Black, Hispanic, disabled veteran and women owned and operated firms.

The majority of these transactions have included four diverse firms, with some including as many as 12. Over this period, we have asked 23 different diverse firms to join our underwriting syndicate, and we are proud to support these firms and their underwriting and distribution businesses. We manage our relationships with diverse firms on a continuous basis and regularly review our partner firms based on numerous criteria, including the commitment each makes to their community, the proportion of their employees that are diverse and representative of their demographic, and their distribution capabilities.

Moreover, in 2020, our Federal Instruments Fund — designed to direct the bulk of its trading to diverse broker-dealers — raised $3.1 billion, more than twice the prior year. This stands as the leader among all diversity and inclusion–related money market fund flows during 2020. Despite that significant inflow, the fund maintained 61.8% of purchases with diverse-, women- or veteran-owned broker-dealers who benefited from the increased trading volumes.

Investing in Sustainability and a Transition to a Green Economy

At Goldman Sachs, we have a long-standing commitment to sustainability. We view climate transition and inclusive growth as drivers of risk and opportunity for us and our clients.

I am proud of our established track record of focusing on environmental matters. We were the first major U.S. bank to come forward in 2005 with a comprehensive Environmental Policy Framework, where we acknowledged the scientific consensus that climate change is real and that it is one of the most significant environmental challenges of the 21st century. In 2015, we updated that Framework to underscore our commitment to leveraging our people, capital and ideas to find solutions to address climate change, including by developing a target to finance and invest $150 billion in clean energy by 2025.

In 2019, we developed a sustainable finance framework to put climate transition and inclusive growth at the forefront of our work with clients. We have set clear targets and remain committed to reporting and providing transparency on our progress. For example, as part of our commitment, we announced that we would target $750 billion in financing, investing, and advisory activity on our sustainability priorities by 2030. In the first year, we far surpassed what we thought possible, reaching $156 billion in commercial activity, which includes $93 billion dedicated to climate transition.

We have been carbon neutral across our own operations and business travel since 2015, five years earlier than our goal, and we recently extended that carbon neutral commitment to include our supply chain, targeting net-zero greenhouse gas emissions by 2030. This commitment aligns our financing activities with a net-zero-by-2050 transition pathway, in line with the goals of the Paris Agreement.

And, because we cannot possibly confront the challenges of climate change and structural inequity on our own, we have gone beyond our commercial work to partner with our peers and other organizations to effect real change. For instance, we are working with the Bloomberg-sponsored Climate Finance Leadership Initiative to help attract more private capital to sustainable infrastructure projects in emerging markets.

Increasingly, we advise corporates seeking to integrate ESG or related principles into their strategy and help them identify sustainability-related risks and opportunities as levers of growth. This includes financing opportunities that fund investment in our clients' transition to a lower-carbon-intensity business model, participating in the scaling of sustainable finance in equity capital markets, and facilitating M&A opportunities to accelerate climate transition and inclusive growth.

For example, in August 2020, we brought to market Alphabet's first-ever sustainability bond issuance and the largest-ever such bond issued by a corporate. Proceeds will be targeted toward sustainability projects, including clean energy and transport, circular economy and design, energy efficiency, and affordable housing. Additionally, we launched in February 2021 our inaugural sustainability bond issuance. This $800 million commitment is aligned with our sustainable finance framework for future issuances and further demonstrates our belief that building a low-carbon, inclusive economy is a business imperative.

These initiatives are very much market driven, good for business and a way for us to help our clients transition to a low carbon future, and we are staying the course.

Appendix

In the invitation from Chairwoman Waters to confirm my participation as a witness for this hearing, you asked us to include a discussion of (among the items described above) our participation in certain Federal Reserve emergency facilities, our capital markets activities and losses related to Archegos, our approach to cybersecurity and protecting consumer data, our use of emerging technology, our approach to reputational and other risks, how our compliance program has changed since I last testified, our compensation and clawback policies, our arbitration provisions in certain contracts, enforcement actions, and our 10-year history of our end-of-year capital and leverage ratios and capital distribution. This Appendix includes our responses.

Goldman Sachs Participation in Federal Reserve Emergency Facilities

Congress and the Federal Reserve sent a clear message last March to decisively support the global economy by establishing emergency facilities designed to provide stability and support the flow of much-needed credit to businesses and communities. In general, the regulated banking sector was a conduit for the credit and liquidity programs that the Federal Reserve was directed by Congress to establish. Participation in the Federal Reserve's emergency facilities by private financial institutions such as Goldman Sachs was necessary in order for many of these programs to be implemented and reach American businesses and communities.

In an effort to support the Federal Reserve's goals and make the best use of our resources, we carefully assessed our participation in specific programs. We focused on facilities that aligned with our expertise, particularly where we have had a historical presence in the market and substantial client relationships, and where we could have the greatest impact. We were one of 41 eligible sellers who participated in the Secondary Market Corporate Credit Facility; Goldman Sachs accounted for approximately 7% of the market share in the Federal Reserve's purchasing activity. We also participated in the Money Market Mutual Fund Liquidity Facility, which was client initiated and under which banks that purchase assets from money market mutual funds can pledge those assets on a nonrecourse basis to the Federal Reserve, as well as the Primary Dealer Credit Facility, which permits broker dealers to borrow against a wide array of collateral. The funds that we received to participate in these facilities, which were based on the terms set forth by the Federal Reserve, were not significant.

GS Capital Markets Activities

As a general matter, our capital market 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 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.

We make markets in and clear institutional client transactions on major stock, options and futures exchanges worldwide and provide prime brokerage and other equities financing activities, including securities lending, margin lending and swaps. Additionally, we provide various forms of financing to clients globally.

The swap transactions with respect to Archegos were executed between Archegos Fund, LP and Goldman Sachs International ("GSI"). The swaps between GSI and Archegos generally involved single-name equity underliers, and, to a lesser extent, broad-based equity indexes and a broad-based equity market exchange traded fund. Archegos had a concentrated and leveraged portfolio of equity swaps with various dealers, including Goldman Sachs, and the market for certain of the equities underlying the swaps in Archegos's portfolio moved quickly against Archegos resulting in margin calls that Archegos could not meet.

Goldman Sachs did not sustain any losses as a result of the termination of its positions with Archegos following Archegos's default. The firm managed its exposures to Archegos's positions rapidly through a combination of our risk management policies and practices, including real-time monitoring of Archegos's positions and timely responses to increasing risk exposures (and the unwinding of those exposures), as well as the performance of our equity sales franchise.

Cybersecurity
Cybersecurity is front and center on my agenda, as well as on our Board's agenda. Like every firm, we face a steady stream of attempted cyberattacks every day, including from highly sophisticated adversaries. Protecting against cyberattacks is standard procedure for Fortune 500 companies. We take very seriously our responsibilities to our customers to maintain the highest level of privacy, security, and control over customer financial data, assets and transactions. We identify and mitigate vulnerabilities as they are discovered in four key ways.

First, we work together across the financial sector and between the government and the industry to understand the adversaries who are targeting our institutions. We share information regularly with our industry and government partners to identify new threats and protect our systems from their techniques. Going forward, we continue to encourage even more information sharing between the financial sector and the U.S. government.

Second, we actively identify and fix vulnerabilities in our network. We actively do penetration tests with our own highly skilled staff as well as use specialized third parties to find possible vulnerabilities before potential attackers.

Third, the protection and responsible use of client data is deeply engrained in our culture and nowhere is that more critical and visible than the expansion of our consumer businesses. Our goal is always to consider privacy regulations as a floor rather than a ceiling when implementing privacy protections for customer data.

Fourth, we are focused on ensuring the resiliency and continuity of critical firm functions under all conditions. While it is impossible to prevent all incidents, we conduct regular tests of our business continuity plans and approaches to rapidly restore key systems in the event of a catastrophic event.

But we cannot solve the cybersecurity issue alone, which is why I am encouraged by the number of strong regulators across the financial sector that stipulate cybersecurity and other controls to reduce the risk of major incidents. We continue to support the need for harmonization of regulations, domestically and globally, including through use of the Financial Sector Cybersecurity Profile as a common approach to assessing cybersecurity maturity across the industry.

Protecting Data of Goldman Sachs Customers
In addition to our cybersecurity measures, protecting consumer data is a critical priority and it certainly has been a central area of focus for us as we develop Marcus. Goldman Sachs has a long history of protecting our clients' information and our Marcus business is no different. We have a number of internal standards and policies and a strong technology risk organization that is responsible for designing and implementing security controls to protect our customers' personal information. Additionally, Goldman Sachs' approach to protecting consumer data is independently assessed by leading auditing organizations on the effectiveness of our controls in maintaining the confidentiality, availability, and security of information.

We also operate under global regulatory frameworks that helps us ensure we keep our consumer data protected. 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.

Goldman Sachs Use of Emerging Technology
We believe that technological innovation is fundamental to our business and our industry. The growth of such technologies is changing our businesses and presenting us with new opportunities to better serve customers and markets.

Goldman Sachs believes that AI and machine learning, with appropriate protections and oversight, can offer many advantages to consumers (including more customized and innovative products and services, lower costs and better customer experience) and can help to enhance compliance efforts. We are also actively exploring ways that DLT can potentially improve financial markets and better serve our clients. This spans across digitization of existing assets to help reduce risk and improve liquidity in the markets. For example, Goldman Sachs recently participated in the European Investment Bank's digital bond offering exclusively on chain.

In response to client demand, the firm is also exploring avenues to safely provide clients access to cryptocurrencies, which has included facilitating private wealth management clients access to funds with cryptocurrency strategies and opening our cryptocurrency desk to trade cash-settled products with cryptocurrency underliers.

Goldman Sachs Approach to Climate, Reputational and Other Risks
At Goldman Sachs, we make judgments on how we want to deploy capital. We approach any climate risk, reputational risk and other risks that affect our business, our shareholders and our employees with the same care and discipline as how we manage all risks to our business.

In particular, we have a firmwide reputational risk committee that is made up of predominantly control-side members. This committee focuses on transactions that potentially present heightened reputational risk for the firm. These types of transactions include, for example, products or services provided to gun manufacturers, private prisons, and the fossil fuel industry as well as individuals and groups that support any form of human trafficking, terrorism, among other reputationally-sensitive issues. The members of the firmwide reputational risk committee are empowered to stop any transaction.

This committee is chaired by our president and chief operating officer, who is appointed as chair by the chief executive officer, and the vice-chairs are our chief legal officer and the chair of Conflicts Resolution, who are appointed as vice-chairs by the chair of the committee. This committee periodically provides updates to, and receives guidance from, the Public Responsibilities Committee of the Board.

Goldman Sachs Compliance Program Updates
At Goldman Sachs, we are continually enhancing our compliance program, reputational risk framework, and banking policies, procedures, investment and lending practices. We also continue to make enhancements to ensure appropriate controls are in place to minimize the risk of reputational consequences, taking into account lessons learned from internal and external events. We continue 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.

Since 2015, we have made significant enhancements to our compliance and internal controls related to anti-bribery and transaction approvals, including:

- re-designing our framework for addressing reputational risk, including the creation of a firmwide reputational risk committee (described above)
- doubling the size of our Global Compliance Division
- uplifting and relaunching our Code of Business Conduct and Ethics to clearly and unequivocally message our highest standards that every employee is responsible for living up to our core values
- strengthening anti-bribery and anti-corruption controls for intermediaries and third parties
- expanding the required due diligence for transactions directly or indirectly involving sovereigns in high-risk jurisdictions or growth markets

Moreover, in recent years, we have made further enhancements. These include:

- exercising heightened scrutiny of senior level people engaged in high risk areas, business or products
- ensuring greater focus and additional actions when "red flags" are identified
- further developing targeted e-communication surveillance based on new emerging technology
- improving training on compliance responsibilities firmwide

Goldman Sachs Compensation Policies
Our Compensation Principles guide our Compensation Committee in its review of compensation for the most senior employees at our firm, including the Committee's determination of the compensation of our executive officers. In general, our Compensation Principles require that the more senior you become at Goldman Sachs, the more your total compensation is tied to the long-term health of the firm. For example, members of our Management Committee receive the majority of their total compensation in the form of deferred equity (approximately 60-70%), which is subject to retention and holding requirements, which ties them directly to the

long-term health of Goldman Sachs. Ultimately, we believe our compensation program is designed so that it does not encourage imprudent risk taking.

Our people are paid based on the performance of the firm as a whole, their group's performance and their individual performances (including based on nonfinancial factors such as compliance, teamwork and culture). Moreover, our Compensation Principles, which apply to all of our employees, specifically include:

- Paying for Performance, which means that firmwide compensation should directly relate to firmwide performance over the cycle
- Encouraging Firmwide Orientation and Culture, which means that employees should think and act like long-term shareholders, and compensation should reflect the performance of the firm as a whole
- Discouraging Imprudent Risk-Taking, which means that compensation should be carefully designed to be consistent with the safety and soundness of our firm
- Attracting and Retaining Talent, which means that compensation should reward an employee's ability to identify and create value, but the recognition of individual performance should be considered in the context of the competitive market for talent

In addition to our Compensation Principles, in reviewing compensation for our most senior employees, our Compensation Committee is guided by our Variable Compensation Frameworks, which more broadly govern the variable compensation process for our employees (such as our executive officers) who could expose the firm to material amounts of risk, and our Performance Assessment Framework, which we developed to provide greater definition to, and transparency regarding, the key factors the Compensation Committee considers in assessing the firm's performance in connection with compensation decisions for our senior leaders (including our executive officers).

The Performance Assessment Framework includes an assessment of pre-established financial metrics and nonfinancial factors on a firmwide and divisional basis across four categories: (1) financial performance, (2) clients, (3) risk management and (4) leadership, culture and values (which includes people-related metrics), and is intended to provide a structure to help to ensure that our compensation program for our senior leaders continues to be appropriately aligned with our long-term strategy, stakeholder expectations and the safety and soundness of our firm.

In addition, for 2020, our Committee considered the following factors in determining the amount and form of variable compensation to be awarded to each of our executive officers:

- individual performance
- stakeholder feedback, including specific feedback received from shareholders and other constituents and the results of our Say on Pay votes
- market for talent
- Chief Risk Officer input and risk management
- regulatory matters and the views of our regulators

Clawback Provisions
The firm has a long-standing practice of including robust recapture (or clawback) provisions in our award agreements that, among other things, help ensure appropriate accountability among executives and other employees. This includes potential forfeiture or recapture for conduct that constitutes "cause" or certain "risk" violations. The firm's definition of "cause" is designed to reinforce to our people the importance of following the firm's policies and procedures and protecting the firm, its reputation and its business interests, by covering a variety of inappropriate conduct, including:

- conviction of certain crimes
- engaging in conduct detrimental to the firm
- engaging in employment disqualification conduct under applicable law
- violating any securities or commodities laws, rules or regulations of any relevant exchange or association of which the firm is a member
- violating certain firm policies

The firm's variable compensation award agreements also include a "risk" forfeiture provision that may result in forfeiture if the employee, during the relevant fiscal year, participated (or otherwise oversaw or was responsible for, depending on the circumstances, another person's participation) in the structuring or marketing of any product or service, or participated on behalf of the firm or any of its clients in the purchase or sale of any security or other property, in any case without appropriately considering the risk to the firm or the broader financial system; and as a result the Compensation Committee determines there has been or reasonably could be expected to be a material adverse impact on the firm, the employee's business unit or the broader financial system.

Median Compensation
In accordance with SEC rules, we calculated and disclosed the ratio between my FY 2020 compensation, and the median of the 2020 compensation of all of our other employees. For 2020, this ratio was approximately 172:1.

Minimum Wage
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 minimum compensation levels in the United States exceed $15 per hour. Additionally, unlike for our own employees whom we employ directly, we negotiate a rate with our vendor firms and they determine how much of the rate they pass onto their staff. In the United States, all of our vendors are paid above minimum wage, and a substantial majority of our U.S. vendors are paid more than $15 per hour.

Arbitration Provisions
A central principle underlying the design and development of our products and servicing approach for our U.S. consumers is that the consumer is at the center of everything we develop. For our U.S. direct to consumer retail lending and savings products, we believe that we have pro consumer arbitration provisions, which balance our simple and transparent product characteristics with the increased efficiency, cost-savings, flexibility and privacy afforded by arbitration. For example:

- Consumers may opt out of the arbitration clause completely within 90 days after account opening
- We clearly and prominently disclose to each of our Marcus consumers the arbitration clause and their ability to opt out; this language is in all caps on the first page of each Marcus consumer agreement
- We agree to pay all costs associated with the arbitration
- Consumers may also pursue claims in small claims court rather than in arbitration
- Our approach is also designed to address a common concern raised regarding small dollar claims by providing that, if the consumer prevails at arbitration and receives an award greater than our last settlement offer (i.e., last offer made before the arbitrator is selected), we will pay the greater of that amount or $10,000 plus reasonable attorneys and expert fees
- We encourage early dispute resolution by encouraging mediation prior to arbitration
- We agree to pay the cost of the mediator
- The consumer may select for his/her arbitration hearing to take place in the judicial district where he/she lives
- Consumers can choose whether they would like to have their arbitration heard before the Judicial Arbitration and Mediation Services, Inc. (JAMS) or American Arbitration Association (AAA). We will pay all fees of JAMS or AAA

In addition to the Marcus agreements described above, we have employment-related arbitration agreements as a broker dealer through FINRA for employees who carry registrations. We also have arbitration agreements directly between the firm and our employees, as well as between the firm and our contingent workers. We believe the arbitration forum has many advantages for all parties, including increased efficiency and speed, cost-savings and flexibility.

Public Enforcement Matters

Based on our internal payment records, since April 2019, Goldman Sachs has paid approximately $5.1 billion to governmental entities, state and federal regulators and self-regulatory organizations in connection with governmental and regulatory actions and approximately $94 million in settlements of civil actions. The majority of the payments were in connection with various settlements related to 1Malaysia Development Berhad (1MDB).

In August 2020, Goldman Sachs announced that it entered into a settlement agreement with the Government of Malaysia to resolve the criminal and regulatory proceedings in Malaysia involving the firm relating to 1MDB, which included a payment to the Government of Malaysia of $2.5 billion and a guarantee that the Government of Malaysia receives at least $1.4 billion in assets and proceeds from assets seized by governmental authorities around the world related to 1MDB. In addition, in October 2020, Goldman Sachs announced that it reached settlements of governmental and regulatory investigations relating to 1MDB with the DOJ, the SEC, the Federal Reserve Board (FRB), the New York Department of Financial Services (DFS), the U.K. Financial Conduct Authority (FCA), the UK Prudential Regulation Authority (PRA), the Singapore Attorney General's Chambers, the Singapore Commercial Affairs Department, the Monetary Authority of Singapore, and the Hong Kong Securities and Futures Commission (SFC), which will involve payments of approximately $2.6 billion to those entities.

Goldman Sachs End of Year Capital and Leverage Ratios and Capital Distributions

Year-End CET1 Capital Ratios and SLRs *(on a fully-phased in basis)*[1]								
	Y/E 2013	Y/E 2014	Y/E 2015	Y/E 2016	Y/E 2017	Y/E 2018	Y/E 2019	Y/E 2020
Standardized CET1 Ratio	9.2%	10.2%	12.9%	14.0%	11.9%	13.3%	13.3%	14.7%
Advanced CET1 Ratio	9.8%	11.1%	11.7%	12.7%	10.7%	13.1%	13.7%	13.4%
SLR	~5%	5.0%	5.9%	6.4%	5.8%	6.2%	6.2%	7.0%

Annual Common Share Repurchases, Common Dividends and Preferred Dividends *($ in millions)*										
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Common Share Repurchases	$6,036	$4,637	$6,175	$5,469	$4,195	$6,069	$6,721	$3,294	$5,335	$1,928
Common Share Dividends	$769	$903	$988	$1,054	$1,166	$1,129	$1,181	$1,226	$1,544	$1,795
Preferred Dividends – Excl, Series G Redemption	$ 289	$183	$314	$400	$515	$311	$601	$599	$569	$544
Preferred Dividends – Series G Redemption[2]	$1,643	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

[1] Effective January 2018, Goldman Sachs was subject to the fully phased-in Common Equity Tier 1 (CET1) capital ratio requirements, calculated in accordance with both the Standardized and Advanced Capital Rules, and a supplementary leverage ratio (SLR) requirement. The table presents our fully phased-in CET1 capital ratios and SLR going back to the earliest year end reported, including periods prior to the effective date. Prior to 2018, Goldman Sachs was subject to the consolidated regulatory capital requirements that were in effect at the time of each respective year, and reported on such basis.

[2] FY2011 included a $1.64 billion preferred dividend related to the redemption of our Series G Preferred Stock, held by Berkshire Hathaway.

One Million Black Women First Round of Capital Investments and Philanthropic Grants

On May 21, 2021, we announced that investment capital and philanthropic grants will be provided to the following organizations as part of our One Million Black Women program:

- **Archer Towers** *(New York, NY)* will receive an investment to fund the construction of a mixed-income residential development in Jamaica, Queens consisting of 181 affordable units, 424 market rate units, 13,900sf of retail space, and 224 parking spaces. Housing is intrinsically connected to better health outcomes, economic mobility, and employment prospects for Black women. This investment will provide stable, quality, affordable housing in a traditionally cost-prohibitive metro area.
- **Birth Center Equity** *(National)* will receive a grant to support Black women led community birth centers in providing access to new resources that ensures Black women's collective vitality, sustainability, and growth.
- **BlocPower WiFi** *(New York, NY)* will receive an investment to expand broadband services across the Bronx and Upper Manhattan with a focus on low-income neighborhoods. The lack of affordable broadband access leads to barriers to education, employment, banking services, healthcare, social networks and other services for Black women.
- **Buy From A Black Woman** *(Atlanta, Georgia)* will receive a grant to continue website development, social media education content, technical assistance and grant funding to small Black-women owned businesses.
- **Center for Maternal Health Equity at Morehouse School of Medicine** *(Atlanta, Georgia)* will receive a foundational grant to directly address the disproportionate maternal mortality that Black women face in comparison to white women. 60% of maternal deaths are preventable and this investment will seek to reverse this troubling statistic.
- **Collab Capital Fund I** *(National)* will receive an investment to fund investments in Black founders building innovative, high growth companies. Currently, Black women start businesses at the fastest rate of any demographic, but receive 0.27% of venture capital funding.
- **Columbus Urban League** *(Columbus, Ohio)* will receive a grant to fund the pilot launch of Incubate Her, which will create meaningful change in the economic health and outlook of Black women in Central Ohio.
- **NYC COVID-19 Loan Facility** *(New York, NY)* will receive an investment to fund critical staffing needs related to the COVID-19 vaccination process and patient care at New York City's safety-net hospitals which serve the City's underserved Black communities.
- **Prosp(a)rity Project** *(East Palo Alto, California)* will receive a grant to fund the development of the 35*2 Free Initiative, which provides personalized financial coaching and retroactive scholarships for "Prosperettes" to help manage student loan debt.
- **Sadie Collective** *(Washington, District of Columbia)* will receive a grant to fund the creation of high school economic clubs for young Black girls to participate in the annual Federal Reserve Challenge.
- **Springboard To Opportunities: Magnolia Mother's Trust** *(Jackson, Mississippi)* will receive a grant to fund the next iteration of the Magnolia Mother's Trust program, which provides Black mothers living in extreme poverty with a $1,000 monthly stipend to help lift them out of poverty.
- **Women's Fund of Central Ohio** *(Columbus, Ohio)* will receive a grant to fund the Enduring Progress Initiative to fill the systemic funding gap faced by non-profits led by women of color.

State of West Virginia

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May 25, 2021

The Honorable John F. Kerry
Special Presidential Envoy for Climate
United States Department of State
2201 C Street, Northwest
Washington, DC 20520

Dear Mr. Kerry:

We are writing today to express our deep concern with recent reports that you, and other members of the Biden Administration, are privately pressuring U.S. banks and financial institutions to refuse to lend to or invest in coal, oil, and natural gas companies, as part of a misguided strategy to eliminate the fossil fuel industry in our country.[1] As members of the U.S. Senate Banking Committee have noted,[2] these efforts to secure extralegal commitments from financial institutions will discriminate against law-abiding U.S. energy companies and their employees, impede economic growth, and drive up consumer costs.

As a collective, we strongly oppose command-and-control economic policies that attempt to bend the free market to the political will of government officials. It is simply antithetical to our nation's position as a democracy and a capitalist economy for the Executive Branch to bully corporations into curtailing legal activities. The Biden Administration's top-down tactics of picking economic winners and losers deprives the real determinate group in our society – the people – of essential choice and agency. We refuse to allow the federal government to pick our critical industries as losers, based purely on President Biden's own radical political preferences and ideologies. At the outset of his administration, President Biden promised to be a president for all Americans. The pressure his Administration is imposing on American financial institutions runs

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[1] See e.g. Zack Coleman, *Kerry to Wall Street: Put your money behind your climate PR*, POLITICO (March 12, 2021, 3:40 PM), https://www.politico.com/news/2021/03/12/kerry-to-wall-street-put-your-money-behind-your-climate-pr-475565; and Jonathan Garber, *GOP senators warn Biden administration on de-banking energy companies*, FOX BUSINESS (April 21, 2021), https://www.foxbusiness.com/politics/gop-senators-warn-biden-administration-on-de-banking-energy-companies.

[2] See Letter from the U.S. Comm. on Banking, Finance, and Urban Affairs to John F. Kerry, Special Presidential Envoy for Climate, (April 20, 2021), *available at* https://www.banking.senate.gov/imo/media/doc/toomey_gop_members_letter_to_kerry.pdf.

directly counter to that promise, as it will certainly harm the most economically depressed areas in our states and the most vulnerable of our people.

The coal, oil, and natural gas industries in our states are vital to our nation's economy. These industries provide jobs, health insurance, critical tax revenue, and quality of life to families across our country. As the Obama Administration's *War on Coal* demonstrated, reckless attacks on the fossil fuel industry ultimately cut off paychecks for workers and take food off the table for hard-working middle-class families – the very people the Biden Administration claims to champion.

Therefore, we intend to put banks and financial institutions on notice of our position, as we urge them not to give in to pressure from the Biden Administration to refuse to lend to or invest in coal, oil, and natural gas companies. As the chief financial officers of our respective states, we entrust banks and financial institutions with billions of our taxpayers' dollars. It is only logical that we will give significant weight to the fact that an institution engaged in tactics that will harm the people whose money they are handling before entering into or extending any contract.

For the above stated reasons, we strongly oppose the Biden Administration's efforts to cut off financing for law-abiding industries that are essential to the economy and our citizens' way of life. Thank you for your consideration in this matter.

Sincerely,

Riley Moore
Treasurer, State of West Virginia

John McMillan
Treasurer, State of Alabama

Kimberly Yee
Treasurer, State of Arizona

Dennis Milligan
Treasurer, State of Arkansas

Julie A. Ellsworth
Treasurer, State of Idaho

Allison Ball
Treasurer, Commonwealth of Kentucky

David McRae
Treasurer, State of Mississippi

Scott Fitzpatrick
Treasurer, State of Missouri

John Murante
Treasurer, State of Nebraska

Thomas Beadle
Treasurer, State of North Dakota

Robert Sprague
Treasurer, State of Ohio

Randy McDaniel
Treasurer, State of Oklahoma

Stacy Garrity
Treasurer, Commonwealth of Pennsylvania

Curtis Loftis, Jr.
Treasurer, State of South Carolina

Josh Haeder
Treasurer, State of South Dakota

House Financial Services Committee
Holding Megabanks Accountable: An Update on Banking Practices, Programs and Policies
May 27, 2021

Responses to Questions to Jamie Dimon, Chairman and CEO, JPMorgan Chase & Co.

Questions for the Record from Chairwoman Maxine Waters

All or Multiple Witnesses

1. **Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, According to the most recent weekly data from the Census Bureau, Black and Latinx homeowners were more than two times as likely as White homeowners to be behind on mortgage payments, and low-income homeowners had higher rates of non-payment than homeowners overall, throughout the pandemic.[1] A recent report from the Consumer Financial Protection Bureau found that borrowers of color were more likely to be in a forbearance plan or have missed a mortgage payment as of March 31st of this year.[2] Meanwhile, the federal foreclosure moratorium will be expiring one month from now on June 30th.**

- **How do the forbearance and modification options you offer differ when a customer's mortgage is held on your bank's portfolio, as compared with the options for a federally-backed mortgage?**
- **Will you agree to follow all FHFA, FHA and CFPB best practices in treating mortgages that aren't covered by those rules?**
- **How does your bank plan to connect homeowners with housing counseling agencies and to provide information regarding the nearly $10 billion in assistance that will be made available through the Homeowner Assistance Fund provided through the American Rescue Plan?**

Chase offers the same two categories of post-forbearance solutions to both customers with federally backed mortgage loans and customers with non-federally backed mortgage loans. The specific guidelines for individual programs vary based upon the investor/insurer. We follow best practices for FHFA, FHA and CFPB mortgages not covered by these same federal rules.

2. **Mr. Moynihan, Mr. Dimon, and Ms. Fraser, according to the latest weekly data from the U.S. Census Bureau, nearly 20 percent of homeowners are very or somewhat likely to face foreclosure over the next two months. Will each of you also commit to not initiating foreclosures through at least the rest of this year?**

To be clear - there are no winners in a foreclosure action, so it is a last resort after all other options are exhausted. During forbearance, customers are allowed to pause mortgage payments. Additionally, during the forbearance period, no late fees are assessed, missed payments are not reported to the credit bureaus and, if applicable, foreclosure is suspended. When forbearance ends, we defer all payments to the end of the loan. If for some reason they still can't resume their pre-forbearance payments, we will look to qualify them for a loan modification.

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[1] Consumer Financial Protection Bureau, *Housing Insecurity and the COVID-19 Pandemic*, (March 2021) and X. An et al., *Inequality in the Time of COVID-19: Evidence of Delinquency and Forbearance*, (Feb. 2021).
[2] Consumer Financial Protection Bureau, *Characteristics of Mortgage Borrowers During the COVID-19 Pandemic*, (May 2021).

3. **Mr. Scharf, Mr. Moynihan, Mr. Dimon, and Ms. Fraser, trade organizations of which you are a member have suggested they might sue the CFPB if they finalize their proposal to provide protections for borrowers facing foreclosure through at least the end of the year, if not longer.[3] Will you oppose such a lawsuit, and instead support CFPB's efforts to provide market-wide borrower protections to prevent harmful, unnecessary foreclosures? And will you commit to provide a reasonable amount of time for borrowers and lenders to make arrangements, including affordable loan modifications and homeowner assistance through forthcoming funds of nearly $10 billion that were provided in the American Rescue Plan Act, through at least the end of the year?**

We support efforts to protect borrowers from harmful, unnecessary foreclosures.

4. **Mr. Moynihan, and Mr. Dimon, at the Senate Banking Committee's hearing, you responded that your banks have aggressive outreach to clients about loan modifications.**
   - **Can you share more specifics about how successful your loan modification communications have been and what kinds of communications you plan to do in the future?**
   - **Does your bank request up front, lump sum payments for those that exit forbearance?**

During the pandemic, Chase provided information to customers through various channels, including through our website, emails to our customers, and phone calls. When the forbearance period ends, we defer all missed payments to the end of the loan.

5. **Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, at the hearing, I discussed the importance of banks originating small mortgages of less than $100,000.**
   - **Will you please provide for the record the number of mortgage loans your bank originated with a principal balance of less than $100,000 every year beginning in 2015?**
   - **Additionally, what is the percent of these mortgage loans compared to the total mortgage loans your bank originated every year beginning in 2015, on both a dollar and number of loan basis?**
   - **Is your bank willing to originate more of these small mortgages with a principal balance of less than $100,000? If yes, what steps will you take to do so?**

As requested, please find below the number and volume of mortgage loans JPMorgan Chase originated with a principal balance of less than $100,000 from 2017 through April 2021. We have also included the percentage of these mortgage loans compared to the total mortgage loans originated in each of these years, on both a dollar and number of loans basis.

To provide some context to the data, and specifically the numbers in 2020, we tightened credit standards in the early days of the crisis given the significant economic uncertainty, including stopping all new HELOCs and mortgages for second homes, but our affordable mortgage products were excluded from this credit tightening so we could continue to help low-to moderate-income families achieve homeownership. Today we have lifted most of this and are moving toward pre-pandemic credit standards.

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[3] See US Chamber of Commerce comment letter.

Looking forward, we recently committed to an additional $8 billion in new mortgage originations and $4 billion in refinancing loans for Black and Latinx households over the next five years, which will also make an impact on these numbers. We have expanded our Chase Homebuyer grant to up to $5,000 to help more customers cover closing costs and down payment when buying a home in 6,700 minority neighborhoods nationwide.

We are also focused on measures to address the property valuation gap. We have established a robust process for obtaining reliable appraisals and appropriately addressing complaints, and we are advocating for policy changes by the OCC, CFPB, FHFA and the GSEs to drive changes that will result in more equitable outcomes.

Production Mortgage Unit Volumes <=100k

	2017	2018	2019	2020	2021 YTD (Apr)
Total Origination Units	27,549	23,104	18,771	15,561	8,702
% of Total Units	8.8%	9.3%	6.0%	4.9%	6.1%

Production Mortgage $mm Volumes <=100k

	2017	2018	2019	2020	2021 YTD (Apr)
Total Originations $mm	2,212	1,818	1,467	1,246	685
% of Total $	2.3%	2.3%	1.4%	1.1%	1.3%

6. **All of your firms have made a commitment to either achieve net zero financed emissions by 2050, a key milestone of the Paris Climate agreement, or to otherwise achieve alignment with the Paris agreement. President Biden has committed to cutting U.S. emissions by 50% by 2030, setting the bar for our country's climate ambition. Any commitment weaker than that undermines our aspirations to climate leadership. The IEA agrees in its new net zero report, saying there is "no need for investment in new fossil fuel supply."[4]**
   - **Do you agree that a global failure to keep climate change to significantly less than 1.5C creates major risks for financial stability?**
   - **Will you commit to withdrawing financing for companies that continue to develop new fossil fuel projects?**
   - **What interim steps are you taking to meet your net zero 2050 goals?**

In October 2020, JPMorgan Chase announced our commitment to align our financing portfolio with the goals of the Paris Agreement. This means we are measuring the GHG emissions of our clients in key sectors of our financing portfolio (our "financed emissions") and are setting reduction targets for these sector portfolios that are Paris-aligned. To start, we have developed intermediate Paris-aligned targets to reduce the carbon intensity in our Oil & Gas, Electric Power and Auto Manufacturing portfolios by 2030. Details about our targets, including our 2019 baselines for can be found in our 2020 ESG Report and our Carbon Compass Methodology.

7. **Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, in March of this year, the CFPB received more complaints from consumers about mortgage servicing problems than in any month since April 2018. According to the CFPB, homeowners with a forbearance reported problems in communication with mortgage servicers, as well as long delays or outright denials in response to their requests for a loan modification or a solution that would allow them to keep their homes.[5]**

[4] International Energy Agency, *Net Zero by 2050*, (May 2021).
[5] Consumer Financial Protection Bureau, *Complaint Bulletin*, (May 2021).

- **How are each of your companies communicating with mortgage borrowers who have missed three or more mortgage payments?**
- **What are you doing for borrowers whose forbearance period is about to end?**
- **What steps are each of your companies taking to ensure that homeowners are aware of their options, including how to request and obtain an affordable solution that allows them to avoid foreclosure and keep their homes?**

Upon entering forbearance, Chase notifies customers that they will have multiple options when they are ready to exit the forbearance. Chase requests that the customer check in every 3 months to provide Chase with their status and discuss next steps. These next steps may include extensions of the forbearance period or an exit into a post-forbearance program. Before a customer's forbearance expires, Chase sends the customer a letter reminding them that the forbearance will end and discussing post-forbearance options. Chase provides the customer with investor/insurer-specific options that are available. When forbearance ends, we defer all payments to the end of the loan. If for some reason, the individual still cannot resume their pre-forbearance payments, we look to qualify them for a loan modification.

8. **Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, there is a consensus that creditors should be doing more to tackle lending disparities experienced by people of color. For instance, in January of this year, President Biden issued a memorandum to redress the federal government's history of discrimination in housing and lending policies,[6] and just last week, this committee heard from prudential bank regulators, including Acting Comptroller of the OCC Michael Hsu, that reducing inequality in banking must be a national priority.[7] A report from November 2020 clarified that lenders have tools available to start tackling these disparities, including Special Purpose Credit Programs (SPCPs).[8] SPCPs are programs recognized and permissible under the Equal Credit Opportunity Act and Regulation B,[9] and are designed to meet the special social needs, and benefit groups and communities that have historically been excluded or discriminated against in lending, including groups that share a common characteristic such as race, national origin, or sex. SPCPs also would not violate other federal non-discrimination laws, such as the Fair Housing Act (FHAct).**
   - **What, if any, special purpose credit programs do your respective companies have in place that would focus home mortgage and small business lending activities on historically excluded communities, such as African American and Latinx borrowers?**
     - **If none, what barriers and opportunities do each of your companies see for implementing SPCPs?**
   - **At the Senate Banking Committee's hearing, you all spoke broadly about how you are in good shape to handle any housing bubble that may occur because of your underwriting and leveraging policies. But what are you doing to ensure that there is housing availability and affordability for people of color during this time of high housing costs?**

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[6] Memorandum, 86 Fed. Reg. 18 (Jan. 26, 2021).
[7] House Committee on Financial Services, Hearing on Statement of Michael J. Hsu, Acting Comptroller of the Currency, *Oversight of Prudential Regulators: Ensuring the Safety, Soundness, Diversity, and Accountability of Depository Institutions*, 117th Cong. (May 19, 2021).
[8] National Fair Housing Alliance and Relman Colfax PLLC, *Special Purpose Credit Programs: How A Powerful Tool for Addressing Lending Disparities Fits Within the Antidiscrimination Law Ecosystem*, (Nov. 2020).
[9] Consumer Financial Protection Bureau, § 1002.8 Special purpose credit programs.

JPMorgan Chase committed $30 billion over the next five years to provide economic opportunity to underserved communities, especially the Black and Latinx communities.

Our affordable housing commitments included in this commitment include an additional $8 billion in mortgage originations $4 billion in loan refinancing for Black and Latinx households, and $14 billion in loans and equity for 100,000 affordable rental units.

The Chase Homebuyer grant program is a Special Purpose Credit Program aimed at increasing access to home loans for Black and LatinX customers. We expanded the Chase Homebuyer grant to up to $5,500 to help more customers cover closing costs and down payment when buying a home in 6,700 minority neighborhoods nationwide. JPMorgan Chase is also committed to addressing the property valuation gap.

JPMorgan Chase is also focused on supporting Black and LatinX owned small businesses. Our $30 Billion commitment includes an incremental $2 billion in loans to Black and LatinX entrepreneurs. We are also expanding our contracts with diverse suppliers. Our newest announcement is a $200 million co-investment alongside Ariel Investments to support a new private investment firm. It will back entrepreneurs of color with the goal of creating an entirely new class of middle market Black and Latinx entrepreneurs to help them scale their businesses.

9. **Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, a report published in 2020 found that U.S. banks collected $11.68 billion in overdraft fees from consumers in 2019,[10] just before the COVID-19 pandemic left millions in financial distress. Furthermore, the largest banks charged billions of dollars in overdraft fees at a time when millions of people lost a job through no fault of their own. Specifically, JPM received $1.5 billion, Wells Fargo received $1.3 billion, and BofA received $1.1 billion in overdraft fees in 2020,[11] while BofA recently settled a $75 million lawsuit for inappropriately assessing multiple fees on a single transaction.[12]**
    - **Mr. Dimon, at the Senate Banking Committee hearing, you did not seem to know that JPMorgan collected $1.5 billion in overdraft fees, but you said your bank would waive them if you were asked by your customers. Why did JPMorgan put the burden on the customer to ask for a waiver? The pandemic has affected all consumers through no fault of their own, so why take an ad hoc approach that forces your customers to jump through hoops to get relief?**
    - **Mr. Dimon, you said at the Senate Banking Hearing that your bank would not refund previously charged overdraft fees to consumers. Your customers may have just learned this week that those overdraft fees could have been waived if they requested help, so why not do the right thing and refund those fees? Is it worth it to JPMorgan to earn a record quarterly profit, as you did in the first quarter of this year, on the back of struggling consumers?**
    - **Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, will your banks consider refunding any overdraft fee you charged during the pandemic and consider not charging any additional fees going forward?**

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[10] Peter Smith et al., *Overdraft Fees: Banks Must Stop Gouging Consumers During the COVID-19 Crisis*, Centers for Responsible Lending (June 2020).
[11] American Prospect, *Big Banks Charged Billions in Overdraft Fees During the Worst Months of the Pandemic* (Apr. 22, 2021)
[12] Reuters, *Bank of America reaches $75 mln settlement over excessive fees* (May 14, 2021)

The pandemic did not impact everyone equally. We focused on impacted individuals, which is consistent with what our regulators encouraged us to do. We waived fees and delayed payments on about 3 million accounts for customers who said they were affected by COVID, with no questions asked. We waived over $650 million in fees for COVID and non-COVID reasons, including over $400 million in overdraft fees.

10. **Mr. Dimon and Mr. Scharf, it has been reported that several U.S. banks have started deploying camera software that can analyze customer preferences, monitor workers, and spot people loitering near ATMs.13 Not only have visual analytics algorithms been shown to perform poorly on women and people of color, they are deployed disproportionately in lower-income and non-White communities.14**
    - **How are your institutions using this visual recognition software and what do you see as the value adds of this software in the different areas in which you are using it?**
    - **What steps have you taken to measure or reduce bias in your software?**
    - **What percentage of your currently-deployed visual recognition software is located in lower-income and non-White communities?**
    - **How will you ensure that you are protecting customers' civil rights and privacy with the use of this software?**

At present, JPMorgan Chase is only running a small test of visual recognition software in a handful of branches in Ohio to determine if it is useful in better understanding how customers use and experience a branch. The purpose of the test is to improve the customer experience by looking at how long customers wait in line, how long transactions are taking, and what areas of the branch and technologies customers use most. There is no element of facial recognition in this test, no association with anyone's identity, and no storage of identities.

11. **For all witnesses, the *New York Times* recently reported that the American Banking Association and other banking trade groups wrote to the Department of Agriculture to complain about lost interest payments from a relief program for minority farmers that was approved as part of COVID relief last year.15 In what was interpreted as a veiled threat to withhold future lending to historically disadvantaged communities, the letter stated that "(i)f U.S.D.A. does not compensate lenders for such disruptions or avoid sudden loan payoffs, the likely result will be less access to credit for those seeking U.S.D.A. guaranteed loans in the future, including U.S.D.A. farmers/ranchers."16**
    - **At the Senate Banking Committee hearing, you all indicated that you were not involved in this letter, and some of you had not read it. Have you read the letter?**
    - **Do you think it's appropriate that your representatives in Washington are issuing these threats?**
    - **Do you believe it is inappropriate for the federal government to provide just compensation for those who have been unjustly harmed by discriminatory actions?**
    - **Will you commit to continuing to lend to historically disadvantaged farmers even if Secretary Vilsack carries out the law as he has said he will?**

[13] Reuters, U.S. banks deploy AI to monitor customers, workers amid tech backlash, (Apr. 19, 2021).
[14] MIT, Gender Shades: Intersectional Accuracy Disparities in Commercial Gender Classification, (2018). See also, NIST, NIST Study Evaluates Effects of Race, Age, Sex on Face Recognition Software, (Dec. 19, 2019).
[15] New York Times, *Banks Fight $4 billion debt relief plan for Black Farmers*, (May 19, 2021).
[16] Ibid.

While we have a significant Agriculture Lending group, we aren't currently doing any of these USDA loans. We fully support the debt relief plan for Black farmers – relief should be granted without further delay.

12. **Mr. Scharf, Ms. Fraser, and Mr. Moynihan, what concrete actions will your banks take to address racial disparities in appraisals? Will you commit to sending the Committee an action plan within 30 days?**

N/A

13. **Mr. Dimon, Ms. Fraser, Mr. Moynihan, Mr. Scharf, and Mr. Solomon, when asked during the Senate Banking Committee hearing about extending a 36% interest rate cap from the Military Lending Act to all consumer lending, you all seemed to indicate your banks do not make loans above 36% APR and you would support federal legislation pending further review of the specifics included in the legislation.**
    - **Do you support the Veterans and Consumers Fair Credit Act, previously introduced by Reps. Chuy García and Grothman in the 116th Congress as H.R. 5050?**
    - **In what other ways are you looking to reach underbanked consumers who can responsibly pay back small dollar loans, but are susceptible to predatory payday lenders?**

Proposals that cap interest rates could reduce overall credit availability, especially among borrowers with moderate incomes or limited credit history, and may push these borrowers toward less-regulated, more costly sources of loans. These proposals may limit consumer access to affordable credit, particularly impacting those with a less-than-perfect credit history.

Chase has significant efforts to reach individuals in unbanked and underbanked populations. Chase's presence in minority communities far exceeds the industry as a whole. Of our 4,882 chartered branch locations, 26% (1,263) are branches in low- to moderate-income (LMI) neighborhoods and 32% (1,542) are in majority-minority (MM) census tracts.

As part of JPMorgan Chase's market expansion initiative launched in 2018, we announced plans to open more than 100 new branches in low- and moderate-income communities, representing about a third of our planned new branches. Since 2018, we have opened more than 80 branches in low- and moderate-income communities. We continue to serve customers following branch closures and typically we see our deposits grow for customers who were in the proximity of a closed MBT branch. We invest heavily in these communities not only through bank branches, but through community partnerships, small business lending, jobs and philanthropic commitments.

We also offer an affordable checking account product that can help customers who may not qualify for a traditional checking account. This product, known as Secure Banking, was designed to help the 88MM unbanked and underbanked customers across the US who don't qualify for a traditional checking account. This is a true checking account that provides all the benefits of our core checking products (e.g., Chase Offers, Credit Journey, Alerts) without the ability to overdraft or write checks.

14. **Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, according to the FDIC survey of U.S. households' use of banking services, the disproportionate effects of the crisis on low-income, communities of color have affected their ability to endure this economic downturn, protect their savings and save up for the future. In 2019, 12.2% of Hispanic households, 13.8% of Black households, and 16.3% of American Indian/Alaska Native households**

lacked access to a mainstream checking account – compared with 2.5% of White households.[17] Research from PolicyLink and UnidosUS reveal how low-income communities of color and immigrant consumers face more pronounced barriers to banking, including prohibitive identification requirements, banking deserts, and a lack of language access or culturally relevant services.[18] The FDIC projected that the unbanked population may grow in the aftermath of the pandemic, which could push more consumers into expensive alternative financing options like pawn shops, check cashing firms, and payday lenders. What steps are you taking to open up branches in banking deserts that lack easy access to bank branches? Also, please describe your most basic banking account, including any minimum balance requirements and fees associated with the account.

We continue to serve customers in rural communities today with 93 branches and are exploring innovative branch formats to address the lack of financial services access among many underserved households. Beginning in the second quarter of 2021, we will be opening Chase branches in 10 new states: Arkansas, Iowa, Maine, Mississippi, Montana, North Dakota, New Mexico, South Dakota, Vermont and Wyoming. This makes us the first bank to be in all 48 lower states. This is part of our ongoing branch expansion strategy that we announced in 2018 when we entered 15 new states. We have also made significant investments in our digital platform, which customers can access from anywhere, and we provide capital to rural communities by partnering with organizations and intermediaries that are rooted in these communities.

We offer an affordable, high quality bank account known as Chase Secure Banking. This Secure Banking account provides all the benefits of our core checking products without the ability to overdraft or write checks, for $4.95/month.

15. **For all witnesses, much of your EEO data show that people of color and women are underrepresented in executive and management positions and overrepresented in administrative support positions, compared to national averages. The Committee Staff report on diversity in America's largest banks revealed that on average, senior leadership roles across your banks are only 29% women and 19% people of color.**
    - **Can you explain why you continue to hire disproportionally more White males in senior management and executive roles than in administrative support roles?**
    - **Please provide information about the diversity of the directors of the company's board and senior executives, the policies and practices implemented at the company to promote diversity and inclusion among the company's workforce at all levels, and the policies implemented by the company to promote the use of diverse contractors, including diverse asset managers, brokers and underwriters.**

Workforce Diversity

We're committed to building a more diverse workforce and have taken concrete steps to drive diversity. In 2020, we established an executive accountability framework that strengthens the way the company incorporates diversity, equity and inclusion priorities and progress into year-end performance evaluations and compensation decisions for senior leaders.

[17] Federal Deposit Insurance Corporation, *How America Banks: Household Use of Banking and Financial Services, 2019 FDIC Survey*, (Oct. 2020).

[18] UnidosUS and PolicyLink, *The Future of Banking: Overcoming Barriers to Financial Inclusion for Communities of Color*, (June 2019).

We believe being transparent about our workforce data will help drive progress. We provide diversity data on our Board, Operating Committee, senior management, global workforce and interns. At the end of March, we published our 2020 workforce representation data, demonstrating year over year change between 2018 and 2020.

We are also focused in particular on hiring, retaining, and developing Black talent. Over the past five years, we have increased the number of Black professionals in our most senior ranks, with the number of Black Managing Directors and Executive Directors up by more than 50 percent.

Diverse Asset Managers
We are incorporating D&I into every stage of asset manager due diligence, and gathering metrics on diverse representation on investment team, management team, owners, and company policies. We're targeting diverse asset managers and creating a database of information across research teams and partner with industry associations to incorporate the information into market mapping. We're working to make sure that we have coverage of all the minority broker-dealers which will create more opportunities to do business with JPMorgan Chase.

We also announced that we are co-investing up to $200 million alongside Ariel Alternatives, a fund led by a Black-owned asset management firm, with the goal of creating an entirely new class of middle market Black and Latinx entrepreneurs that are positioned to scale their businesses in a way that's never been done before. As a byproduct, this initiative has the potential to create tens of thousands of jobs and significant investment in communities that need it most. We seek to create new opportunities for Black and Latinx entrepreneurs to significantly scale their growth and drive change, faster.

Earlier this year, we also launched a new initiative aimed at providing capital to funds managed by diverse, emerging asset managers, including minority-led and women-led venture capital funds and other private funds. As part of the new initiative called Project Spark, the firm committed an initial $25 million investment in five or more funds that will be governed by a newly established investment committee comprised of diverse senior executives across J.P. Morgan Asset Management.

16. **Ms. Fraser and Messrs. Moynihan and Scharf, since last summer, many of the largest financial institutions have been increasing their commitments to make important investments in home lending, small business lending, unbanked communities, and minority depository institutions. Earlier this year, shareholder proposals were submitted to seven of the largest banks, requesting them to engage civil rights organizations, employees, shareholders, and customers in a racial equity audit process.19 I understand that you have not agreed to pursuing a racial equity audit of your company and business practices. In response, Marc Bayard, director of the Black Worker Initiative at the Institute for Policy Studies, said that "[s]tating commitments without accountability and transparency does not dismantle systemic racism."20**
    - **What steps has each of your companies taken to demonstrate to the public, your shareholders, and employees, that you are as committed to addressing inequality inside the banking system as you are tackling racism in the communities benefitting from investment?**

[19] Common Dreams, *Wall Street Banks Reject Racial Equity Audits, While Professing BLM Support*, (May 17, 2021).
[20] Institute for Policy Studies, *While Professing BLM Support, Wall Street Banks Reject Racial Equity Audits*, (May 17, 2021).

- **Please provide a report outlining all the efforts and activities your company has undertaken in the last year to demonstrate your commitment to tackling racism. Please include any stories of consumers and communities that have been impacted.**

N/A

17. **For all witnesses, last July, the Office of the Comptroller of the Currency (OCC) published an interpretive letter concluding that banks may provide cryptocurrency custody services for their clients.21 Has your organization begun to provide such services? And if so, how will you ensure that customers using cryptocurrencies through your financial institutions will not be harmed due to the incredible volatility and instability of some of these products?**

We are seeing heavy client interest across the Firm for cryptocurrency related products and services. We continue to take a cautious approach to this market and are evaluating risks and how we can best serve our clients.

18. **Messrs. Dimon, Gorman, and Solomon, Scharf, each of your banks has made commitments to significant greenhouse gas emissions reductions, while also taking steps to expand Bitcoin and other cryptocurrency services. At 14 gigawatts and growing, Bitcoin's energy use exceeds that of Sweden and other populous nations.22 How do you reconcile services to enable Bitcoin use with your emissions reduction targets? Please provide any analysis, including any assessment and data of the energy usage of cryptocurrencies that your bank may be seeking to offer to your clients, and its impact on climate change.**

We continue to take a cautious approach on cryptocurrency products and services and are in the process of evaluating risks and how to best serve our clients.

19. **For all witnesses, how are you ensuring that essential workers have a voice in the workplace, especially in light of pay disparities between yourselves and your workers? At the Senate Banking Committee hearing, you were asked whether you would pledge to remain neutral if employees want to form a union. None of you answered yes. Yes or no, will you remain neutral if your workers want to explore forming a union?**

No. We provide competitive benefits and wages to our employees, and we always want to have a constructive dialogue with them.

20. **For all witnesses, the Federal Financial Institutions Examination Council (FFIEC) issued a request for information on how financial institutions use, assess, and explain artificial intelligence (AI), including machine learning (ML) algorithms in practice.23**
    - **How does your financial institution utilize AI or ML algorithms in your lending and servicing decisions?**
    - **Are your AI or ML algorithms developed and tested for bias "in-house" or through a third-party?**

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[21] OCC, Interpretive Letter #1170, July 2020.
[22] CNBC, *Why everyone from Elon Musk to Janet Yellen is worried about Bitcoin's energy usage*, (May 13, 2021).
[23] Federal Register, Request for Information and Comment on Financial Institutions' Use of Artificial Intelligence, Including Machine Learning, (Mar. 31, 2021).

- **How do you assess and catch any algorithmic bias in all of the areas in which you are using AL, including ML? Please provide a summary of your protocols on testing for algorithmic bias, and how you take corrective action.**

At present, JPMorgan Chase is only running a small test of visual recognition software in a handful of branches in Ohio to determine if it is useful in better understanding how customers use and experience a branch. The purpose of the test is to improve the customer experience by looking at how long customers wait in line, how long transactions are taking, and what areas of the branch and technologies customers use most. There is no association with anyone's identity or storage of identities.

21. **For all witnesses, deforestation & other land use change are the second biggest contributor to greenhouse gas emissions after fossil fuels. This despite the fact that forests are far and away the world's biggest carbon sinks. In addition, as the fossil fuel transition happens, more pressure will accrue on land use e.g. biofuel industry expansion - which experience has shown often leads to land grabbing, especially from Indigenous peoples. Furthermore, many firms are relying on forest offsets to achieve "net zero", often without reducing emissions from other sources and continuing the site-pollution harms which disproportionately impact communities of color. And it's worth noting nearly every day new evidence shows that offsets are rife with fraud, cheating, etc. Are you counting any kind of "negative" emissions in your net zero or intensity reduction plans? The gold standard policies on climate risk are No Deforestation, No Peatland, No Exploitation (NDPE) policies. JPMorgan Chase recently committed to establishing an NDPE policy for palm oil. Ahead of the Glasgow climate conference in November, will each of you commit to establishing an NDPE policy for all forest-risk commodities?**

We are committed to doing our part to address climate change and that includes working with clients and other stakeholders to help strengthen industry best practices intended to protect forests and biodiversity.

We have expanded our deforestation policies for companies that we finance, which includes:

- Requiring grower/refiner clients in the palm oil sector to comply with "No Deforestation, No Peat, No Exploitation" (NDPE) sourcing practices.
- Developing or expanding our policies on forest-risk commodities, including for cattle, paper/pulp, and cocoa.
- Increasing forest management requirements for our clients in the mining and infrastructure sectors.

The firm has announced our commitment to align our financing with the goals of the Paris Agreement. As part of our strategy, we intend to help clients navigate the challenges and capitalize on the long-term economic and environmental benefits that come with transitioning to a low-carbon world.

22. **For all witnesses, what steps has your firm taken to shore up cybersecurity and protect consumer data?**

Cybersecurity is an important priority for our company. At JPMorgan Chase, we invest over $700 million and dedicate thousands of employees to maintain our defenses and enhance our resilience to an ever-increasing threat. Cyber attacks are increasing in number and sophistication across all sectors, including government, utilities, technology companies, electrical grids and now an oil pipeline company. This is a serious national security concern that requires partnership and collaboration to address. To this end, designated critical infrastructure from Financial Services and the Electricity sector have invested significant resources to create a collaborative organization for the analysis of cyber risk to the financial system. We need the government to meet us halfway and provide dedicated national security resources to collaborate with critical infrastructure companies and help defend the national interest from cyberattacks. As evidenced by the SolarWinds incident, we need appropriate reforms to ensure the sensitive data that's held by financial regulators is properly secured and that policies are in place to guide timely and meaningful notification and response to impacted firms when a breach does occur.

23. **For all witnesses, please list the commitments your firm made in each of the two years, 2020 and 2021, to invest in, partner with, or otherwise support, minority depository institutions (MDIs) and community development financial institutions (CDFIs), including non-depository CDFIs. Please provide a progress report on how much of those committed funds, investments and other support were delivered in each of the two years (2020 and 2021) and name which MDIs and CDFIs received this support from your firm as well as what type of support.**
    - **What, if any, additional commitments have your firm made in each of the two years (2020 and 2021) to support communities of color?**
    - **Will you commit to providing the Committee with a written progress report of this work every quarter?**

As part of our company's $30 billion Path Forward announcement, JPMorgan Chase announced a planned investment of $75 million in MDIs. As of today, we have funded more than $61 million in several institutions as direct equity investments and other commitments. The MDIs we supported through these new commitments include Liberty Bank & Trust (Louisiana), M&F Bank (North Carolina), Carver Federal Bank (New York) and Broadway Federal Bank (Los Angeles). We continue to expand our partnerships with MDIs as part of this work.

We committed $117.5 million to 12 CDFIs or funds they manage in 2020 and $10 million to date in 2021 to advance inclusive economic growth. We shared in our recent ESG Report that the pandemic created unique challenges during the year, and much of our work was focused on responding to this crisis. We know that Black-and Latinx-owned small businesses were hit particularly hard; as a result, we doubled down on support to CDFIs lending to minority-owned small businesses and businesses in low- and moderate-income communities across the U.S. For example, we made a $30 million commitment to the Entrepreneurs of Color Fund as well as over $20 million in loans to CDFIs focused on small business, such as Ascendus, Inc. and TruFund Financial Services, Inc. These loans will be used to support small businesses and nonprofits in hard-hit communities such as Chicago, Detroit, Houston, Los Angeles, New Orleans, New York City and Seattle.

JPMorgan Chase has a long history of partnering with CDFIs and we have partnered with CDFIs since the inception of the CDFI program in 1994. Our Community Development Banking (CDB) team annually provides more than $200 million of debt to CDFIs and invests in more than $400 million of new market tax credit financing annually, largely in partnerships with CDFIs and MDIs. Additionally, through a dedicated pool of proprietary capital we created in 2018, JPMorgan Chase is helping fill a gap in the market for flexible capital to meet the needs of organizations and companies tackling fundamental community challenges. These efforts, which emphasize supporting diverse-led organizations and those that serve communities of color, also enable our firm to recycle and reinvest returned capital in communities to drive greater impact. This includes $250MM of long-term, low-cost loans to CDFIs.

JPMorgan Chase, worked with the Milken Institute (2020-2021) to develop strategies for how stakeholders can partner with MDI and CDFI banks to support underserved communities and increase their capacity and scale of impact in order to close racial wealth disparity.

24. **Can you please describe the extent to which your firm utilizes forced arbitration clauses in contracts with consumers, employees, investors, and contractors?**

JPMorgan Chase utilizes contractual arbitration clauses in certain consumer banking and deposit account agreements, credit card, and auto finance contracts. Chase's consumer-oriented Deposit Account Agreement (DAA) and card member agreements allow customers to opt out of the arbitration clause (doing so allows customers to continue to participate in class action and other higher-figure litigation, beyond a small claims court level); provides that customers have the right to go to small claims courts instead of arbitration; establish a customer's right to appeal an arbitration award; and commits JPMorgan Chase to consider any good faith request to reimburse up to $500 for any initial filings fees paid by a customer and to pay the expenses for at least a two-day hearing near the customer's address of record. Also, JPMorgan Chase has agreed with all of its U.S. based employees hired on or after July 1, 2009 to submit employment disputes to binding arbitration. All remedies available in court are available to the employee through this agreement. Other than a filing fee, JPMorgan Chase pays the costs associated with arbitration. Last, with respect to investment accounts, JPMS agreements (brokerage/managed/self-directed) contain a pre-dispute arbitration clause providing for disputes to be resolved by the Financial Industry Regulatory Authority (FINRA) in accordance with its securities arbitration rules and regulations, subject to court review in limited circumstances. The pre-dispute arbitration clause, which does not include any class action waiver, provides customers with a dispute resolution forum that is a quick, fair, and relatively inexpensive alternative to litigation.

25. **For all witnesses, please describe the company's compensation and clawback policies, including the average amount of compensation received by each decile of employees; a breakdown of the base pay and incentive pay for each decile, including a descriptions of metrics, sales goals, or cross selling required to be met in order to qualify for the incentive or bonus pay; average pay by race and gender at each decile; the minimum wage paid to employees and the number of employees earning minimum wage, and a description of:**
    - **how these policies are designed to promote accountability of company executives;**
    - **how the compensation of the chief executive officer and other senior executives compares to the median compensation of an employee of the company.**

We recently increased entry level minimum wages for third time in five years to $16 - $20 Our employees also receive an annual benefits equivalent to $13,700.

We describe our compensation philosophy fully in our proxy statement. We aim to attract, retain, and motivate our workforce in a competitive market.

- <u>We pay for performance and align with our shareholder interests</u>. In making compensation-related decisions, we focus on risk-adjusted performance (the Firm's risk and control professionals help contextualize the risk taken to achieve the return) and reward behaviors that generate sustained value for the Firm. This means that compensation should not be overly formulaic, rigid or focused on the short-term. A majority of Operating Committee ("OC") member incentive compensation should be in equity that vests over multiple years to align with sustained performance

- We encourage a shared success culture. Teamwork and leadership should be encouraged and rewarded to foster a culture that supports our Business Principles. Contributions should be considered across the Firm, within business units, and at an individual level when evaluating an employee's performance.
- We attract and retain top talent. Our long-term success depends on the talents of our employees. Our compensation philosophy plays a significant role in our ability to attract, properly motivate and retain top talent. Competitive and reasonable compensation should help attract and retain the best talent to grow and sustain our business.
- We integrate risk management and compensation. Risk management, compensation recovery, and repayment policies should be robust and designed to encourage behaving with standards of integrity that are required by our culture and Business Principles. Excessive risk-taking should be deterred. Conduct matters should be reviewed following Firmwide frameworks. Recoupment policies should include recovery of cash and equity compensation. Our pay practices must comply with applicable rules and regulations, both in the U.S. and globally.
- Non-Special Prerequisites and Non-Performance Based Compensation: Compensation should be straightforward and consist primarily of cash and equity incentives. We do not have special supplemental retirement or other special benefits just for executives, nor do we have any change-in-control agreements, golden parachutes, merger bonuses, or other special severance benefit arrangements for executives.
- Maintaining Strong Governance: Strong corporate governance is fostered by independent Board oversight of our executive compensation program by the Compensation & Management Development Committee ("CMDC"), including defining the Firm's compensation philosophy, reviewing and approving the Firm's overall incentive compensation pools, and approving compensation for our OC, including the terms of compensation awards; CEO compensation is subject to full Board ratification. We have a rigorous process in place to review risk, control and conduct issues within the corporation, line of business, functional, and regional levels, which can impact compensation pools as well as reduce compensation at the individual level, in addition to other employee actions.
- Transparency with Shareholders: Transparency to shareholders regarding our executive compensation program is important. We disclose all material terms of our executive pay program and any actions on our part in response to significant events, as appropriate.

Clawback Provisions: We have a comprehensive recovery provisions that enable us to cancel or reduce unvested awards and require repayment of previously awarded compensation where appropriate. We maintain clawback/recovery provisions on both cash incentives and equity awards which enable us to reduce or cancel unvested awards and recover previously paid compensation in certain situations. While incentive awards are intended and expected to vest according to their terms, the Firm's strong recovery provisions permit recovery of incentive compensation awards in appropriate circumstances.

The following describes the clawback provisions that apply to our Operating Committee members and the Firmwide Controller.

- Restatement: In the event of a material restatement of the company's financial results for the relevant period. This provision also applies to cash incentives.
- Misconduct: If the employee engaged in conduct detrimental to the company that causes material financial or reputational harm to the company, or engaged in knowing

and willful misconduct related to employment If the award was based on material misrepresentation by the employee. If the employee is terminated for cause

- Risk-Related and Other: If the employee improperly or with gross negligence failed to identify, raise or assess, in a timely manner and as reasonably expected, issues and/or concerns with respect to risks material to the company. If the award was based on materially inaccurate performance metrics, whether or not the employee was responsible for the inaccuracy
- Protection-Based Vesting: If performance in relation to the priorities for their position, or the Firm's performance in relation to the priorities for which they share responsibility as a member of the Operating Committee, has been unsatisfactory for a sustained period of time If awards granted to participants in a line of business for which the Operating Committee member exercised responsibility were in whole or in part cancelled because the line of business did not meet its annual line of business financial threshold If, for any one calendar year during the vesting period, pre-tax pre-provision income is negative, as reported by the company. If, for the three calendar years preceding the third year vesting date, the company does not meet a 15% cumulative ROTCE.

Accountability: One of the key tenets of our compensation philosophy is in making pay decisions, we consider material risk, controls and conduct issues and make adjustments to compensation, where appropriate. The Firm's annual discretionary Incentive Plan ("annual plan") is a part of our talent management strategy and plays a critical role in our ability to attract, retain and motivate our workforce. We reinforce personal accountability by incorporating a number of balancing mechanisms in our compensation structures and terms and conditions which are designed to mitigate inappropriate risk-taking behavior.

- Incentive compensation decisions under our annual discretionary plan are not determined by any particular formula or defined weightings, but rather rely heavily on the sound business judgment of our managers applied in appropriate business context.
- Incentive Compensation arrangements are managed through an integrated risk, compensation and financial management framework with strong governance and oversight of remuneration practices by the JPMC Board of Directors.

As noted in our proxy statement, we have a rigorous process in place to review risk, control and conduct issues at the company, line of business, functional, and regional levels, which can impact compensation pools as well as reduce compensation at the individual level, in addition to other employee actions.

Our executive compensation program is designed to hold executives accountable, when appropriate, for meaningful actions or issues that negatively impact business performance or the company's reputation in current or future years. Issues that may warrant recovery determinations can be raised at any time, including in HR Control Forums, annual assessments of employee performance and when Designated Employees resign or their employment is terminated by the Firm. Under the company's process to govern these determinations: We have established a process for reviewing compensation or other employee actions following a determination that the cause and materiality of a risk-related loss, issue or other set of facts and circumstances warrants such a review of accountability The CMDC is responsible for determinations involving OC members (determinations involving the CEO are subject to ratification by independent members of the Board). The CMDC has delegated authority for determinations involving other employees to the Head of Human Resources or his or her designee, usually through the HR Control Forum process.

To hold individuals responsible for taking risks inconsistent with the company's risk appetite and to discourage future imprudent behavior, JPMorgan Chase has policies and procedures that enable it to take prompt and proportionate actions with respect to accountable individuals, including:

I. Reduce or altogether eliminate annual incentive compensation;
II. Cancel unvested awards (in full or in part);
III. Clawback/Recover previously paid incentive compensation (cash and/or equity); (Clawbacks Triggers are Restatement, Misconduct, Risk-related, Protection-based)
IV. Demotion, negative performance rating or other appropriate employment actions; and
V. Termination of employment.

The precise actions we take with respect to accountable individuals are based on the relevant circumstances, including the nature of their involvement, the magnitude of the event and the impact on the company.

26. **For all witnesses, please provide a detailed description of your firm's capital market activities, including with respect to securities (including underwriting, trading, and securitization) and derivatives, including—**
    - **the trading desk structure of the company, identifying each desk and the instruments traded or held at each desk;**
    - **the average and standard deviation of a metric of inventory, constructed using data on individual trading desk positions, for long securities positions, short securities positions, and derivatives, at each individual trading desk for a quarterly period six months prior to the reporting date;**
    - **how the company complies with restrictions under section 13 of the Bank Holding Company Act of 1956 (commonly referred to as the 'Volcker Rule') at each trading desk, including a general description of the methodology for determining reasonably expected near term customer demand and for designing compensation practices at the desk so as not to create incentives for proprietary trading; and**
    - **the total profit or loss attributed to the company's trading account, including a breakdown of profit earned on fees, commissions, and spreads, and a description of the source of trading account profit or loss that cannot be attributed to fees, commissions, and spreads**

JPMorgan Chase regularly makes information publicly available regarding our capital markets activity, including in our securities filings that are available at https://jpmorganchaseco.gcs-web.com/ir/sec-other-filings/overview. JP Morgan Chase's Corporate & Investment Bank, which consists of Banking and Markets & Securities Services, offers a broad suite of investment banking, market-making, prime brokerage, and treasury and securities products and services to a global client base of corporations, investors, financial institutions, merchants, government and municipal entities. Banking offers a full range of investment banking products and services in all major capital markets, including advising on corporate strategy and structure, capital-raising in equity and debt markets, as well as loan origination and syndication. Banking also includes Wholesale Payments, which provides payments services enabling clients to manage payments and receipts globally, and cross-border financing. Markets & Securities

Services includes Markets, a global market-maker across products, including cash and derivative instruments, which also offers sophisticated risk management solutions, prime brokerage, and research. Markets & Securities Services also includes Securities Services, a leading global custodian which provides custody, fund accounting and administration, and securities lending products principally for asset managers, insurance companies and public and private investment funds. The filings cited above provide detailed information regarding our securities and derivatives activities, including information on our assets, associated risks, profits and losses, sources of income, and more. These filings also provide information regarding the impact of Volcker on our activities; the Volcker Rule prohibits banking entities, including JPMorgan Chase, from engaging in certain "proprietary trading" activities and limits the sponsorship of, and investment in, "covered funds." Additionally, the public section of our resolution plan also makes available additional information regarding our capital markets and derivatives activity.

27. **For all witnesses, please list any merger or acquisition that was completed by your firm in the previous year, including—**
    - **a description of how each merger or acquisition affected the company's size and complexity;**
    - **an account of the retail branch closures that resulted from the merger or acquisition;**
    - **a description of any regional markets that experienced a change in market concentration, as measured by the Herfindahl-Hirschman Index, resulting from the merger or acquisition;**
    - **a description of any regional markets that experienced a change in the company's regional share of deposits resulting from the merger or acquisition;**
    - **a list of Federal or State government agencies that approved the transaction;**
    - **a description of any conditions placed by a Federal or State government agency on the company when the transaction was approved**

JPMorgan Chase reports periodically on its performance in quarterly earnings releases and periodic filings with the U.S. Securities and Exchange Commission including on Forms 8-K, 10-Q and 10-K as well as in its proxy. The company discloses and discusses all material mergers, acquisitions and divestitures in those releases and filings. For example, in 2020 JPMorgan Chase completed acquisitions of the Global Loyalty business of cxLoyalty Group, and 55ip. Neither acquired business offers traditional banking products or services. Neither transaction had any material impact on the company's size or complexity. JPMorgan Chase is restricted by statute from acquiring additional deposits in a merger or acquisition transaction. We did not merge with or acquire any business in the previous year that 1) resulted in retail branch closures, 2) impacted market concentration for traditional banking products, as measured by the Herfindahl-Hirschman Index, in any regional market or 3) impacted it's regional share of deposits in any regional market.

28. **JP Morgan Chase's oil and gas target only requires clients to cut the carbon intensity of their products by 15% by 2030. Isn't it true that if I'm an oil and gas company, and I keep my oil production constant, and increase my gas production, I'll decrease my carbon intensity? How does your target ensure that companies aren't developing new oil and gas?**

JPMorgan Chase has developed Carbon Compass – our methodology to align our financing with the goals of the Paris Agreement. To start, we have established intermediate emission targets for 2030 for our Oil & Gas, Electric Power and Auto Manufacturing portfolio. Our targets include:

- Auto Manufacturing 2030 target: 41% reduction in the carbon intensity from manufacturing of new vehicles, and tailpipe emissions from such vehicles.
- Electric Power 2030 target: 69% reduction in carbon intensity from electric power generation, which accounts for the vast majority of the sector's climate impact.
- Oil & Gas 2030 targets: 35% reduction in operational carbon intensity, as well as a 15% reduction in end-use carbon intensity – reflecting a decrease in emissions from the combustion of oil & natural gas downstream and increase in renewable energy generation.

For more information, including our 2019 baselines, please see our 2020 ESG Report and our Carbon Compass Methodology.

29. **You also recently announced commitments for a multi-trillion-dollar investments in sustainable finance. Yet a recent industry report identifies JPMorgan Chase as the single largest global financier of fossil fuels, with over $300B committed since the Paris Agreement.24 Much of that money has financed expanded fossil fuel production, along with development of particularly destructive tar sands and fracking and financing of projects that harm communities of color and indigenous communities. If all proven oil reserves in the world were burned, we would overshoot the available carbon budget to keep warming at 1.5 degrees. This means any new reserves from exploration you finance today will either quickly become stranded assets or drive the world over 1.5 degrees. In light of your commitments and banking regulations, how can you justify any new financing for fossil fuel exploration?**

The challenges we face in combating climate change are significant, and we recognize the world will continue to rely on resources such as oil and natural gas until commercial, affordable and low-carbon alternatives can be developed to meet all of our global energy needs. The solution is not as simple as walking away from fossil fuels, which is why we must work together, across public and private sectors, in a bipartisan fashion, to manage risk and invest in new solutions and technologies. We have also publicly advocated for market-based, carbon policy solutions, including a price on carbon, and investments in innovative technology to help companies transition to a cleaner future.

30. **Mr. Dimon, Freedom of Information Act documents have shown that shortly after oil prices went negative in April 2020, executives at JPMorgan Chase contacted the Treasury Department to warn of your banks' exposure to fossil fuel companies and suggest "additional direct government support to the energy sector (similar to programs for the airline industry)."[25]Although oil prices later recovered somewhat, the oil and gas industry remains distressed, with hundreds of bankruptcies over the past year,[26] the highest sectoral unemployment rate in the country,[27]and 13 oil and gas majors on credit watch in January.[28] None of this is totally unexpected. On the contrary, "In the last 18 years, energy companies were among the largest issuers of junk bonds on Wall Street, according to analysis from JPMorgan Chase. In 10 of the last 11 years, energy companies were the single largest junk bond borrowers."[29]**

[24] Rainforest Action Network, *Banking on Climate Chaos,* (March 2021).
[25] Mother Jones, *JPMorgan secretly emailed the Trump administration about bailing out the oil industry,* (Apr. 7, 2021).
[26] Houston Chronicle, *More than 100 oil and gas companies went bankrupt in 2020,* (Jan. 20, 2021).
[27] Bureau of Labor Statistics, *NAICS 21*
[28] S&P, *Oil majors' credit risk under threat from growing climate risk,* (Jan. 26, 2021).
[29] New York Times, *American oil drillers were hanging on by a thread. Then came the pandemic,* (Mar. 23, 2020).

- **Is it appropriate for a G-SIB to be working to arrange the terms and seeking a government bailout of another industry?**
- **How can we be assured that the federal government won't be on the hook for your banks' risky investments the next time there is a crisis?**
- **What steps are you taking to mitigate what S&P and regulators are both calling "transition risks" that fossil fuel investments expose you to?**

The stated facts are not correct. At no point did we advocate for federal assistance for any particular industry, including oil and gas. As financial intermediaries, we have significant knowledge and expertise that can benefit various stakeholders, including policymakers, when considering programs and policies aimed at the economy or markets. Congress and regulators have developed and implemented a regulatory regime that ensures the safety-and-soundness of banks. As explained in our 2020 ESG Report, we have taken many steps to address the transition risks potentially associated with climate change.

31. **Mr. Dimon, your bank agreed to a settlement earlier this year regarding discrimination of a Black homeowner relating to their appraisal.[30] At the Senate Banking Committee hearing, you committed to address racial disparities in appraisals.**
    - **Mr. Dimon, what specific actions will JPMorgan take to ensure that Black and Latinx homeowners are receiving fair values on their appraisals? Will you commit to sending the Committee an action plan within 30 days?**

JPMorgan Chase established a robust process for obtaining reliable appraisals and appropriately addressing any complaints. JPMorgan Chase continues to evaluate its processes to identify enhancements that may help close the property valuation gap.

JPMorgan Chase further developed policy recommendations specific to the property valuation gap, which will require regulatory and policy changes, in particular by the OCC, CFPB, Federal Housing Agency (FHFA)/the Government Sponsored Enterprises (GSEs), and state authorities. JPMorgan Chase has begun engaging key external parties to help drive the necessary changes, working to advance more equitable outcomes.

32. **Mr. Dimon, in 2017, JPMorgan Chase settled a civil rights case that found that your bank's mortgage brokers had pushed Black and Latinx homeowners into more expensive loans. Last month, it was reported that a computer glitch resulted in over 1,000 borrowers being denied the opportunity to reduce their mortgage payments.[31] JPMorgan Chase has reportedly fixed the technical problem, but have you done any analysis of the impact of this error on borrowers of color? If not, why not? If so, what did you find? Did you contact the borrowers, including borrowers of color, who were erroneously denied the opportunity to reduce their mortgage payments?**

Over the last five years, we've helped nearly 50,000 Chase customers lower the monthly payment on their FHA loan through loan modifications. In 2018, we discovered a small percent of FHA loans were affected by a system error, and have ensured each customer is taken care of appropriately. Our analysis of those customers concluded that the error affected all customers with similar loan types, and was not based on race, ethnicity or gender.

[30] https://www.hud.gov/press/press_releases_media_advisories/hud_no_21_037
[31] Capitol Forum, *JPMorgan: Struggling Homeowners Were Denied Mortgage Relief as 'System Error' Upended Relief Effort*, (Apr. 13, 2021).

33. **Mr. Dimon, at the Senate Banking Committee hearing, to a question about whether JPMorgan would commit to raising the minimum hourly wage to $25 by 2025, you responded that, "we're not going to imitate anybody else, but we will be competitive." Are you committed to raising the minimum wage to $25 an hour or higher, by 2025?**

We are committed to remaining competitive in all of our markets, as we are today. In early 2021, for the third time in the last 5 years we increased our internal minimum wage to a range between $16-$20 an hour across U.S. cities, while providing an annual benefits package worth about $13,700.

34. **Mr. Dimon, in a recent podcast interview on CNN, in describing the financial crisis of 2008-2009, you expressed that in hindsight you wished that there had been some "old testament justice" and some of the "people who were really bad, were allowed to fail."[32]**
    - **When and why should banks be allowed to fail in the future in your view?**
    - **If the behavior of banks and bank executives was at some stage deserving of "old testament justice," would you support fraud charges being brought against bank executives and directors if they were alleged to be responsible for financial crises and for the creation and mis-selling of financial instruments that they should know cause excessive risk to the financial system?**

Over the last decade, regulators have developed extensive new regulatory requirements for banks. This includes significant new requirements for capital, liquidity, risk management and recovery/resolution. Regulators should enforce these requirements, allowing banks to fail when appropriate. Similarly, prosecutors should enforce the law when appropriate, as well.

35. **Mr. Dimon, you have stated previously that you view fintechs as one of the "enormous competitive threats" to banks such as yours.[33] However, you went on to say in your 2020 annual shareholder letter that, fintech companies, are "making great strides in building both digital and physical banking products and services. From loans to payment systems to investing, they have done a great job in developing easy-to-use, intuitive, fast and smart products."[34]**
    - **Mr. Dimon, in your view, has the fintech industry provided improved services to consumers, including to those that have been traditionally underserved by the existing financial system? If so, what are these improved services, and how will your bank adapt?**
    - **Mr. Dimon, in your view, has the fintech industry used emerging technology in their products or services in a way that helps promote financial inclusion? If so, what are these technologies is your bank looking to adopt some of these technologies?**
    - **Mr. Dimon, as fintechs seek to grow their footprint by applying for national charters from agencies such as the OCC, what are your concerns, if any, about how they are regulated under the existing regulatory framework?**

It is clear that, increasingly, many banking products, such as payments and certain forms of deposits among others, are moving out of the banking system. In addition, lending in many forms – including mortgage, student, leveraged, consumer and non-credit card consumer – is moving out of the banking system. Neobanks and nonbanks are gaining share in consumer accounts, which effectively hold cash-

[32] *Id.*
[33] CNBC, JPMorgan Chase CEO Jamie Dimon: Fintech is an 'enormous competitive' threat to banks (Apr. 7, 2021).
[34] Jamie Dimon, Annual Report 2020: Chairman & CEO Letter to Shareholders, JPMorgan Chase & Co (Apr. 7, 2021).

like deposits. Payments are also moving out of the banking system, in merchant processing and in debit or alternative payment systems.

We believe that many of these new competitors have done a terrific job in easing customers' pain points and making digital platforms extremely simple to use. But growth in shadow banking has also partially been made possible because rules and regulations imposed upon banks are not necessarily imposed upon these nonbanks. While some of this may have been deliberate, sometimes the rules were accidentally calibrated to move risk in an unintended way. We should remember that the quantum of risk may not have changed – it just moved to a less-regulated environment. And new risks get created. While it is not clear that the rise in nonbanks and shadow banking has reached the point of systemic risk, this trend is accelerating and needs to be assiduously monitored, which we do regularly as part of our own business.

Questions for the Record from Representative Sylvia Garcia

Over the last year, we've faced unimaginable challenges as the global economy was steamrolled by this pandemic. In Harris County, we've lost over six thousand lives due to COVID-19, and greater Houston lost over 141 thousand jobs. To make matters worse, many communities in Houston were still on the recovery path from Hurricane Harvey when the pandemic hit.
Our area has struggled, and now more than ever, we need to come together and focus on how to rectify the economic challenges that have worsened in the last year, especially for women and people of color. Nationwide, 5.4 million women lost their jobs in the last year, and female labor force participation is at a 30-year low, with Black and Latina women impacted the most. And a persistent lack of family-friendly workplace policies threatens to reverse decades of progress that we've been fighting for since the 1970s. I'm concerned that the lack of representation at the higher rungs of the corporate ladder is to blame for the antiquated male-centric policies we're still seeing in many parts of corporate America. That is why I would like to address the ways that banks are pursuing gender equity in the workforce. According to the BLS, the financial services and insurance sector accounts for over 6.5 million workers in the across the country.[35] This is not an insignificant portion of the workforce, and that is why I find it critical that this committee looks at how this industry can better exemplify strong human resources practices.

Question for Mr. Jaime Dimon, Chairman & Chief Executive Officer, JPMorgan Chase & Co

Mr. Dimon, as you know, this pandemic had a disproportionate impact on women across all levels of the socioeconomic spectrum.
This impact is happening to women across all sectors of our workforce. In fact, a recent survey of 40 thousand women in corporate America found that approximately one in four women have considered leaving or downshifting their careers, due to pressure from balancing work and family. [36]
Mr. Dimon, your bank is the largest in the greater Houston area by deposit size and branches. You employ six thousand people in the greater Houston area. Because of your presence in my community, I'm holding you accountable to lead by example and demonstrate how this industry can be an equitable, inclusive place to work.

- **With that said, I would like to inquire as to what policies your organization has in place that supports working families, and especially working mothers?**
- **What strategies is JP Morgan Chase and its affiliates using to recruit more women back into your workforce? Are there any specific measures that you're taking to address the regression in women's labor force participation that we've seen over the last year?**

At JPMorgan Chase, we believe that providing flexibility and remote work has been critical. The firm will continue to offer flexibility and plans to test hybrid office/home schedules for both women and men. We are providing more childcare hours and benefits through our childcare partners, including backup childcare and access to online nanny services. We understand that returning to the office will come with challenges for some, particularly for those with childcare or eldercare needs, which is why we wanted to give plenty of notice so these employees have time to make arrangements.

[35] *Industries at a Glance.* Bureau of Labor Statistics. April 2021. https://www.bls.gov/iag/tgs/iag52.htm#workforce
[36] *Women in the Workforce.* McKinsey and LeanIn.org. https://wiw-report.s3.amazonaws.com/Women_in_the_Workplace_2020.pdf

We are fortunate that we did not suffer the same loss of women workers as many sectors did—in fact attrition by women dropped in 2020.

In the past year, we strengthened our DEI organization and put targets against women's representation at the Managing Director and Vice President levels, and overall for the firm. JPMorgan Chase's internal program "Women on the Move" launched a new training program during the pandemic which focuses on helping people thrive at work and at home. In addition to the video training, the program also offers monthly group coaching calls and accountability partners, which help to build a sense of community. Nearly 6,000 employees have or are currently experiencing the program, and we continue to offer it firmwide. We are now working on a new development program for Vice Presidents and Associates based on the feedback from women in those positions. We have 250 women going through the program this summer. We look carefully at the Employee Opinion Survey scores to see where women are raising issues, and many of our businesses do ongoing listening tours with employees to keep a pulse on their sentiment and needs. We are particularly focused on women of color and their feedback and needs. We are working with our recruiters to continue focusing on women who are returning to work from a long absence or from a COVID-related absence. This includes better understanding if our job candidates are coming from another job or from a period of unemployment. JPMorgan Chase also offers a special re-entry program designed to attract highly accomplished individuals who are currently on an extended career break for at least two years and wish to return to the workforce full time. Target Candidates have historically been at the Associate or Vice President level (or equivalent) at time of departure from the workforce. Fellows are placed into an assignment team for 14 weeks – the program is non-rotational. Pending outcome of performance, full placements are expected at the conclusion of the program.

Questions for the Record from Representative David Kustoff

An annual percentage rate (APR) can be a misleading metric to compare the cost of loans. For example, if I give you $100 today, and ask you to pay me a $10 fee in one year, the APR would be 10%. But if I ask you to pay me $10 in one week, the APR would be 521%. Therefore, APRs are also a function of "loan duration," and not just "cost."

Additionally, APR caps can serve as a form of price control. According to a recently published study from the National Bureau of Economic Research, these caps can restrict access to credit for lower income consumers and reduce consumer welfare.

Of course, this would negatively impact the millions of consumers who depend on alternative loans.

(To all Witnesses)

Would you say that APR caps, like price controls, could threaten credit inclusion and could cause more harm than benefit to consumer, especially those who lack access to traditional credit?

Yes. Proposals that cap interest rates could reduce overall credit availability, especially among borrowers with moderate incomes or limited credit history, and may push these borrowers toward less-regulated, more costly sources of loans. These proposals may limit consumer access to affordable credit, particularly impacting those with a less-than-perfect credit history.

Questions for the Record from Representative Madeleine Dean

Jamie Dimon, J.P. Morgan:

At the hearing, we discussed corporate responsibility measures adopted by your competitors, something you told the Committee that you would consider adopting when you testified in 2019. After Ms. Fraser described Citi's gun safety policies, you said; "I don't think it is different to tell the truth" in reference to J.P. Morgan's existing policies for lending for firearms. Will you please provide the Committee with a copy of your current gun safety policies in writing? Is the policy available on your website?

In response to questioning, you stated that J.P. Morgan does not finance the manufacture of military style weapons for civilian use.

1) **Does J.P. Morgan provide any credit, lending, or corporate banking services to gun manufacturers that make military style weapons for civilian use? If so, what services does your bank provide?**
2) **Has this line of business increased or decreased since the shooting at Marjory Stoneman Douglas High School in 2018?**

We use risk-based assessments to determine our tolerance for legal, credit, market, regulatory and reputation risk, as our regulators would expect. We follow the letter and spirit of the law, and require our clients and customers to comply with laws, including those related to firearms. As I stated in the hearing, we do not finance manufacturers of assault-style weapons for civilian use, but do for military and law enforcement use. We have stringent controls for any retail client that sells firearms.

All Financial Institutions

In recent years, financial institutions have attempted to engage with gun manufacturers and push for better risk management and public safety practices. Following the mass shooting at Marjory Stoneman Douglas High School in Parkland, Florida that killed seventeen students and educators and wounded more than a dozen, banks and asset managers asked gun manufacturers to address what steps they had taken to manage the reputation and compliance risks inherently associated with manufacturing assault weapons for civilians, selling weapons to people under the age of 21, or allowing gun sales to proceed without a completed background check. But despite these efforts, gun manufacturers have still not taken steps to manage or control these risks.

How does providing services to or maintaining business relationships with the gun industry align with your company's risk management practices? Will your financial institution consider adopting or adding to your existing risk-reducing gun safety policies, such as codes of conduct or best practices, which several major banks have already adopted?

As explained above, JPMorgan Chase wants to serve businesses that demonstrate adherence to all laws, whatever the industry – including those related to firearms.

Questions for the Record from Representative Jesus "Chuy" Garcia

When asked by Rep. Garcia whether JPMorgan Chase would continue to support Enbridge, the company which is currently building the Line 3 tar sands pipeline against the wishes of three impacted tribal nations, you said, "I don't know about Enbridge, in particular. I'll have to get back to you on that."

Yet advocacy groups have sent more than 600,000 emails to you and other members of Chase's executive team about your bank's support of Enbridge and the Line 3 pipeline. Indeed, they have sent so many emails that your company has set it up so that emails sent to members of your executive team with the subject line "Line 3" now bounce back to the sender.

Furthermore, at your shareholder meeting on May 18 of this year, a youth climate justice organizer asked you directly about Line 3, citing Chase's financing of Enbridge and asking if Chase would 'commit to stop financing companies that are expanding fossil fuels and abusing Indigenous rights'.

You did not respond to this yes or no question, instead saying that you had already explained the bank's climate policies. According to Enbridge's own documents, the Line 3 pipeline would result in an additional 193 million tons of greenhouse gases being released every year.

1. **Does JPMorgan Chase plan to continue to provide financial services to Enbridge? In particular, does JPMorgan Chase intend to renew its participation in the two credit facility renewals with Enbridge that expire on July 22nd and July 23rd?**

JPMorgan Chase reviews all transactions through our risk framework to assess credit, market, legal and other risks. A decision is then made whether to move forward with a transaction. We will not comment regarding particular clients or transactions, but we anticipate that the transaction you identified, if the client were to move forward, would go through this process to evaluate and assess any risks.

July 19, 2021

Via Electronic Mail

The Honorable Maxine Waters
Chairwoman
U.S. House Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Waters:

Thank you for the opportunity to testify before the United States House Committee on Financial Services on May 27, 2021. We have enclosed Citi's written responses to the Committee's questions for the record.

We also respectfully request that you make the following edits to the transcript to resolve minor errata. The page numbers correspond those in the PDF document received from the Committee, and enclosed please also find a redline reflecting the following proposed edits:

- Page 50: "We are seeing a lot of **sabers** . . ." should read "We are seeing a lot of **savers**."
- Page 53: "and that most important piece is that we get that balance right" should read "and that **the** most important piece is that we get that balance right"
- Page 58: "the territories **will be in an** opportunity going forward" should read "the territories will be **an** opportunity going forward"

Sincerely,

Citi

cc: The Honorable Patrick McHenry, Ranking Member

Citi Reponses to Questions for the Record

House Financial Service Committee

Full Committee Hearing, entitled "Holding Megabanks Accountable: An Update on Banking Practices, Programs and Policies"

May 27, 2021

Questions for the Record from Chairwoman Maxine Waters

All or Multiple Witnesses

1. Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, According to the most recent weekly data from the Census Bureau, Black and Latinx homeowners were more than two times as likely as White homeowners to be behind on mortgage payments, and low-income homeowners had higher rates of non-payment than homeowners overall, throughout the pandemic.[1] A recent report from the Consumer Financial Protection Bureau found that borrowers of color were more likely to be in a forbearance plan or have missed a mortgage payment as of March 31st of this year.[2] Meanwhile, the federal foreclosure moratorium will be expiring one month from now on June 30th.
   - How do the forbearance and modification options you offer differ when a customer's mortgage is held on your bank's portfolio, as compared with the options for a federally-backed mortgage?
   - Will you agree to follow all FHFA, FHA and CFPB best practices in treating mortgages that aren't covered by those rules?
   - How does your bank plan to connect homeowners with housing counseling agencies and to provide information regarding the nearly $10 billion in assistance that will be made available through the Homeowner Assistance Fund provided through the American Rescue Plan?
2. Mr. Moynihan, Mr. Dimon, and Ms. Fraser, according to the latest weekly data from the U.S. Census Bureau, nearly 20 percent of homeowners are very or somewhat likely to face foreclosure over the next two months. Will each of you also commit to not initiating foreclosures through at least the rest of this year?

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[1] Consumer Financial Protection Bureau, *Housing Insecurity and the COVID-19 Pandemic*, (March 2021) and X. An et al., *Inequality in the Time of COVID-19: Evidence of Delinquency and Forbearance*, (Feb. 2021).

[2] Consumer Financial Protection Bureau, *Characteristics of Mortgage Borrowers During the COVID-19 Pandemic*, (May 2021).

3. Mr. Scharf, Mr. Moynihan, Mr. Dimon, and Ms. Fraser, trade organizations of which you are a member have suggested they might sue the CFPB if they finalize their proposal to provide protections for borrowers facing foreclosure through at least the end of the year, if not longer.[3] Will you oppose such a lawsuit, and instead support CFPB's efforts to provide market-wide borrower protections to prevent harmful, unnecessary foreclosures? And will you commit to provide a reasonable amount of time for borrowers and lenders to make arrangements, including affordable loan modifications and homeowner assistance through forthcoming funds of nearly $10 billion that were provided in the American Rescue Plan Act, through at least the end of the year?

4. Question not directed to Citi

5. Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, at the hearing, I discussed the importance of banks originating small mortgages of less than $100,000.
    - Will you please provide for the record the number of mortgage loans your bank originated with a principal balance of less than $100,000 every year beginning in 2015?
    - Additionally, what is the percent of these mortgage loans compared to the total mortgage loans your bank originated every year beginning in 2015, on both a dollar and number of loan basis?
    - Is your bank willing to originate more of these small mortgages with a principal balance of less than $100,000? If yes, what steps will you take to do so?

6. All of your firms have made a commitment to either achieve net zero financed emissions by 2050, a key milestone of the Paris Climate agreement, or to otherwise achieve alignment with the Paris agreement. President Biden has committed to cutting U.S. emissions by 50% by 2030, setting the bar for our country's climate ambition. Any commitment weaker than that undermines our aspirations to climate leadership. The IEA agrees in its new net zero report, saying there is "no need for investment in new fossil fuel supply."[4]

    - Do you agree that a global failure to keep climate change to significantly less than 1.5C creates major risks for financial stability?

    - Will you commit to withdrawing financing for companies that continue to develop new fossil fuel projects?

    - What interim steps are you taking to meet your net zero 2050 goals?

7. Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, in March of this year, the CFPB received more complaints from consumers about mortgage servicing problems than in any month since April 2018. According to the CFPB, homeowners with a forbearance

[3] See US Chamber of Commerce comment letter.
[4] International Energy Agency, *Net Zero by 2050,* (May 2021).

reported problems in communication with mortgage servicers, as well as long delays or outright denials in response to their requests for a loan modification or a solution that would allow them to keep their homes.[5]

- How are each of your companies communicating with mortgage borrowers who have missed three or more mortgage payments?
- What are you doing for borrowers whose forbearance period is about to end?
- What steps are each of your companies taking to ensure that homeowners are aware of their options, including how to request and obtain an affordable solution that allows them to avoid foreclosure and keep their homes?

8. Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, there is a consensus that creditors should be doing more to tackle lending disparities experienced by people of color. For instance, in January of this year, President Biden issued a memorandum to redress the federal government's history of discrimination in housing and lending policies,[6] and just last week, this committee heard from prudential bank regulators, including Acting Comptroller of the OCC Michael Hsu, that reducing inequality in banking must be a national priority.[7] A report from November 2020 clarified that lenders have tools available to start tackling these disparities, including Special Purpose Credit Programs (SPCPs).[8] SPCPs are programs recognized and permissible under the Equal Credit Opportunity Act and Regulation B,[9] and are designed to meet the special social needs, and benefit groups and communities that have historically been excluded or discriminated against in lending, including groups that share a common characteristic such as race, national origin, or sex. SPCPs also would not violate other federal non-discrimination laws, such as the Fair Housing Act (FHAct).

- What, if any, special purpose credit programs do your respective companies have in place that would focus home mortgage and small business lending activities on historically excluded communities, such as African American and Latinx borrowers?
  - If none, what barriers and opportunities do each of your companies see for implementing SPCPs?
- At the Senate Banking Committee's hearing, you all spoke broadly about how you are in good shape to handle any housing bubble that may occur because of your underwriting and leveraging policies. But what are you doing to ensure that there

[5] Consumer Financial Protection Bureau, *Complaint Bulletin*, (May 2021).
[6] Memorandum, 86 Fed. Reg. 18 (Jan. 26, 2021).
[7] House Committee on Financial Services, Hearing on Statement of Michael J. Hsu, Acting Comptroller of the Currency, *Oversight of Prudential Regulators: Ensuring the Safety, Soundness, Diversity, and Accountability of Depository Institutions*, 117th Cong. (May 19, 2021).
[8] National Fair Housing Alliance and Relman Colfax PLLC, *Special Purpose Credit Programs: How A Powerful Tool for Addressing Lending Disparities Fits Within the Antidiscrimination Law Ecosystem*, (Nov. 2020).
[9] Consumer Financial Protection Bureau, § 1002.8 Special purpose credit programs.

is housing availability and affordability for people of color during this time of high housing costs?

9. Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, a report published in 2020 found that U.S. banks collected $11.68 billion in overdraft fees from consumers in 2019,[10] just before the COVID-19 pandemic left millions in financial distress. Furthermore, the largest banks charged billions of dollars in overdraft fees at a time when millions of people lost a job through no fault of their own. Specifically, JPM received $1.5 billion, Wells Fargo received $1.3 billion, and BofA received $1.1 billion in overdraft fees in 2020,[11] while BofA recently settled a $75 million lawsuit for inappropriately assessing multiple fees on a single transaction.[12]

    - Mr. Dimon, at the Senate Banking Committee hearing, you did not seem to know that JPMorgan collected $1.5 billion in overdraft fees, but you said your bank would waive them if you were asked by your customers. Why did JPMorgan put the burden on the customer to ask for a waiver? The pandemic has affected all consumers through no fault of their own, so why take an ad hoc approach that forces your customers to jump through hoops to get relief?

    - Mr. Dimon, you said at the Senate Banking Hearing that your bank would not refund previously charged overdraft fees to consumers. Your customers may have just learned this week that those overdraft fees could have been waived if they requested help, so why not do the right thing and refund those fees? Is it worth it to JPMorgan to earn a record quarterly profit, as you did in the first quarter of this year, on the back of struggling consumers?

    - Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, will your banks consider refunding any overdraft fee you charged during the pandemic and consider not charging any additional fees going forward?

10. Question not directed to Citi

11. For all witnesses, the *New York Times* recently reported that the American Banking Association and other banking trade groups wrote to the Department of Agriculture to complain about lost interest payments from a relief program for minority farmers that was approved as part of COVID relief last year.[13] In what was interpreted as a veiled threat to withhold future lending to historically disadvantaged communities, the letter stated that "(i)f U.S.D.A. does not compensate lenders for such disruptions or avoid

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[10] Peter Smith et al., *Overdraft Fees: Banks Must Stop Gouging Consumers During the COVID-19 Crisis*, Centers for Responsible Lending (June 2020).
[11] American Prospect, *Big Banks Charged Billions in Overdraft Fees During the Worst Months of the Pandemic* (Apr. 22, 2021)
[12] Reuters, *Bank of America reaches $75 mln settlement over excessive fees* (May 14, 2021)
[13] New York Times, *Banks Fight $4 billion debt relief plan for Black Farmers*, (May 19, 2021).

sudden loan payoffs, the likely result will be less access to credit for those seeking U.S.D.A. guaranteed loans in the future, including U.S.D.A. farmers/ranchers."[14]

- At the Senate Banking Committee hearing, you all indicated that you were not involved in this letter, and some of you had not read it. Have you read the letter?
- Do you think it's appropriate that your representatives in Washington are issuing these threats?
- Do you believe it is inappropriate for the federal government to provide just compensation for those who have been unjustly harmed by discriminatory actions?
- Will you commit to continuing to lend to historically disadvantaged farmers even if Secretary Vilsack carries out the law as he has said he will?

12. Mr. Scharf, Ms. Fraser, and Mr. Moynihan, what concrete actions will your banks take to address racial disparities in appraisals? Will you commit to sending the Committee an action plan within 30 days?

13. Mr. Dimon, Ms. Fraser, Mr. Moynihan, Mr. Scharf, and Mr. Solomon, when asked during the Senate Banking Committee hearing about extending a 36% interest rate cap from the Military Lending Act to all consumer lending, you all seemed to indicate your banks do not make loans above 36% APR and you would support federal legislation pending further review of the specifics included in the legislation.
    - Do you support the Veterans and Consumers Fair Credit Act, previously introduced by Reps. Chuy García and Grothman in the 116th Congress as H.R. 5050?
    - In what other ways are you looking to reach underbanked consumers who can responsibly pay back small dollar loans, but are susceptible to predatory payday lenders?

14. Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, according to the FDIC survey of U.S. households' use of banking services, the disproportionate effects of the crisis on low-income, communities of color have affected their ability to endure this economic downturn, protect their savings and save up for the future. In 2019, 12.2% of Hispanic households, 13.8% of Black households, and 16.3% of American Indian/Alaska Native households lacked access to a mainstream checking account – compared with 2.5% of White households.[15] Research from PolicyLink and UnidosUS reveal how low-income communities of color and immigrant consumers face more pronounced barriers to banking, including prohibitive identification requirements, banking deserts, and a lack of

[14] Ibid.
[15] Federal Deposit Insurance Corporation, *How America Banks: Household Use of Banking and Financial Services, 2019 FDIC Survey*, (Oct. 2020).

language access or culturally relevant services.[16] The FDIC projected that the unbanked population may grow in the aftermath of the pandemic, which could push more consumers into expensive alternative financing options like pawn shops, check cashing firms, and payday lenders. What steps are you taking to open up branches in banking deserts that lack easy access to bank branches? Also, please describe your most basic banking account, including any minimum balance requirements and fees associated with the account.

15. For all witnesses, much of your EEO data show that people of color and women are underrepresented in executive and management positions and overrepresented in administrative support positions, compared to national averages. The Committee Staff report on diversity in America's largest banks revealed that on average, senior leadership roles across your banks are only 29% women and 19% people of color.

    - Can you explain why you continue to hire disproportionally more White males in senior management and executive roles than in administrative support roles?

    - Please provide information about the diversity of the directors of the company's board and senior executives, the policies and practices implemented at the company to promote diversity and inclusion among the company's workforce at all levels, and the policies implemented by the company to promote the use of diverse contractors, including diverse asset managers, brokers and underwriters.

16. Ms. Fraser and Messrs. Moynihan and Scharf, since last summer, many of the largest financial institutions have been increasing their commitments to make important investments in home lending, small business lending, unbanked communities, and minority depository institutions. Earlier this year, shareholder proposals were submitted to seven of the largest banks, requesting them to engage civil rights organizations, employees, shareholders, and customers in a racial equity audit process.[17] I understand that you have not agreed to pursuing a racial equity audit of your company and business practices. In response, Marc Bayard, director of the Black Worker Initiative at the Institute for Policy Studies, said that "[s]tating commitments without accountability and transparency does not dismantle systemic racism."[18]

    - What steps has each of your companies taken to demonstrate to the public, your shareholders, and employees, that you are as committed to addressing inequality inside the banking system as you are tackling racism in the communities benefitting from investment?

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[16] UnidosUS and PolicyLink, *The Future of Banking: Overcoming Barriers to Financial Inclusion for Communities of Color*, (June 2019).
[17] Common Dreams, *Wall Street Banks Reject Racial Equity Audits, While Professing BLM Support*, (May 17, 2021).
[18] Institute for Policy Studies, *While Professing BLM Support, Wall Street Banks Reject Racial Equity Audits*, (May 17, 2021).

- Please provide a report outlining all the efforts and activities your company has undertaken in the last year to demonstrate your commitment to tackling racism. Please include any stories of consumers and communities that have been impacted.

17. For all witnesses, last July, the Office of the Comptroller of the Currency (OCC) published an interpretive letter concluding that banks may provide cryptocurrency custody services for their clients.[19] Has your organization begun to provide such services? And if so, how will you ensure that customers using cryptocurrencies through your financial institutions will not be harmed due to the incredible volatility and instability of some of these products?

18. Question not directed to Citi

19. For all witnesses, how are you ensuring that essential workers have a voice in the workplace, especially in light of pay disparities between yourselves and your workers? At the Senate Banking Committee hearing, you were asked whether you would pledge to remain neutral if employees want to form a union. None of you answered yes. Yes or no, will you remain neutral if your workers want to explore forming a union?

20. For all witnesses, the Federal Financial Institutions Examination Council (FFIEC) issued a request for information on how financial institutions use, assess, and explain artificial intelligence (AI), including machine learning (ML) algorithms in practice.[20]

    - How does your financial institution utilize AI or ML algorithms in your lending and servicing decisions?
    - Are your AI or ML algorithms developed and tested for bias "in-house" or through a third-party?
    - How do you assess and catch any algorithmic bias in all of the areas in which you are using AL, including ML? Please provide a summary of your protocols on testing for algorithmic bias, and how you take corrective action.

21. For all witnesses, deforestation & other land use change are the second biggest contributor to greenhouse gas emissions after fossil fuels. This despite the fact that forests are far and away the world's biggest carbon sinks. In addition, as the fossil fuel transition happens, more pressure will accrue on land use e.g. biofuel industry expansion - which experience has shown often leads to land grabbing, especially from Indigenous peoples. Furthermore, many firms are relying on forest offsets to achieve "net zero", often without reducing emissions from other sources and continuing the site-pollution harms which disproportionately impact communities of color. And it's worth noting nearly every day new evidence shows that offsets are rife with fraud, cheating, etc. Are you counting any

[19] OCC, Interpretive Letter #1170, July 2020.
[20] Federal Register, Request for Information and Comment on Financial Institutions' Use of Artificial Intelligence, Including Machine Learning, (Mar. 31, 2021).

kind of "negative" emissions in your net zero or intensity reduction plans? The gold standard policies on climate risk are No Deforestation, No Peatland, No Exploitation (NDPE) policies. JPMorgan Chase recently committed to establishing an NDPE policy for palm oil. Ahead of the Glasgow climate conference in November, will each of you commit to establishing an NDPE policy for all forest-risk commodities?

22. For all witnesses, what steps has your firm taken to shore up cybersecurity and protect consumer data?

23. For all witnesses, please list the commitments your firm made in each of the two years, 2020 and 2021, to invest in, partner with, or otherwise support, minority depository institutions (MDIs) and community development financial institutions (CDFIs), including non-depository CDFIs. Please provide a progress report on how much of those committed funds, investments and other support were delivered in each of the two years (2020 and 2021) and name which MDIs and CDFIs received this support from your firm as well as what type of support.
    - What, if any, additional commitments have your firm made in each of the two years (2020 and 2021) to support communities of color?
    - Will you commit to providing the Committee with a written progress report of this work every quarter?

24. Can you please describe the extent to which your firm utilizes forced arbitration clauses in contracts with consumers, employees, investors, and contractors?

25. For all witnesses, please describe the company's compensation and clawback policies, including the average amount of compensation received by each decile of employees; a breakdown of the base pay and incentive pay for each decile, including a descriptions of metrics, sales goals, or cross selling required to be met in order to qualify for the incentive or bonus pay; average pay by race and gender at each decile; the minimum wage paid to employees and the number of employees earning minimum wage, and a description of:
    - how these policies are designed to promote accountability of company executives;
    - how the compensation of the chief executive officer and other senior executives compares to the median compensation of an employee of the company.

26. For all witnesses, please provide a detailed description of your firm's capital market activities, including with respect to securities (including underwriting, trading, and securitization) and derivatives, including—
    - the trading desk structure of the company, identifying each desk and the instruments traded or held at each desk;
    - the average and standard deviation of a metric of inventory, constructed using data on individual trading desk positions, for long securities positions, short securities positions, and derivatives, at each individual trading desk for a quarterly period six months prior to the reporting date;
    - how the company complies with restrictions under section 13 of the Bank Holding Company Act of 1956 (commonly referred to as the 'Volcker Rule') at each

trading desk, including a general description of the methodology for determining reasonably expected near term customer demand and for designing compensation practices at the desk so as not to create incentives for proprietary trading; and
- the total profit or loss attributed to the company's trading account, including a breakdown of profit earned on fees, commissions, and spreads, and a description of the source of trading account profit or loss that cannot be attributed to fees, commissions, and spreads;

27. For all witnesses, please list any merger or acquisition that was completed by your firm in the previous year, including—
    - a description of how each merger or acquisition affected the company's size and complexity;
    - an account of the retail branch closures that resulted from the merger or acquisition;
    - a description of any regional markets that experienced a change in market concentration, as measured by the Herfindahl-Hirschman Index, resulting from the merger or acquisition;
    - a description of any regional markets that experienced a change in the company's regional share of deposits resulting from the merger or acquisition;
    - a list of Federal or State government agencies that approved the transaction;
    - a description of any conditions placed by a Federal or State government agency on the company when the transaction was approved

Citigroup

40. Ms. Fraser, according to a news report from *Bloomberg* on May 11, you noted an interest in expanding the number of Citigroup's bank branches in the United States. You are quoted as saying, "We have a huge number of clients in the states who use our credit cards all over the country," and "I wouldn't be surprised if you start seeing us complementing more of that with an expanded physical network as well over time."[21] What is your strategy to increase Citi's branch presence, and how, if at all, would it increase its presence in low-income communities of color?

41. Ms. Fraser, you noted in your 2019 Talent and Diversity Annual Report that you set certain goals for hiring people of color and women in assistant vice president- to managing director-level roles by 2021. To what extent have you made progress toward those goals?

42. Ms. Fraser, in a report published last month, Citi's global research team found that central bank digital currencies (CBDCs) are increasingly being explored as a potential financial inclusion tool.[22] The same report found that "China is currently well ahead of

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[21] Bloomberg, *Citi Eyes More U.S. Branches With Fraser Bullish On Recovery*, (May 2021).
[22] Citi GPS, *Future of Money*, (Apr. 2021)

major peers in developing a CBDC" and that "work on a digital Euro is now underway . . . and U.S. policy makers are also now warming up to the idea of a Digital Dollar."

i. Can you explain what you see as the benefits of the Federal Reserve creating a CBDC? Are you concerned at all that the Fed seems be behind as compared the central banks of other countries, including China?

ii. Do you foresee CBDCs as a competitor to cryptocurrencies your bank may soon be offering services for, or do you envision CBDCs and cryptocurrencies working together?

Citi Response

Mortgage Forbearance and Foreclosure Relief (Questions 1-3)

Citi no longer services residential mortgage loans, having exited the business in 2019. Citi's subservicer is offering loan forbearances and modifications aligned with requirements of GSE, HUD, VA, CFPB and the CARES Act unless otherwise required by the underlying (non-Citi) investor in the mortgage loan.

The subservicer has actively engaged with state agencies that have been given the directive to issue funds made available through the Homeowner Assistance Fund provided through the American Rescue Plan. As the states continue to develop and refine their processes for how these funds will be issued, the subservicer will determine if and how it will stand up the infrastructure needed to offer relief to homeowners utilizing funds made available through the Act.

Affordable Mortgages (Question 5)

Citi's retail branches operate primarily in six high-cost housing markets, all of which generally have experienced rapidly rising housing prices in recent years. The average home cost in these high cost markets is well in excess of $100,000 and therefore opportunities to purchase homes at $100,000 or below are limited. As a result, Citi's mortgage activity at or below $100,000 is most likely tied to home improvements rather than purchases.

Chart of Loans Originated for Less than $100,000 since 2015*

Year	Units <100k	Units <100k %	$<100k %
2015	17,298	16.1%	3.6%
2016	13,308	14.9%	3.3%
2017	8,705	15.6%	3.6%
2018	5,520	14.3%	2.9%
2019	3,570	8.7%	1.2%
2020	2,812	5.6%	0.7%

* All amounts approximate, based on a search of readily available Citi Mortgage information.

Mortgage Servicing (Question 7)

Citi no longer services residential mortgage loans, having exited the business in 2019.

Citi's subservicer is taking the same proactive approach to communication with customers regardless of delinquency. This includes:

- Extending forbearance terms in shorter increments – generally 3 months in duration – which allows for more regular communication and touchpoints with our customers as they work to get them in a permanent workout at the conclusion of their hardship

- Making informational resources available within a single click of its landing page for customers to pursue options available to them

- Encouraging digital self-service and instituting web-based forms for customers

- Providing a Forbearance Virtual Assistant which can respond to common customer inquiries, such as: "What are my options?", "What happens when forbearance ends?", etc.

Citi's subservicer is conducting proactive outreach, as well as providing avenues for customers to engage with them digitally through self-service. This includes:

- Initiating proactive outreach each month of forbearance to keep customers apprised of their status, to obtain an update on their hardship, and to discuss options that may be available at that time

- Initiating proactive quality right party contact (QRPC) efforts no later than 30 days prior to forbearance term expiration and continuing past expiration, as needed

- Creating an online web form for customers to request an end to their forbearance, which triggers subsequent customer follow-up from the subservicer's specialists.

Citi's subservicer is taking a multi-pronged approach, rooted in empathy and customer transparency. This includes the following actions:

- Placing a banner front and center on its website landing page, with a direct link to informational resources that explain forbearance, how to request it (including initial and extension), how to request a cancellation / end to forbearance, and what happens thereafter

- Continuously updating call center scripting, FAQs, and policies / procedures to provide our customers timely and accurate information as it relates to permanent workouts

- Conducting proactive outreach to customers to establish QRPC and evaluate our customers for permanent workouts

- Instituting a dedicated customer advocacy team that evaluates all files in the pre-foreclosure stage to verify that loss mitigation options have been considered.

Commitment to Sustainability (Questions 6,21)

Citi understands the scale of the risks that climate change poses, the importance of helping to transition carbon-intensive sectors, in particular in emerging markets, and the need for our society to successfully transition to a low-carbon economy and invest in mitigation and adaptation solutions.Jane Fraser announced on her first day as CEO that Citi would be committing to Net Zero emissions by 2050, which includes our financed emissions. We will release our initial Net Zero by 2050 plan by March 2022, which will include 2030 emissions reduction targets for our Energy and Power portfolios. Additionally, we have recently joined the UN-convened Net Zero Banking Alliance. As a founding member, we have committed to setting 2030 targets that focus on priority sectors where the bank can have the most significant impact.

While we do not discuss the terms of our contracts with our clients, we are beginning to work with them as they begin transitioning their businesses for the low-carbon economy. In April 2020, we enhanced our existing approach to the coal and oil and gas sectors. We announced our plan to phase out financing of thermal coal mining companies by 2030 with interim targets and strengthened existing restrictions on project-related financing of coal mines. In February 2021, we also updated our coal-fired power policy to articulate a set of increasing expectations for our clients, and we will look to partner with clients that are aligned with these expectations.

Citi has publicly stated that achieving the Paris Agreement's central aim to hold the increase in the global average temperature to well below 2°C above pre-industrial levels, and to pursue efforts to limit the increase to 1.5°C, will require rapid and far-reaching transitions in energy systems, industry processes, land-use, buildings, transport and other infrastructure. Delaying this transition could significantly increase costs, lock in carbon-emitting technology and infrastructure, increase the number of stranded assets, and reduce the range of effective responses to the challenge in the medium and long term. Citi is committed to managing climate risks and implementing the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Building on our Environmental and Social Risk Management (ESRM) Policy and our experience in climate risk analysis, we are testing the resilience of Citi's lending portfolios to transition and physical risks related to climate change.

We will also begin measuring the climate impact of our portfolios and their potential alignment with 1.5C and 2C warming scenarios. For more information, please review our Environmental & Social Policy Framework (https://www.citigroup.com/citi/sustainability/data/Environmental-and-Social-Policy-Framework.pdf), our 2020 Finance for a Climate-Resilient Future II TCFD Report (https://www.citigroup.com/citi/sustainability/data/finance-for-a-climate-resilient-future-2.pdf?ieNocache=808), or our 2020 ESG Report (https://www.citigroup.com/citi/about/esg/download/2020/Global-ESG-Report-2020.pdf?ieNocache=328).

Deforestation is also a key environmental concern globally, as it leads to habitat loss, biodiversity impacts and climate-related risks, among others. We are in discussions with clients to gather information about how clients manage deforestation risks in their operations in the global tropics, including the tools they use to track deforestation and the certifications they use to ensure sustainable practices and processes. We found that one of the most effective ways to decrease deforestation risks is through quality sustainability certifications, such as the certification of plantations by the Roundtable on Sustainable Palm Oil and the Forest Stewardship Council. Some of the practices promoted by these certifications include the preservation of high-conservation and high-carbon-stock forests, the restoration of forests cleared after 2009 and a prohibition on using fire to clear lands. Citi also identifies high conservation value and high carbon stock forest impacts as an Area of High Caution in our policy that triggers enhanced due diligence and benchmarking against relevant standards such as the International Finance Corporation's (IFC) Performance Standard 6 on Biodiversity Conservation and the International Council on Mining and Metals (ICMM) Principles.

Special Purpose Credit Programs (Question 8)

Citi agrees that special purpose credit programs are an important tool available to lenders. Although at this time Citi does not have a special purpose credit program, it does have its mortgage HomeRun portfolio product and Lender Paid Assistance grant program designed to reach low- and moderate-income communities. In addition, Citi participates in FHA, the State of New York's Mortgage Agency, and other programs designed to increase access to homeownership for all communities. We continue to evaluate our products and programs for additional opportunities to expand homeownership.

Overdraft Fees During Pandemic (Question 9)

Overdraft fees in 2020 were less than 0.1% of our total revenue and fees were down 18% compared to 2019 This is a result of Citi maintaining its existing blanket goodwill policy for providing fee refunds upon request up to a 12-month limit, including OD and NSF fees, and providing other relief to customers during the COVID-19 pandemic. Information offering Pandemic accommodations can be found on two Citi websites: https://www.citi.com/citi/covid-19.htm; and https://online.citi.com/US/JRS/pands/detail.do?ID=covid19

In addition, Citi took the following actions:

- Adjusted its Right-of-Setoff (ROSO) processes to provide customer relief on a temporary basis starting in April 2020 for each tranche of stimulus. The systemic process to offset delinquent overdrafts with funds from the client's relationship deposit accounts was adjusted to exclude IRS Economic Impact Payments from being eligible for ROSO for a period of 90 days from the date of the deposit.

- Provided full access to customer stimulus funds. Accounts with negative balances at the time the stimulus check was deposited received a negative balance credit for 30 days designed to ensure customers received access to the full amount of their stimulus payment starting in April 2020 for each tranche of stimulus. Citi sent customers two communications. Those communications notified them of their full access to the funds and terms of the credit. If customers had a negative balance after credit reversal, Citi did not charge them an OD or NSF fee.

- Refunded fees in other areas from March to December 2020, including Monthly Service Fees (MSF), off-us ATM fees for Citibank clients, Annual Safe Deposit Fees, Early CD Withdrawal Penalties, Small Business MSF Fees, and Small Business Remote Deposit Capture Fees.

Citi used digital forms of communication to inform customers about account assistance which included fee refunds. These communications included emails to all customers with email addresses on file, as well as a public landing page on cit.com (https://online.citi.com/US/JRS/pands/detail.do?ID=covid19). Citi branches developed and distributed signage and flyers to help communicate COVID-19 relief treatments. And call center operations prepared customer service scripting to assist clients who may have been impacted. The scripting contained a list of all available treatments and FAQs to help address client inquiries. To help streamline call-ins specific to the pandemic, the Interactive Voice Response system prompted customers to mention "COVID-19" to be routed to receive assistance via dedicated assistance lines. Clients also could reach dedicated customer service lines by calling the number on the back of their debit card. In addition, Citi shared available assistance via a press release accessible on social media channels (Twitter, Facebook) and through the media (Link: https://www.businesswire.com/news/home/20200306005501/en/Citi-Assists-U.S.-Customers-Small-Businesses-Impacted).

Debt Relief for Minority Farmers (Question 11)

We did not share the concerns raised in the referenced letter as we are not as involved in that business, and we don't necessarily agree with every position our trade organizations take.

Addressing Racial Bias in Home Appraisal Process (Question 12)

Citi obtains mortgage appraisals from appraisal management companies and has policies and procedures in place to mitigate the risk of appraisal discrimination. For example, our Collateral Risk Management team reviews every home appraisal including an evaluation of sales used as comparisons and appraiser's comments. In addition, Citi has an appeal process in which borrowers may challenge an appraisal that results in Citi re-evaluating that appraisal. Citi monitors its appraisal management companies vendors and periodically asks them to confirm that they are providing fair lending training to their appraisers and complying with the fair lending laws. Government, regulators, consumer advocates, and industry are currently exploring ways to eliminate bias in the appraisal process and Citi is active in the various trade associations that are discussing appraisal discrimination and ways to address this issue.

Interest Rate Cap Proposals (Question 13)

Citi does not currently charge interest rates exceeding 36% on our U.S. consumer credit card products. We appreciate the spirit and intent behind H.R. 5050 (the Veterans and Consumers Fair Credit Act). However, research from the American Bankers Association indicates that an all-in interest rate cap could "hurt consumers by reducing access to credit and cutting rewards programs." In fact, the research shows that under an all-in interest rate cap, millions of borrowers across income brackets would be at risk of losing access to credit cards. Also, because credit card APRs are closely associated with the prime rate, if that should rise, then even more borrowers would be negatively impacted. Further, cardholders who maintain credit access despite the rate cap would face a high risk of reduced rewards offerings – a key consideration when more than 75 percent of balance-active rewards cardmembers have a household income of less than $50,000. So, any proposals to cap interest rates need to carefully consider all these potential consequences.

We offer a suite of products that meet a wide range of customer needs, including the Citi Simplicity Card offering no late fees, no penalty rate and no annual fee. In addition, we offer the Citi Secured Mastercard for customers with little or no credit history to help build credit; this simple, transparent card has, to date, helped hundreds of thousands build a credit history.

Underserved Communities (Question 14)

Citi is committed to position its branch and ATM networks to serve all segments of the communities in which it operates. Our Network Distribution, Community Development (CRA) and Compliance (Fair Lending) team collaborate to assure strategic plans and individual branch actions support the bank's regulatory obligations. Through investments in our digital capabilities, new and expanded partnerships and our role as the world's 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.

The Access Account Package, our most basic banking account, allows customers to open a checking and/or savings account with low or avoidable monthly charges. The Access Account Package is designed so that certain negative balance transactions will not be authorized and there are no overdraft fees associated with accounts in the package. Citi also waives the Safety Check transfer fee when transfers from linked savings accounts cover negative balance transactions. The Access Account Package was re-certified as meeting the 2021-2022 National Bank On Account Standards by the Cities for Financial Empowerment Fund.

There is no minimum deposit required to open an account in the Citi Access Account Package, and the Monthly Service Fee of $10 for an Access Account Package with a checking account is waived if one of the following conditions is met:

- 1 Qualifying Bill Payment posted to a checking account; OR

- 1 Qualifying Direct Deposit credited to a checking account, Savings or Money Market account in an Access Account Package; OR

- The combined average monthly balance in qualifying linked deposit accounts is $1,500 or more for the calendar month that ends prior to the last Business Day of the monthly statement period.

Further details about the Citi Access Account Package fees can be found at: https://online.citi.com/JRS/popups/PT_CAP_AccessAccount_.pdf

As part of our continued efforts to expand financial access for underserved people across the U.S., Citi's new Affordable Access Banking Initiative provides participants in a program sponsored by select community partners, such as the National Urban League, the opportunity to apply online for a Citi Access Account Package with special features, such as no monthly service fees.

Diversity, Equity & Inclusion (Questions 15, 41)

Citi has a long-standing commitment to diversity and inclusion. Please see details about our diversity and inclusion strategic plan in our annual Citi Global Citizenship Reports; our annual Environmental, Social, and Governance Reports; and our Annual Diversity Report.

Citi set multi-year representation goals in 2018 and we are working to meet those goals by the end of 2021. Citi holds senior leaders accountable for progress against these goals through regular periodic reporting on Executive Scorecards. Progress and accountability are assessed as part of Citigroup's CEO monthly review with the senior management team and Citi's Board of Directors reviews progress and objectives annually. See our proxy for additional information.

The CEO and Executive Management Team (EMT), along with approximately 400 other employees, are evaluated and compensated based on performance in four pillars: Leadership, Financial, Risk & Controls and Client Franchise. Included in the Leadership pillar are diversity metrics that are assessed as high, medium and low performance. For the CEO and EMT members, and other members with those metrics, below-standard performance against diversity, equity and inclusion metrics impacts the performance rating and incentive compensation received for that year.

There are also diversity measures in Citi's Voice of the Employee Survey, which measures employee engagement through a global survey of all employees. Diversity is a specific component of review during Citi's annual succession planning process.

Finally, we have set a target of directing $1 billion annually by 2023 to diverse suppliers to help more minority and women-owned entrepreneurs get the financing they need to start and grow their businesses. As part of that effort, 27% of third-party broker fees paid in 2020 went to minority and women-owned firms. Our new, globally unified wealth business will increase the number of minority-owned third-party asset managers investing in minority-owned businesses offered to Citi clients, with a target of onboarding 5-15 diverse fund managers and seeking $200 million of capital investment into these funds by the end of 2023.

Action for Racial Equity (Question 16)

In April 2021, Citi and the Citi Foundation announced initial results generated from their $1 billion in strategic initiatives to help close the racial wealth gap and increase economic mobility in the United States – see press release here.

Announced in September 2020, Citi's Action for Racial Equity is a comprehensive approach to 1) providing greater access to banking and credit in communities of color, 2) increasing investment in Black-owned businesses, 3) expanding homeownership among Black Americans, and 4) advancing anti-racist practices in the financial services industry.

Since the launch of Action for Racial Equity, Citi has made, and publicized, progress in all four areas including:

Expanding Access to Banking and Credit in Communities of Color

Citi launched a comprehensive approach to collaborating with Minority Depository Institutions (MDIs), providing equity investments and curated engagement through revenue generating and capacity building opportunities, including:

- As part of Citi's $100 million goal in support of MDI growth and revenue generation, allocating over $50 million in growth capital to MDIs to strengthen their ability to serve racially diverse and underserved households and entrepreneurs. As of April 26, Citi had made equity investments in the following MDIs: Broadway Financial Corporation, Citizens Trust Bank, Mechanics & Farmers Bank, OneUnited Bank, Optus Bank, and Unity National Bank of Houston, with legal pro bono advice provided by Paul, Weiss, Rifkind, Wharton & Garrison LLP.

- Closed nearly $15 million out of $50 million commitment affordable housing loan participation opportunities for MDIs to generate revenue and build their capacity to invest in larger transactions.

- Through collaboration with Deloitte and the National Bankers Association—Citi established a technical assistance program to support MDIs' talent development, enhance technology, expand business networks, and develop a pipeline for greater representation on corporate boards.

In addition, Citi expanded access to Citi products and platforms in collaboration with community and municipal partners to support communities of color, including:

- Launching a collaboration with the National Urban League to serve Black households by providing the opportunity to apply for the Citi® Access Account Package with a no monthly service fee feature for savings and checking products for Urban League affiliates in Philadelphia, Pa.; Seattle, Wash.; Hampton Roads, Va.; and St. Louis, Mo.

- Providing banking and other services to the City of Los Angeles which is opening and managing no-cost college savings accounts for students in LA's Unified School district through the Citi Start Saving® platform as part of Opportunity LA.

- Providing banking and other services to the City of San Jose which is opening and managing no-cost college savings accounts for local public school students through the Citi Start Saving® platform as part of San Jose Aspires.

Investing in Black Entrepreneurship

As part of Citi's commitment of $50 million in additional impact investing capital for Black entrepreneurs, 6 of the first 16 Citi Impact Fund investments were directed to Black founders, accounting for 18% of the Fund's equity invested to date. (*See "Making Healthcare More Accessible" impact story in our 2020 ESG Report Executive Summary.) In addition, Citi spent $875 million with diverse suppliers in 2020, including $354 million with Black-owned businesses alone and is on track to increase Citi business procurement spend with certified diverse suppliers to $1 billion annually by 2023.

Investing in Affordable Housing and Promoting the Growth of Black Homeownership

As part of Citi's $550 million goal to support homeownership for people of color and affordable housing by minority developers, Citi committed $200 million of equity to the preservation of affordable and workforce housing projects that will be co-managed by five Black investment managers. The co-managers were sourced by Citi Community Capital through a competitive RFP process and selected by an expert advisory committee.

In addition to the previously announced plan to expand the U.S. Consumer Bank's community lending team and its network of correspondent lenders to support Black and Hispanic homeownership, Citi continues to invest in its digital mortgage capabilities to better reach all communities, including underserved markets. This includes:

- Expanding Community Lending products and programs, while leveraging its mortgage portfolio and capital to further enable homeownership. This includes Citi's HomeRun program, which requires low down payments and removes mortgage insurance requirements for eligible borrowers with low to moderate incomes, and its Lender Paid Assistance program, which provides eligible homebuyers a credit of up to $5,000 to lower closing costs to make buying a home more affordable.

- Continuing to strengthen relationships with homeownership counseling groups, such as HomeFree-USA, and is participating as a member of the Office of the Comptroller of the Currency's Project REACh, Roundtable for Economic Access and Change, Homeownership workstream to promote financial inclusion through greater access to credit and capital.

Strengthening Citi's Policies and Practices in Order to Become an Anti-Racist Institution

- Issued first affordable housing bond with a notional value of $2.5 billion, the largest-ever social bond from an issuer in the private sector. Citi utilized a syndicate of minority and women-owned broker-dealers, with Black-owned broker-dealers comprising 75% of the joint-lead managers. The use of proceeds from the bond will finance the construction, rehabilitation and preservation of quality affordable housing for low-and moderate-income populations in the U.S.

- Issued $2.5 billion bond with an underwriting syndicate exclusively comprised of Black-owned broker-dealers, reinforcing the firm's commitment to increasing racial equity in the capital markets and broader financial services industry.

- Piloted a municipal finance modeling training program, in collaboration with Citi and minority-owned, municipal broker-dealers and advisors, to support talent development, promote networking, and deliver access to industry-leading bankers in the field.

- To date, a majority of Citi's law firm partners in the U.S. have volunteered to participate in the bank's efforts to increase representation of diverse attorneys on Citi matters.

- Successfully updated the Citi Environmental and Social Risk Management Policy for project-related financing to strengthen due diligence processes for environmental justice and social impacts on communities of color.

In addition to Citi's business initiatives, the Citi Foundation has granted more than $15 million of its three-year, $100 million target to invest in community change agents addressing racial equity, including new efforts to expand entrepreneurship and employability among youth of color and support small businesses owned by people of color. This work includes a recently announced $1 million grant to MENTOR to propel racial justice and equity efforts and $3.5 million in support of Historically Black Colleges and Universities (HBCUs) and young Black students and leaders, with grants to UNCF and the Thurgood Marshall College Fund. To help explore structural inequities that made Black communities more vulnerable to COVID-19 and set recommendations for a full and equitable economic recovery for Black Americans, the Citi Foundation has commissioned The Joint Center for Political and Economic Studies to launch an 18-month research project.

Supporting Communities of Color

While we have yet to fully understand the lasting economic repercussions of COVID-19, the immediate impacts have unquestionably, and disproportionately, fallen on communities of color. Which is why many of Citi's efforts to support COVID-19 recovery last year included an intentional focus on reaching communities of color.

In 2020, Citi donated $50 million in Paycheck Protection Program (PPP) profits to the Citi Foundation, which the Citi Foundation deployed to support small businesses and economically vulnerable households affected by the pandemic. By November, the Citi Foundation deployed

$25 million of the PPP profits donated by Citi. Of that, $15 million went to 30 Community Development Financial Institutions (CDFIs), each of which received $500,000 in unrestricted funding to support small businesses with the vital resources needed to sustain their operations and assist economically vulnerable households impacted by COVID-19. The CDFIs were chosen through an open Request for Proposals (RFP) application process based on their strong records of serving small businesses owned by people of color and supporting underserved individuals and communities. The remaining $10 million was deployed to the Local Initiatives Support Corporation (LISC) to support the New York Forward Loan Fund, which is supporting CDFIs making loans to small businesses, nonprofits and small landlords for working capital, including payroll, operating expenses and emergency maintenance.

Also in 2020, Citi announced a partnership with the National Bankers Association, through which Citi created a purchasing facility to assume up to $50 million in PPP loans from MDIs. To date, five MDIs have taken part in the program, allowing them to free up capital that can be used for other lending activities.

In 2021, our new, globally unified wealth business has made a commitment to increase the number of minority-owned third-party asset managers investing in minority-owned businesses offered to Citi clients, with a target of onboarding 5-15 diverse fund managers and seeking $200 million of capital investment into these funds by the end of 2023.

Recognizing that economic recovery requires ongoing urgency, in 2021, the Citi Foundation announced it would deploy the remaining $25 million in PPP profits to further support small businesses owned by people of color in the U.S. In addition, in June 2021, the Citi Foundation announced it is committing an additional $25 million in a third iteration of Community Progress Makers focusing on supporting local community organizations that are advancing racial equity by breaking down silos and connecting Black, Indigenous, and People of Color (BIPOC) to greater social and economic opportunity across the Unites States.

Cryptocurrency (Question 17)

Citi is not currently offering custody services for cryptocurrencies or other similar crypto assets.

Unionization (Question 19)

Citi respects its employees' rights under the law.

Artificial Intelligence (Question 20)

Models have been used for many years in lending and servicing across the financial services industry and at Citi. Artificial Intelligence (AI) and Machine Learning (ML) have now been deployed as the next generation of some of those tools building on existing oversight and compliance capabilities. Risk, Marketing and Fraud Management have introduced AI/ML tools to improve alignment between offers and customer needs, increase efficiency, and mitigate risk. AI/ML technology offers the opportunity to introduce new capabilities outside the three areas mentioned above to areas such as operations and servicing. For example, in lending and servicing, Machine Learning enables a high-level of efficiency in the entire decision-making process.

AI or ML algorithms are tested in-house and through third-party as needed The Fair Lending model review process is designed to assess for any bias/discrimination regardless of the model development method (i.e. conventional vs AI/ML). We acknowledge the risks of bias associated in AI/ML. An important means of reducing these risks is to ensure the integrity of training data and subsequent increments for re-training.

Cybersecurity (Question 22)

With an evolving threat landscape, ever increasing sophistication of cybersecurity attacks and use of new technologies to conduct financial transactions, Citi and its clients, customers and third parties are and will continue to be at risk for cyber attacks and information security incidents. Citi recognizes the significance of these risks and, therefore, employs an intelligence-led strategy to protect against, detect, respond to and recover from cyber attacks. Further, Citi actively participates in financial industry, government and cross-sector knowledge-sharing groups to enhance individual and collective cyber resilience.

Citi's Partnership with Minority Depository Institutions (Question 23)

Collaborations with Minority Depository Institutions (MDIs) are not new for Citi. We have long prioritized an intentional focus on strengthening the economic trajectory of minority banking institutions and the communities they serve.

In 2016, Citi piloted the Citi® ATM Community Network, a program that enables clients of participating MDIs, community banks and credit unions to access Citi ATMs free of charge. This initiative provides convenience and nearly $1 million in cost savings to more than 440,000 customers of participating institutions. The Network was highlighted by the U.S. Department of the Treasury's Office of the Comptroller of the Currency (OCC) as a best practice in collaborating with MDIs.

One year later, the U.S. Department of the Treasury worked closely with Citi to develop and pilot their Financial Agent Mentor-Protégé Program. The initiative pairs the nation's large financial institutions with MDIs to perform Department of the Treasury contracts and subcontracts and foster the long-term business relationships between these entities and Treasury prime contractors. While the program's core component focuses on enabling and preparing MDIs to participate in large-scale government transactions, Citi expanded its mentorship model. Citi's approach provides additional benefits, including potential access to strategic advice, a network of partners, technology guidance and support, as well as potential distribution of consumer products like mortgages, credit cards, and digital bank accounts that MDIs typically can't afford to offer independently. The lessons learned from our long-standing Mentor-Protégé relationships continue to inform Citi's approaches and initiatives today.

The seminal events of 2020 — the global COVID-19 pandemic and the spotlight on persistent racial injustice in the U.S. — forced us to reflect upon our role and influence as a financial institution. With a new sense of urgency, we asked: What more can we do to support communities of color, especially given the disproportionate impact of the pandemic? As we assessed the landscape, we recognized an opportunity to deepen our commitment and investments to improve liquidity among MDIs that are meeting the needs of clients.

Citi quickly responded by setting up a $50 million loan facility to purchase PPP loans from MDIs, freeing up capital and room on their balance sheets for further investments in their communities. For the first round, Citi purchased $10.6 million of PPP loans from MDIs, including First Independence Bank, Liberty Bank, Industrial Bank, Citizens Trust Bank and Unity National Bank of Houston. As protests for racial justice intensified across the U.S., Citi businesses came together to develop solutions that would move the needle on the racial wealth gap in the U.S. We responded with Action for Racial Equity — a comprehensive framework that includes more than $1 billion in strategic initiatives to help close the racial wealth gap and increase economic mobility in the U.S. Action for Racial Equity represents an unprecedented effort to leverage Citi's core business capabilities alongside the Citi Foundation's philanthropic efforts to combat the impacts of racism on our economy and drive systemic change. The initiative has four pillars and goals, and MDIs are critical partners across each of them. Simultaneously, the OCC established Project REACh, which convenes leaders from the banking industry, national civil rights organizations, business, and technology to reduce specific barriers that prevent full, equal, and fair participation in the nation's economy. Through our engagement, Citi became one of the first institutions to sign onto the Project REACh MDI Pledge, making a commitment to invest in an MDI, provide technical assistance, identify business opportunities targeted to expand the MDI's reach and impact within its communities, support executive development, and commit resources to support the MDI's operations and customers.

Descriptions of our activities with MDIs are below and full details of our work with MDIs as of May 2021 can be found here - Helping Advance Racial Equity in the Financial Services Industry - Collaborating with Minority Depository Institutions to Help Expand Banking and Access to Credit in Black Communities

Carver State Bank	As Carver State Bank's mentor in the U.S. Department of the Treasury's Mentor-Protégé Program, Citi provides expertise and guidance on how to evolve and remain competitive. To deepen our collaboration, Citi is participating in ongoing client conversations alongside Carver State Bank. Through pro-bono technical assistance delivered in collaboration with Deloitte and the National Bankers Association, Citi is helping to strengthen Carver State's access to talent pipeline development initiatives and corporate board seats.
First Independence Bank	In 2020, Citi created a purchasing facility to buy loans in the secondary market from MDIs under the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP). Citi's purchasing facility assumed SBA loans from First Independence Bank.
Citizens Trust Bank	Since 2019, through the U.S. Department of the Treasury's Mentor-Protégé Program, Citi has collaborated with Citizens Trust Bank to provide expertise and guidance on how to evolve and remain competitive. Citi continues to deepen our collaboration by underwriting an equity investment, engaging Citizens Trust to explore a next generation lending platform to provide access to a national customer base, exploring supplier finance relationships with corporate clients,

	offering airline industry guidance from in-house experts, participating in ongoing client conversations and purchasing US Small Business Administration Paycheck Protection Program (PPP) loans through our facility. In order to prepare for long-term growth, Citizens Trust Bank has access to pro-bono technical assistance delivered in collaboration with Deloitte and the National Bankers Association to strengthen access to talent pipeline development initiatives and corporate board seats. In addition, Citi and Citizens Trust Bank are collaborating on talent acquisition efforts by exposing high-achieving students of color to banking as a career.
Liberty Bank and Trust Company	In 2021, Citi is engaging Liberty Bank on select project-based lending opportunities, including loan participation. To help boost revenue generation, Citi is also working with Liberty Bank to explore a next generation lending platform to provide them with access to a national customer base and purchasing U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) loans through our facility. In addition, Citi and Liberty Bank are collaborating on talent acquisition efforts by exposing high-achieving students of color to banking as a career
Mechanics and Farmers Bank	Citi collaborates with Mechanics & Farmers (M&F) Bank on the U.S. Department of the Treasury's Mentor-Protégé Program, providing expertise and guidance on how to evolve and remain competitive. In 2021, Citi closed an equity investment with M&F Bank and is continuing to support its growth through collaborative client meetings and by supporting talent acquisition initiatives.
OneUnited Bank	As OneUnited Bank's mentor in the U.S. Department of the Treasury's Mentor-Protégé Program, Citi provides expertise and guidance on how to remain competitive. To boost revenue generation, Citi is engaging OneUnited to explore a next generation lending platform to provide them with access to a national customer base and exploring supplier finance relationships with corporate clients. Citi and OneUnited are also working on talent acquisition by exposing high-achieving students of color to banking as a career.
Industrial Bank	In 2018, acting on the U.S. Department of the Treasury's commitment to achieving a more inclusive network of Financial Agents, and Citi's own commitment to increase supplier diversity and collaborate with MDIs, we worked with Treasury to establish Industrial Bank as the first partner bank in the Department of the Treasury's Mentor-Protégé Program. As part of the initiative, Citi collaborated with Industrial to develop a joint proposal for the re-bid of the Treasury's Bureau of Fiscal Service OTCnet application, which automates point-of-sale, over-the-counter check deposit processes by capturing deposit-ready images. For the past decade, Citi had been responsible for day-to-day management of OTCnet, which processes $100 billion in deposits annually. By collaborating with Citi on the bid, Industrial became a full OTCnet partner, making it the first Black-owned bank in history to serve as a

	federal subcontractor. To date, Citi has continued to engage Industrial to deepen our collaboration by generating revenue through select project-based loan participation opportunities, exploring participation in supplier finance relationships with existing corporate clients and purchasing U.S. Small Business Administration Paycheck Protection Program (PPP) loans from Industrial through our facility. In order to prepare for long-term growth, Industrial has access to pro-bono technical assistance delivered in collaboration with Deloitte and the National Bankers Association to strengthen Industrial's access to talent pipeline development initiatives and corporate board seats.
Optus Bank	Through the U.S. Department of the Treasury's Mentor-Protégé Program, Citi provides Optus Bank with expertise and guidance on how to remain competitive. In 2020, Citi closed an equity investment with Optus. In order to deepen our collaboration, Citi is exploring how Optus can participate in supplier finance relationships with corporate clients, engaging Optus on a next generation lending platform to provide them with access to a national customer base and supporting talent acquisition by exposing high-achieving students of color to banking as a career.
United Bank of Philadelphia	Through the U.S. Department of the Treasury's Mentor-Protégé Program, Citi provided United Bank of Philadelphia with expertise and guidance on how to remain competitive. To help boost revenue generation, Citi is engaging United Bank of Philadelphia on a next generation lending platform to provide them with access to a national customer base and working on an equity investment. United Bank of Philadelphia also receives pro-bono technical assistance delivered in collaboration with Deloitte and the National Bankers Association to strengthen access to talent pipeline development initiatives and corporate board seats.
Unity Bank	Through the U.S. Department of the Treasury's Mentor-Protégé Program, Citi provides Unity National Bank of Houston with expertise and guidance on how to remain competitive. Citi has also supported growth capital opportunities for Unity by providing an equity investment and inviting Unity in on select project-based affordable housing lending opportunities, including a loan for 93 affordable housing units in Texas. Citi has continued to deepen our collaboration with Unity by engaging them in supplier finance relationships with existing corporate clients, providing contract-based revenue to Unity acting as subcontractors on existing Citi federal business lines, and U.S. Small Business Administration Payment Protection Program (PPP) loan purchases through our facility. In order to help Unity prepare for long-term growth, Citi is also collaborating on shared media and client conversations and supporting talent acquisition by exposing high-achieving students of color to banking as a career. Further, pro-bono technical assistance delivered in collaboration with Deloitte and the National Bankers Association is helping Unity to strengthen access to talent pipeline development initiatives and corporate board seats.

Citi's Support of Community Development Financial Institutions (Question 23)

At Citi, we have a strong record of breaking down barriers that impede access to financial services and helping direct the flow of capital into communities that have traditionally lacked it. Our partnerships with Community Development Financial Institutions (CDFIs) are emblematic of this work.

In the face of a broader consolidation of the banking industry, there is an important role for institutions of all sizes. Indeed, we are focused on ways we can support smaller banks, such as CDFIs and MDIs, because they often can serve communities in more effective and enduring ways than we can on our own or through our branch footprint. CDFIs level the playing field for underserved communities and populations, especially communities of color. That's why, in the last five years, Citi and the Citi Foundation have provided $173 million in capital and $79 million in philanthropic funding to more than 80 CDFIs across the U.S. in support of their small business and community development efforts.

In 2020, Citi donated $50 million in PPP profits to the Citi Foundation in 2020, which the Citi Foundation deployed to support small businesses and economically vulnerable households affected by the pandemic. The Citi Foundation deployed $25 million of the PPP profits donated by Citi. Of that, $15 million went to 30 Community Development Financial Institutions (CDFIs), each of which received $500,000 in unrestricted funding to support small businesses with the vital resources needed to sustain their operations and assist economically vulnerable households impacted by COVID-19. The CDFIs were chosen through an open Request for Proposals (RFP) application process based on their strong records of serving small businesses owned by people of color and supporting underserved individuals and communities. The remaining $10 million was deployed to the Local Initiatives Support Corporation (LISC) to support the New York Forward Loan Fund, which is supporting CDFIs making loans to small businesses, nonprofits and small landlords for working capital, including payroll, operating expenses and emergency maintenance.

Also in 2020, the Citi Foundation was one of three funders to provide seed grants to create the Entrepreneur Backed Assets Fund (EBA Fund). The Fund strengthens the capacity of community-based financial institutions to lend to small businesses in low-income communities and those owned by people of color by creating a secondary market for loans originated by community-based microlenders. As of December 2020, of the loans purchased, 78% are to entrepreneurs of color, 38% to women entrepreneurs, and 78% to entrepreneurs in low-income communities. The Fund's goal is to purchase $50M in loans from six initial community lenders, and then to expand to purchase loans from other community financial institutions.

CDFIs and organizations supporting CDFIs that have received Citi and Citi Foundation support in 2020 and 2021 year-to-date are below.

Organization	Year	Type of Support	Amount ($)
ACCION Chicago	2020	Citi Foundation Grant	750,000
ACCION San Diego	2020	Citi Foundation Grant	500,000

Accompany Capital	2020	Citi Foundation Grant and Citi Charitable Contribution	600,000
AmPac Business Capital	2020	Citi Foundation Grant	500,000
Ascendus	2020	Citi Foundation Grant	1,000,000
Asian Americans for Equality	2020	Citi Foundation Grant and Citi Charitable Contribution	350,000
BOC Capital Corp	2020	Citi Foundation Grant	500,000
California Reinvestment Coalition	2020	Citi Charitable Contribution	45,000
Capital Good Fund	2020	Citi Foundation Grant	500,000
CBA Fund	2020	Citi Charitable Contribution	175,000
Center for New York City Neighborhoods	2020	Citi Charitable Contribution	650,000
Central County Community Development Corporation	2020	Citi Foundation Grant	500,000
Chicago Community Loan Fund	2020	Citi Foundation Grant	500,000
Chicago Neighborhood Initiatives Micro Finance Group	2020	Citi Charitable Contribution	50,000
City First Enteprises, Inc	2020	Citi Foundation Grant	500,000
Coalition for Nonprofit Housing & Economic Development	2020	Citi Charitable Contribution	100,000
Community Development Corporation of Long Island	2020	Citi Charitable Contribution	100,000
Community Development Venture Capital Alliance	2020	Citi Charitable Contribution	75,000
Community Preservation Corporation	2020	Loan	414,258,758
Dakota Resources	2020	Citi Charitable Contribution	75,000
Democracy at Work Institute	2020	Citi Charitable Contribution	125,000
East River Development Alliance	2020	Citi Charitable Contribution	50,000
Enterprise Community Partners	2020	Citi Charitable Contribution	295,000
Four Bands Community Fund	2020	Citi Foundation Grant and Citi Charitable Contribution	535,000
Fresno Community Development Financial Institution	2020	Citi Foundation Grant	500,000
Grameen America	2020	Citi Charitable Contribution	500,000
Housing Development Fund	2020	Citi Charitable Contribution	100,000
IFF	2020	Citi Foundation Grant and Citi Charitable Contribution	700,000
Inclusiv	2020	Citi Charitable Contribution	310,000
Inclusive Action for the City	2020	Citi Charitable Contribution	200,000
International Rescue Committee	2020	Citi Charitable Contribution	675,000
Justine Petersen	2020	Citi Foundation Grants	2,350,000
Lakota Fund	2020	Citi Foundation Grant and Citi Charitable Contributions	605,000

Latino Economic Development Center	2020	Citi Foundation Grant	350,000
LIFT	2020	Citi Charitable Contribution	25,000
LiftFund	2020	Citi Foundation Grant	500,000
Local Initiatives Support Corporation	2020	Citi Foundation Grants and Citi Charitable Contributions	12,750,000
Long Island Housing Partnership	2020	Citi Charitable Contribution	115,000
Main Street Launch	2020	Citi Foundation Grant	350,000
Miami Bayside Foundation Inc	2020	Citi Foundation Grant	175,000
Mission Asset Fund	2020	Citi Foundation Grant and Citi Charitable Contribution	700,000
Mission Community Services Corporation	2020	Citi Charitable Contribution	25,000
National Association For Latino Community Asset Builders	2020	Citi Foundation Grant and Citi Charitable Contribution	575,000
National Community Reinvestment Coalition	2020	Citi Charitable Contribution	255,454
Neighborhood Housing Services of Orange County	2020	Citi Charitable Contribution	5,000
Neighborhood Partnership Housing Services Inc	2020	Citi Foundation Grant and Citi Charitable Contribution	700,000
NYBDC Local Development Corporation	2020	Citi Foundation Grant	500,000
Opportunity Fund Community Development	2020	Citi Foundation Grant	500,000
Pacific Asian Consortium In Employment	2020	Citi Foundation Grant	500,000
Pacific Coast Regional Small Business Development Corporation	2020	Citi Foundation Grants	1,000,000
Partners for Self-Employment Inc	2020	Citi Foundation Grant	175,000
PathStone Enterprise Center Inc.	2020	Citi Foundation Grant	500,000
PeopleFund	2020	Citi Foundation Grant	500,000
Prince Georges Financial Services Corporation	2020	Citi Foundation Grant	500,000
Raza Development Fund	2020	Citi Foundation Grant	500,000
Sacramento Neighborhood Housing Services	2020	Citi Charitable Contribution	75,000
Small Business Majority Foundation	2020	Citi Charitable Contribution	125,000
Santa Fe Community Housing Trust	2020	Loan	3,556,000
The Beacon Council Economic Development Foundation, Inc.	2020	Citi Charitable Contribution	200,000
The Capital Good Fund	2020	Citi Charitable Contribution	425,000
True Access Capital Corporation	2020	Citi Foundation Grant	500,000
TruFund	2020	Citi Foundation Grant	500,000

USC Credit Union Foundation	2020	Citi Charitable Contribution	25,000
Ventura County Community Development Corporation	2020	Citi Charitable Contribution	40,000
Washington Area Community Investment Fund	2020	Citi Foundation Grant	850,000
Working Solutions CDFI	2020	Citi Foundation Grant and Citi Charitable Contribution	300,000
Center for New York City Neighborhoods	2021 Year To Date	Citi Charitable Contribution	100,000
Coalition for Nonprofit Housing & Economic Development	2021 Year To Date	Citi Charitable Contribution	50,000
Community Development Venture Capital Alliance	2021 Year To Date	Citi Charitable Contribution	150,000
Community Preservation Corporation	2021 Year To Date	Loan	166,472,505
Dakota Resources	2021 Year To Date	Citi Charitable Contribution	55,000
Enterprise Community Partners	2021 Year To Date	Citi Charitable Contribution	65,000
Housing Development Fund	2021 Year To Date	Citi Charitable Contribution	5,000
Inclusive Action for the City	2021 Year To Date	Citi Charitable Contribution	50,000
International Rescue Committee	2021 Year To Date	Citi Charitable Contribution	10,000
Local Initiatives Support Corporation	2021 Year To Date	Citi Charitable Contribution	375,000
Long Island Housing Partnership	2021 Year To Date	Citi Charitable Contribution	50,000
Mission Asset Fund	2021 Year To Date	Citi Charitable Contribution	50,000
Neighborhood Housing Services of Orange County	2021 Year To Date	Citi Charitable Contribution	5,000

Ventura County Community Development Corporation	2021 Year To Date	Citi Charitable Contribution	10,000

Arbitration Agreements (Question 24)

Select consumer products offer arbitration as a way to resolve disputes with an opt-out right for consumers, and there are no arbitration clauses in our mortgage products. We do require arbitration of employment disputes for U.S. employees, as permitted by law and as is customary in many firms in our industry and others. Our arbitration agreements with our employees specifically state that they are not prohibited from reporting their concerns to government agencies, such as the Equal Employment Opportunity Commission, other state and local human rights agencies, or our regulators.

Compensation Policies and Clawback Provisions (Question 25)

Citi's compensation policy is designed to encourage prudent risk-taking and management of controls while attracting the world-class talent necessary to our success. Our approach is summarized by the following six objectives: incentivize conduct that aligns with shareholder and other stakeholder interests; reinforce a business culture based on accountability, achieving excellence and maintaining the highest ethical and control standards through Citi's Leadership Principles; encourage prudent individual and group decision-making in regards to risk consistent with applicable regulatory guidance and Citi's Mission and Value Proposition Statement; function as a tool to attract and retain the best talent and to reward talent for engaging in appropriate behaviors that support Citi's corporate goals; encourage behaviors that are in the best interests of our customers, shareholders and the goals of the organization, including environmental and social principles; and align realized pay with achievement of important risk and control, regulatory, strategic and financial-based objectives. To support compensation decisions and to promote accountability among executives, we use a proprietary tool that evaluates their performance across four pillars – risk and control, financial, client and franchise and leadership. The results of these evaluations, combined with the market rates of pay, adjusted to reflect each executive officer's experience and the scope of his or her role in our system, form the basis for our compensation committee's determination of incentive compensation amounts. We provide an hourly minimum wage of $15 for all U.S. employees, and the median hourly wage is $43.52. In 2020, during his last full year as CEO, Mike Corbat's pay compared to the median pay of U.S. employees was a ratio of 213 to 1. In 2020, as president of Citi, Jane Fraser's pay ratio was 155 to 1. Our robust cancellation and clawback policies are applicable to incentive awards for executive officers and all other employees eligible for similar awards. The cancellation and clawback provisions provide us with the right to cancel unvested deferred incentive compensation under a range of adverse outcomes and to claw back compensation previously pay in specified events. We will also consider making public disclosures whenever a decision has been made to cancel or claw back compensation payable to an executive officer because he or she had significant responsibility for a material adverse outcome or otherwise.

Compliance with the Volcker Rule (Question 26)

Citi has in place a global Volcker compliance program reasonably designed to ensure and monitor compliance with the rule's prohibitions and restrictions on proprietary trading and covered fund activities and investments.

As part of this program, Citi submits daily trade, inventory, profit and loss and market risk related information metrics on its trading desk activities to the Volcker regulators on a quarterly basis. These submissions are subject to the appropriate Supervisory and Examination processes as are the other elements of the Volcker compliance program.

Some of the other key elements of the compliance program include:

- Development and ongoing maintenance of mandates documenting Citi's various trading desk and covered fund activities as permitted under the various exemptions of the Volcker Rule e.g., market-making, underwriting, trading in US Government bonds.

- A Volcker compliance program-specific Independent Testing function in addition to the normal audit function

- An extensive annual Volcker Training program

- An annual CEO Attestation process with associated supporting processes.

As part of its governance of the compliance program Citi has a Volcker Rule Office which reports to business management and has responsibility for overall coordination and monitoring under its compliance program, including project management and process support as well as providing assistance in coordinating engagement with and among Citi's second line of defense.

Acquisitions (Question 27)

Any significant acquisitions would be announced at the appropriate time and made part of our disclosures filed with the SEC.

Citi's Branch Presence (Question 40)

Citi is committed to position its branch and ATM networks to serve all segments of the communities in which it operates. Our Network Distribution, Community Development (CRA) and Compliance (Fair Lending) team collaborate to assure strategic plans and individual branch actions support the bank's regulatory obligations. Over the past 10 years, the ratio of branches in low- and moderate-income communities in existing markets has increased by 16.2%. Today, 28% of Citi's branches are in LMI census tracts. Plans for new markets and targeted focus areas within these markets are inclusive of LMI and majority minority communities and specific sites for new branches have been identified to demonstrate this commitment.

Central Bank Digital Currencies (Question 42)

Citi supports international standard setters' efforts to both foster innovation and protect customers. CBDCs present opportunities and risks, and the private sector has an important role to play. Banks should continue to be financial intermediaries, serve clients and customers, and provide credit to drive growth and jobs. As various central banks pursue CBDC exploration, Citi is keen to partner and provide input on the various models recognizing there are multiple approaches to CBDC being considered, each with different impacts on financial stability, systemic risk and efficiency of financial markets.

Over the past year and a half, adoption of digital assets has advanced and it is clear they will be part of our future. This momentum is fueled by products, tools and capabilities which enable institutions to step into the space in a measured manner. At Citi, our clients are increasingly active in the space and we are monitoring these developments but know we will need to be thoughtful about what we pursue. There are still a number of questions around regulatory clarity, supervisory expectations, scalability, resilience and more.

Congresswoman Dean: Questions for the Record

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Thursday, May 27th, 2021

All Financial Institutions

In recent years, financial institutions have attempted to engage with gun manufacturers and push for better risk management and public safety practices. Following the mass shooting at Marjory Stoneman Douglas High School in Parkland, Florida that killed seventeen students and educators and wounded more than a dozen, banks and asset managers asked gun manufacturers to address what steps they had taken to manage the reputation and compliance risks inherently associated with manufacturing assault weapons for civilians, selling weapons to people under the age of 21, or allowing gun sales to proceed without a completed background check. But despite these efforts, gun manufacturers have still not taken steps to manage or control these risks.

How does providing services to or maintaining business relationships with the gun industry align with your company's risk management practices? Will your financial institution consider adopting or adding to your existing risk-reducing gun safety policies, such as codes of conduct or best practices, which several major banks have already adopted?

Citi Response

Firearms Policy

As a regulated financial institution, Citi follows OCC guidance and sets policies and practices to assess the totality of risks associated with client relationships, such as credit, interest rate, liquidity, operational, compliance, strategic, and reputation risk. Clients in different industrial sectors have different risk profiles and our policies and practices in providing financing are tailored to the particular risks in each sector or financial product as appropriate.

Since 2003, Citi has had an Environmental and Social Risk Management (ESRM) Policy to ensure that we effectively identify potential environmental and social risks associated with our clients' activities that could lead to credit or reputational risks to Citi, and assess whether those risks are appropriately mitigated and managed by the client in line with responsible industry practice for their respective industries. The ESRM Policy is not discriminatory against any particular industry or sector but applies globally across sectors with potential environmental and social risks. Rather than prohibiting business, it enables us to engage responsibly and prudently with clients in many sectors and better understand their management practices as part of our standard due diligence.

One of the sectors covered in Citi's ESRM Policy is firearms retailers in the corporate or small business sectors – the policy does not apply in any way to individual citizens. Coverage of this sector in the ESRM Policy was added in response to the elevation in the severity of gun-related violence against civilians due to mass shootings, particularly affecting schools.

Rep. David Kustoff: Questions for the Record

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An annual percentage rate (APR) can be a misleading metric to compare the cost of loans. For example, if I give you $100 today, and ask you to pay me a $10 fee in one year, the APR would be 10%. But if I ask you to pay me $10 in one week, the APR would be 521%. Therefore, APRs are also a function of "loan duration," and not just "cost."

Additionally, APR caps can serve as a form of price control. According to a recently published study from the National Bureau of Economic Research, these caps can restrict access to credit for lower income consumers and reduce consumer welfare.

Of course, this would negatively impact the millions of consumers who depend on alternative loans.

(To all Witnesses)

Would you say that APR caps, like price controls, could threaten credit inclusion and could cause more harm than benefit to consumer, especially those who lack access to traditional credit?

Citi Response

Interest Rate Cap Proposals

Citi does not currently charge interest rates exceeding 36% on our U.S. consumer credit card products. However, research from the American Bankers Association indicates that an all-in interest rate cap could "hurt consumers by reducing access to credit and cutting rewards programs." In fact, the research shows that under an all-in interest rate cap, millions of borrowers across income brackets would be at risk of losing access to credit cards. Also, because credit card APRs are closely associated with the prime rate, if that should rise, then even more borrowers would be negatively impacted. Further, cardholders who maintain credit access despite the rate cap would face a high risk of reduced rewards offerings – a key consideration when more than 75 percent of balance-active rewards cardmembers have a household income of less than $50,000. So, any proposals to cap interest rates need to carefully consider all these potential consequences.

QUESTIONS FOR THE RECORD

RESPONSES ON BEHALF OF

JAMES P. GORMAN

IN CONNECTION WITH THE

HOUSE COMMITTEE ON FINANCIAL SERVICES HEARING

HOLDING MEGABANKS ACCOUNTABLE: AN UPDATE ON BANKING PRACTICES, PROGRAMS AND POLICIES

MAY 27, 2021

House Committee on Financial Services
Holding Megabanks Accountable: An Update on Banking Practices, Programs and Policies
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Chairwoman Maxine Waters

1. *All of your firms have made a commitment to either achieve net zero financed emissions by 2050, a key milestone of the Paris Climate agreement, or to otherwise achieve alignment with the Paris agreement. President Biden has committed to cutting U.S. emissions by 50% by 2030, setting the bar for our country's climate ambition. Any commitment weaker than that undermines our aspirations to climate leadership. The IEA agrees in its new net zero report, saying there is "no need for investment in new fossil fuel supply."*[1]
    - *Do you agree that a global failure to keep climate change to significantly less than 1.5C creates major risks for financial stability?*
    - *Will you commit to withdrawing financing for companies that continue to develop new fossil fuel projects?*
    - *What interim steps are you taking to meet your net zero 2050 goals?*

Morgan Stanley believes that climate change presents a profound challenge in the U.S. and globally. Our financial system faces a number of challenges and climate change is certainly an issue that warrants increased attention. Physical climate impacts are already affecting individuals, communities, businesses and the economy in harmful ways.

In September of last year, Morgan Stanley was the first large U.S. financial institution to commit to net-zero financed emissions by 2050. We were one of the first American banks to join the Net Zero Banking Alliance announced last month. We recently announced an updated commitment to mobilize $1 trillion in capital, $750 billion of which will support low-carbon solutions by 2030. Morgan Stanley is committed to working with companies to facilitate their transition to a low-carbon environment. We have also set a goal to achieve carbon neutrality for our global operations by 2022. As part of this goal, we will source 100% of our global energy needs from renewable energy.

2. *For all witnesses, the* New York Times *recently reported that the American Banking Association and other banking trade groups wrote to the Department of Agriculture to complain about lost interest payments from a relief program for minority farmers that was approved as part of COVID relief last year.*[2] *In what was interpreted as a veiled threat to withhold future lending to historically disadvantaged communities, the letter stated that "(i)f U.S.D.A. does not compensate lenders for such disruptions or avoid sudden loan payoffs, the likely result will be less access to credit for those seeking U.S.D.A. guaranteed loans in the future, including U.S.D.A. farmers/ranchers."*[3]
    - *At the Senate Banking Committee hearing, you all indicated that you were not involved in this letter, and some of you had not read it. Have you read the letter?*
    - *Do you think it's appropriate that your representatives in Washington are issuing these threats?*

[1] International Energy Agency, *Net Zero by 2050*, (May 2021).
[2] New York Times, *Banks Fight $4 billion debt relief plan for Black Farmers*, (May 19, 2021).
[3] Ibid.

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- *Do you believe it is inappropriate for the federal government to provide just compensation for those who have been unjustly harmed by discriminatory actions?*
- *Will you commit to continuing to lend to historically disadvantaged farmers even if Secretary Vilsack carries out the law as he has said he will?*

Morgan Stanley does not engage in any agricultural lending and has not participated in this U.S.D.A. initiative referenced above.

3. *For all witnesses, much of your EEO data show that people of color and women are underrepresented in executive and management positions and overrepresented in administrative support positions, compared to national averages. The Committee Staff report on diversity in America's largest banks revealed that on average, senior leadership roles across your banks are only 29% women and 19% people of color.*
   - *Can you explain why you continue to hire disproportionally more White males in* senior *management and executive roles than in administrative support roles?*
   - *Please provide information about the diversity of the directors of the company's board and senior executives, the policies and practices implemented at the company to promote diversity and inclusion among the company's workforce at all levels, and the policies implemented by the company to promote the use of diverse contractors, including diverse asset managers, brokers and underwriters.*

We believe a diverse workforce is important to Morgan Stanley's continued success and our ability to service our clients. Achieving greater diversity throughout the Firm remains a key priority for the Firm and its management team, and we are working hard to achieve our diversity goals. While we are proud of the gains that we have made, there is still work to be done.

Establishing diverse leadership is essential to bringing greater diversity to the Firm as a whole. While change will not happen overnight, we made some immediate changes, which included calling out Diversity & Inclusion as one of our core values, establishing the Institute for Inclusion to provide outside input on our talent and diversity efforts, and elevating Black leaders, including the addition of two Black Managing Directors to the Firm's Operating Committee.

Diversity at the Board of Directors level is a significant priority. Half of our Board is gender or ethnically diverse. Diversity in senior management is also critical to achieving our Firm-wide diversity goals. Twenty-one percent of our Operating Committee is ethnically diverse and 21% are women. With respect to our Management Committee, 31% of the members are ethnically diverse and 23% are women. Moreover, every senior manager is required to have a succession plan for his or her senior team members, and part of that plan must include developing a diverse candidate pipeline.

To build a diverse talent pipeline, we use global, targeted recruitment and development programs to hire, retain and promote women and ethnically diverse talent. From 2015 to 2019, we increased campus hires of women globally, and of Black and Hispanic students in the U.S., by 9% each—to 44% and 25% of all recruits, respectively. We note that U.S. Black Managing

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Director representation is up 24% from 34 to 42 since year-end 2019. And U.S. Black officer representation is up 29% from 535 to 689 since year-end 2019. In both cases, this growth was driven by a continued focus on hiring and providing promotion opportunities for our talent. And among employees in our most recent Managing Director class, 35% were women and over 25% were ethnically diverse, as we continued to increase their representation. While we have more to do, we are making progress and are committed to continuing to do so.

Our Global Diversity & Inclusion team drives the Firm's strategy across four key pillars: accountability, representation, advancement and culture. In 2020, we published our first annual Diversity and Inclusion Report, which represents the Firm's commitment to our diversity and inclusion strategy, priorities and goals, and provides comprehensive disclosure and information on the composition of our workforce, our progress to date and our efforts and initiatives in advancement and outreach. The report also includes our EEO-1 data. By providing data about our workforce and diversity and inclusion efforts, we are enabling our stakeholders to monitor and track our progress.

Morgan Stanley is committed to providing a work environment that promotes diversity and inclusion, where everyone is treated with dignity and respect. Each of us must act, at all times, with due consideration towards our co-workers, treating others with respect and dignity. We aim to provide our employees with the best opportunities to realize their potential. Our policies 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.

We understand the importance of explicit support and the purposeful participation that is required to effect change. To help accelerate our own efforts, we recently launched the Morgan Stanley Institute for Inclusion ("IFI") guided by an independent Advisory Board. I chair the IFI Board and it includes three of our current Firm-wide Board members. The IFI is focused on catalyzing an integrated and transparent diversity, equity, and inclusion strategy to deliver the full potential of Morgan Stanley and drive meaningful change within the Firm and beyond. We also recently announced the addition of a new core value, Commit to Diversity and Inclusion, to make explicit our commitment to cultivating and supporting a diverse workforce and a culture of belonging across the Firm.

With respect to suppliers, our supplier diversity program, currently a $350 million spend, seeks out minority-owned businesses to supply hundreds of our offices around the globe. We also make investments in diverse businesses, including our recent $100 million investment in Lafayette Square, a minority-owned holding company focused on flexible capital investments in sustainable housing and small businesses that are owned by women and people of color. We are also seeking to expand our wealth management services into new and diverse target markets and have created the Wealth Management Racial Equity Toolkit, a guide to racial equity investing.

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Moreover, our Multicultural Client Strategy Group helps develop the Firm's strategy to address the significant market inefficiency that limits access to capital by female and multicultural technology entrepreneurs and small business owners. One such initiative is our Multicultural Lab, which supports the growth of tech entrepreneurs of color and women by providing the tools, resources and access to capital they need to succeed. Now in its fourth year, the Lab has invested in 31 companies with a multicultural or woman founder, co-founder, or C-suite executive.

4. *For all witnesses, last July, the Office of the Comptroller of the Currency (OCC) published an interpretive letter concluding that banks may provide cryptocurrency custody services for their clients. Has your organization begun to provide such services? And if so, how will you ensure that customers using cryptocurrencies through your financial institutions will not be harmed due to the incredible volatility and instability of some of these products?*

Morgan Stanley does not currently provide cryptocurrency custody services for clients.

5. *Messrs. Dimon, Gorman, and Solomon, Scharf, each of your banks has made commitments to significant greenhouse gas emissions reductions, while also taking steps to expand Bitcoin and other cryptocurrency services. At 14 gigawatts and growing, Bitcoin's energy use exceeds that of Sweden and other populous nations.*[4] *How do you reconcile services to enable Bitcoin use with your emissions reduction targets? Please provide any analysis, including any assessment and data of the energy usage of cryptocurrencies that your bank may be seeking to offer to your clients, and its impact on climate change.*

Morgan Stanley does not currently offer direct access to cryptocurrencies for institutional or retail clients. When Morgan Stanley considers a new potential client or transaction, we examine all the risks involved – including potential risks to the environment. We give serious consideration to how we do business in specific sectors that could raise social issues. Activities with potential for heightened risks undergo enhanced due diligence and review and may be referred to our Franchise Committees or senior management for review.

6. *For all witnesses, how are you ensuring that essential workers have a voice in the workplace, especially in light of pay disparities between yourselves and your workers? At the Senate Banking Committee hearing, you were asked whether you would pledge to remain neutral if employees want to form a union. None of you answered yes. Yes or no, will you remain neutral if your workers want to explore forming a union?*

Morgan Stanley takes employee feedback seriously. We conduct regular surveys of employee feedback, including a biannual comprehensive job satisfaction-focused employee survey that provides senior management with anonymous employee feedback on a wide range of job, work and life satisfaction issues. We are committed to listening to our employees' concerns and respecting their rights.

[4] CNBC, Why everyone from Elon Musk to Janet Yellen is worried about Bitcoin's energy usage, (May 13, 2021).

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7. *For all witnesses, the Federal Financial Institutions Examination Council (FFIEC) issued a request for information on how financial institutions use, assess, and explain artificial intelligence (AI), including machine learning (ML) algorithms in practice.*[5]
   - *How does your financial institution utilize AI or ML algorithms in your lending and servicing decisions?*
   - *Are your AI or ML algorithms developed and tested for bias "in-house" or through a third-party?*
   - *How do you assess and catch any algorithmic bias in all of the areas in which you are using AL, including ML? Please provide a summary of your protocols on testing for algorithmic bias, and how you take corrective action.*

Morgan Stanley does not use AI or ML algorithms in our lending or servicing decisions. We do use ML algorithms for marketing purposes. These algorithms are tested for algorithmic bias in-house and by a third party as part of a robust compliance management system. Morgan Stanley has not detected any algorithmic bias in our models.

8. *For all witnesses, deforestation & other land use change are the second biggest contributor to greenhouse gas emissions after fossil fuels. This despite the fact that forests are far and away the world's biggest carbon sinks. In addition, as the fossil fuel transition happens, more pressure will accrue on land use e.g. biofuel industry expansion - which experience has shown often leads to land grabbing, especially from Indigenous peoples. Furthermore, many firms are relying on forest offsets to achieve "net zero", often without reducing emissions from other sources and continuing the site-pollution harms which disproportionately impact communities of color. And it's worth noting nearly every day new evidence shows that offsets are rife with fraud, cheating, etc. Are you counting any kind of "negative" emissions in your net zero or intensity reduction plans? The gold standard policies on climate risk are No Deforestation, No Peatland, No Exploitation (NDPE) policies. JPMorgan Chase recently committed to establishing an NDPE policy for palm oil. Ahead of the Glasgow climate conference in November, will each of you commit to establishing an NDPE policy for all forest-risk commodities?*

In September of last year, Morgan Stanley was the first large U.S. financial institution to commit to net-zero financed emissions by 2050. We were one of the first American banks to join the Net Zero Banking Alliance recently announced. We recently announced an updated commitment to mobilize $1 trillion in capital, $750 billion of which will support low-carbon solutions by 2030.

Morgan Stanley has an Environmental and Social Policy Statement which outlines our approach to managing environmental and social risk. Our Policy Statement reflects our global commitment to our stakeholders, communities and the environment to identify and address environmental and social risks. We analyze these risks through our due diligence processes that incorporate international frameworks. Morgan Stanley is sensitive to a number of issues, including those

[5] Federal Register, Request for Information and Comment on Financial Institutions' Use of Artificial Intelligence, Including Machine Learning, (Mar. 31, 2021).

relating to deforestation and peatland. Forests are important to our environment, communities and biodiversity, and deforestation and forest degradation pose significant threats to each. We seek to support the sustainable management of forests, including the protection of high conservation value forests. We prefer to finance only preservation and light, non-extractive use of forest resources for projects in forests where high conservation values are endangered. We will not knowingly finance companies or projects that collude with or are knowingly engaged in illegal logging or utilize illegal or uncontrolled fire or commercial logging projects in United Nations Educational, Scientific and Cultural Organization World Heritage sites. Morgan Stanley is also committed to being a responsible corporate citizen, respecting human rights and supporting the protection and advancement of human rights.

9. *For all witnesses, what steps has your firm taken to shore up cybersecurity and protect consumer data?*

Cybersecurity is a top priority for Morgan Stanley. Our long-standing commitment to safeguard client information is essential to our goal to be the leading choice for financial services. Protecting the confidentiality and security of client information has always been an integral part of how we conduct our business worldwide. Today, like our peers and firms in many other industries, we must be extraordinarily vigilant on a constant basis, and we defend against numerous attacks every day and learn from attacks on others, whether in the financial industry or elsewhere.

We recognize the important role we play in protecting our financial system. For that reason, we work closely with our peers, our government partners, and our vendors to gather and share intelligence that helps us strengthen our collective defenses. We also understand that upholding the trust our clients place in us to protect their data requires understanding those who would attack us and what they are after. That's why we have brought together our cybersecurity, information security, and fraud programs to face this common threat as a single team. And that is why we have staffed that team with professionals that bring to bear both industry and government experience, and who, as a result, understand the threats we face and the mindset of those who would do us harm.

Morgan Stanley employs multiple layers of security controls and practices to protect the personal information of its clients and employees, its proprietary data, its networks and other assets. We have in place physical, technical and procedural safeguards for personal information. We protect personal information from unauthorized access and use, instituting security measures – such as computer safeguards, secured files and buildings – that comply with cybersecurity laws and regulations in the United States and other countries in which we operate.

10. *For all witnesses, please list the commitments your firm made in each of the two years, 2020 and 2021, to invest in, partner with, or otherwise support, minority depository institutions (MDIs) and community development financial institutions (CDFIs), including non-depository CDFIs. Please provide a progress report on how much of those committed funds, investments and other support were delivered in each of the two years*

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(2020 and 2021) and name which MDIs and CDFIs received this support from your firm as well as what type of support.

- *What, if any, additional commitments have your firm made in each of the two years (2020 and 2021) to support communities of color?*
- *Will you commit to providing the Committee with a written progress report of this work every quarter?*

In 2020, our activity in collaboration with CDFIs exceeded $1 billion, including grants, loans and loan renewals. This includes our provision of grants and other capital support to three minority-owned depository institutions: we gave $5 million grants to each of Industrial Bank in Washington, D.C. and Citizens Trust Bank in Atlanta, Georgia, and we provided $14.6 million in grants and other support to our long-time partner, Carver Bancorp, a CDFI headquartered in Harlem, New York. In 2021 to date, our completed activity in collaboration with CDFIs has exceeded $400 million, with additional activity underway.

In addition, we supported various external organizations driving racial equity in our communities, including donations of over $6 million to the NAACP Legal Defense and Education Fund.

We also recently launched the Morgan Stanley Historically Black Colleges and Universities Scholars Program, partnering with Howard University, Spelman College and Morehouse College to award full needs-based scholarships to 60 students, not only to build a strong and diverse pipeline of talent, but also to eliminate finance as a barrier to achieving a quality secondary education. This complements our long-standing Richard B. Fisher summer intern and college scholarship program which, through 2019, provided scholarships to more than 600 students, and eight in ten Richard B. Fisher scholars have taken jobs with us as full-time analysts after graduation.

Further, we bring together investment and philanthropic and private capital to create lasting positive changes in underserved communities. Collaborating with community and nonprofit partners, our programs seeks to transform people's quality of life through a focus on critical items such as the preservation and development of sustainable, multifamily affordable rental housing, healthy communities, economic development that supports quality jobs and capital for underserved, small and rural markets. For example in 2020, we issued a $1 billion social bond that aims to advance this work by directing capital to affordable housing and announced a $15 billion plan to increase lending and investments in lower-income communities with the National Community Reinvestment Coalition.

11. Can you please describe the extent to which your firm utilizes forced arbitration clauses in contracts with consumers, employees, investors, and contractors?

Morgan Stanley believes that arbitration provides an opportunity for all sides to receive a fair hearing through a legal process that is generally more efficient and less costly than a court proceeding. Morgan Stanley's arbitration program includes an ability to opt-out of arbitration.

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We make sure that information about arbitration is clearly disclosed to customers before they enter into a customer relationship with us.

12. *For all witnesses, please describe the company's compensation and clawback policies, including the average amount of compensation received by each decile of employees; a breakdown of the base pay and incentive pay for each decile, including a descriptions of metrics, sales goals, or cross selling required to be met in order to qualify for the incentive or bonus pay; average pay by race and gender at each decile; the minimum wage paid to employees and the number of employees earning minimum wage, and a description of:*
    - *how these policies are designed to promote accountability of company executives;*
    - *how the compensation of the chief executive officer and other senior executives compares to the median compensation of an employee of the company.*

In 2008, Morgan Stanley was the first major U.S. bank to enact a clawback provision that exceeded TARP requirements for a portion of year-end compensation. This clawback provision was further enhanced in 2009 to explicitly cover situations where there is (i) a substantial loss on a trading position or other holding or (ii) any loss on a trading position where an employee operated outside the risk parameters applicable to the trading position or other holding if, in either case, such position was a factor in that employee's compensation determination. This provision applied to deferred cash-based awards made to NEOs.

In 2011, we expanded our clawback provisions to apply to all deferred incentive compensation and enhanced our processes for preventing, investigating and addressing circumstances (such as poor risk outcomes, significant losses and improper employee behavior) that could require clawback or cancellation of previously awarded compensation, as well as adjustments to current year compensation.

Deferred incentive compensation awards generally are subject to clawback for, among other things, failure to comply with Morgan Stanley's internal policies, or compliance, ethics or risk management standards, termination for cause and misuse of proprietary or confidential information. Additionally, these awards are subject to clawback if an individual causes the need for a restatement of Morgan Stanley's consolidated financial results, violates Morgan Stanley's global risk management principles, policies or standards or violates an internal risk and control policy involving a subsequent loss. For Operating Committee members, deferred incentive compensation awards are also subject to clawback if the CMDS Committee determines that the Operating Committee member had significant responsibility for a material adverse outcome for the Firm or any of its businesses or functions.

Throughout the year, employee conduct matters that are escalated through the Company's Global Conduct Risk Program are reviewed to determine whether they present situations that could require clawback or cancellation of previously awarded compensation, as well as downward adjustments to current year compensation. Clawbacks of previously awarded compensation are reviewed quarterly with the Employee Discipline Oversight and reported to the CMDS

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Committee. Further, the Company's control functions conduct a semi-annual review of employee conduct with respect to risk and control matters, and are asked to identify inappropriate behavior that may not be captured through other Company processes. The results of the reviews are reflected in performance feedback and considered in compensation decisions.

As disclosed in our most recent proxy filing, in 2020 the estimated ratio between the CEO's total annual compensation and median annual total compensation for all other employees was 234 to 1, compared to 248 to 1 in 2019.[6] We have about 70,000 employees who perform a wide range of duties; this year our median employee compensation was over $126,000.

13. *For all witnesses, please provide a detailed description of your firm's capital market activities, including with respect to securities (including underwriting, trading, and securitization) and derivatives, including—*
    - *the trading desk structure of the company, identifying each desk and the instruments traded or held at each desk;*
    - *the average and standard deviation of a metric of inventory, constructed using data on individual trading desk positions, for long securities positions, short securities positions, and derivatives, at each individual trading desk for a quarterly period six months prior to the reporting date;*
    - *how the company complies with restrictions under section 13 of the Bank Holding Company Act of 1956 (commonly referred to as the 'Volcker Rule') at each trading desk, including a general description of the methodology for determining reasonably expected near term customer demand and for designing compensation practices at the desk so as not to create incentives for proprietary trading; and*
    - *the total profit or loss attributed to the company's trading account, including a breakdown of profit earned on fees, commissions, and spreads, and a description of the source of trading account profit or loss that cannot be attributed to fees, commissions, and spreads;*

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.

A description of the clients and principal products and services of each of our business segments is as follows:

Institutional Securities provides a variety of products and services to corporations, governments, financial institutions and high to ultra-high net worth clients. Investment banking services consist of capital raising and financial advisory services, including services relating to the underwriting of debt, equity and other securities, as well as advice on mergers and acquisitions, restructurings,

[6] As determined consistent with SEC rules.

real estate 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 and investment advisory services; self-directed brokerage services, including through the E*TRADE platform; financial and wealth planning services; workplace services including stock plan administration; annuity and insurance products; 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.

Morgan Stanley has implemented and maintains a global Volcker Rule compliance program designed to ensure and monitor compliance with the Rule, including its prohibitions on proprietary trading activities. As a banking entity with significant trading assets and liabilities, the Firm is subject to the most stringent compliance program required under the Rule, including an annual CEO attestation requirement. The Firm's activities described above are conducted through trading desks that rely on exemptions provided for in the Rule, including those for permitted underwriting, market-making, and risk mitigating hedging activities. In connection with its market making and underwriting activities, the Firm has also implemented a framework for determining reasonably expected near term customer demand. This framework, and the Firm's permitted trading activities, are all subject to an extensive control framework. This framework includes the quarterly production of the Rule's required quantitative metrics, written policies and procedures, management review, independent testing, and training.

Our compensation structure is designed to comply with Volcker Rule requirements, and to compensate for sustainable, long-term performance. We deliver a significant portion of incentive compensation in deferred awards that are subject to cancellation and clawback over a multi-year period; we structure incentive awards to include vesting, deferred payment and cancellation provisions; and we structure compensation arrangements to discourage unnecessary or excessive risk-taking that could have a material adverse effect on Morgan Stanley.

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14. For all witnesses, please list any merger or acquisition that was completed by your firm in the previous year, including—
- *a description of how each merger or acquisition affected the company's size and complexity;*
- *an account of the retail branch closures that resulted from the merger or acquisition;*
- *a description of any regional markets that experienced a change in market concentration, as measured by the Herfindahl-Hirschman Index, resulting from the merger or acquisition;*
- *a description of any regional markets that experienced a change in the company's regional share of deposits resulting from the merger or acquisition;*
- *a list of Federal or State government agencies that approved the transaction;*
- *a description of any conditions placed by a Federal or State government agency on the company when the transaction was approved*

Morgan Stanley completed its acquisition of E*TRADE Financial Corporation ("E*TRADE") in October 2020. As of September 30, 2020, shortly before the completion of the acquisition, the transaction was determined to increase Morgan Stanley's size by approximately 8%, measured by total consolidated assets. It also did not result in a change to Morgan Stanley's relative ranking as the sixth largest BHC in the United States by total consolidated assets, behind JP Morgan Chase & Co., Bank of America Corporation, Citigroup, Inc., Wells Fargo & Company, and the Goldman Sachs Group, Inc.

Morgan Stanley also views the acquisition as consistent with its resolution strategy, given the nature of E*TRADE's business and its complementary fit within Morgan Stanley's existing Wealth Management business. Indeed, Morgan Stanley believes that the acquisition, by accelerating its shift toward a higher proportion of more stable and durable revenue streams and profitability from its Wealth Management and Investment Management business segments, strengthening its capital position and gaining access to more stable and low-cost deposits that can reduce its reliance on wholesale funding, has strengthened Morgan Stanley financially and enhanced its overall resiliency – thus ultimately reducing the risk to U.S. financial stability and the U.S. economy.

Further, Morgan Stanley completed its acquisition of Eaton Vance Corp. ("Eaton Vance") in March 2021, which increased the size of Morgan Stanley's balance sheet by less than 0.5%. Similar to the E*TRADE acquisition, Morgan Stanley believes that Eaton Vance has strengthened Morgan Stanley financially and enhanced its overall resiliency – thus ultimately reducing the risk to U.S. financial stability and the U.S. economy.

There were no retail bank branch closures that resulted from the E*TRADE or Eaton Vance acquisition, as neither Morgan Stanley's subsidiary banks, nor E*TRADE's subsidiary savings associations, maintain retail branches. Eaton Vance has no subsidiary depository institutions. Similarly, no geographic banking markets, as defined by the Federal Reserve, experienced a change in deposit market concentration as the Morgan Stanley banks and the E*TRADE savings associations are located in different banking markets.

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Rating agencies seem to support this view of the benefits of the E*TRADE and Eaton Vance acquisitions, as Moody's Investors Service upgraded Morgan Stanley's short-term and long-term ratings, citing Morgan Stanley's clear step towards fulfilling its strategy of shifting its business towards more recurring and lower risk revenue streams.

The E*TRADE acquisition was reviewed and approved in relevant part by the Federal Reserve Board, and the Financial Industry Regulatory Authority. It was also subject to a Hart-Scott-Rodino Act filing, and in that context was reviewed and not objected to by the Federal Trade Commission and the Department of Justice, Antitrust Division.

The Eaton Vance acquisition was reviewed and approved in relevant part by the Financial Industry Regulatory Authority, the Ontario District Council and the Alberta District Council of the Investment Industry Regulatory Organization of Canada, the Central Bank of Ireland, the State of Maine Bureau of Financial Institutions, the Monetary Authority of Singapore and the Financial Conduct Authority of the United Kingdom. It was also subject to a Hart-Scott-Rodino Act filing; the Federal Trade Commission and the Department of Justice, Antitrust Division reviewed the application and granted Morgan Stanley early termination of the waiting period.

15. *Mr. Gorman, according to FDIC Board Member Gruenberg, "(t)he recent collapse of Archegos Capital Management revealed underappreciated and deeply embedded risks in the U.S. and global banking systems that need to be addressed more broadly than thus far contemplated."[7] He went on to note that family office funds, like Archegos, typically engage in highly leveraged transactions with major banks as counterparties, similar to hedge funds. It has been reported that Morgan Stanley lost nearly $1 billion from the failure of Archegos.[8]*
    - *What was the nature of your bank's relationship with Archegos?*
    - *What actions did you take when it was liquidated?*
    - *Given the large loss, have there been any changes in your bank's risk management practices or internal controls as a result of this episode?*

Archegos was a client of Morgan Stanley's prime brokerage business. Morgan Stanley prime brokerage is one of the key platforms by which we offer institutional clients the ability to invest in equity markets in support of capital formation. Prime brokerage margin lending arrangements are determined with a view toward the client's portfolio, its diversification, direction, liquidity and concentration. In response to Archegos, Morgan Stanley is evaluating means by which we can enhance visibility into clients' relationships and holdings away from the Firm that could impact the Firm's risk profile. The Archegos situation posed an idiosyncratic set of circumstances, and we are examining those circumstances closely in order to understand how we could have better risk managed the situation.

[7] Marty Gruenberg, *Unrecognized Lessons of the Archegos Collapse*, Bloomberg (May 17, 2021).
[8] Reuters, *Morgan Stanley reveals $911 million Archegos loss as profit jumps* (Apr. 16, 2021)

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Congresswoman Madeleine Dean

1. *How does providing services to or maintaining business relationships with the gun industry align with your company's risk management practices? Will your financial institution consider adopting or adding to your existing risk-reducing gun safety policies, such as codes of conduct or best practices, which several major banks have already adopted?*

Whenever Morgan Stanley considers a potential new client or transaction, we examine all the risks involved – including potential risks to the environment, communities and human rights. We give serious consideration to how we do business in specific sectors that raise could social issues. Activities with potential for heightened risks undergo enhanced due diligence and review and may be referred to our Franchise Committees or senior management for additional review.

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Congresswoman Sylvia R. Garcia

1. *Mr. Gorman, you recently promoted four executives in a race to succeed you as CEO of Morgan Stanley. All of these candidates are white men. You also recently testified in the Senate that six of your thirteen direct reports are women or people of color.*
    - *Why did you not select any women or people of color as potential successors?*
    - *Why were these diverse candidates not considered in the running to succeed you as CEO?*

We believe a diverse workforce is important to Morgan Stanley's continued success and our ability to service our clients. Achieving greater diversity throughout the Firm remains a key priority for the Firm and its management team, and we are working hard to achieve our diversity goals. While we are proud of the gains that we have made, there is still work to be done.

We firmly believe that diversity in senior management is also critical to achieving our Firm-wide diversity goals. With regards to potential CEO succession, our most senior leadership at that point in time happened to be men. However, we are elevating women to key senior roles; as part of our recently announced leadership changes we appointed a woman as our CFO. In addition, certain key functions at the Firm are led by women and under-represented minorities, including:

- Head of EMEA (Europe, Middle East and Africa)
- Co-head of Asia-Pacific
- Co-head of Investment Banking
- Head of Internal Audit
- Head of Human Resources
- Head of Investor Relations, among others.

Further, 6 of the 13 direct reports to the CEO are diverse.

We also note that 21% of our Operating Committee is ethnically diverse and 21% are women. With respect to our Management Committee, 31% of the members are ethnically diverse and 23% are women. Moreover, every senior manager is required to have a succession plan for his or her senior team members, and part of that plan must include developing a diverse candidate pipeline.

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Congressman David Kustoff

1. *Would you say that APR caps, like price controls, could threaten credit inclusion and could cause more harm than benefit to consumer, especially those who lack access to traditional credit?*

Morgan Stanley supports effective policy designed to protect consumers financially without adversely impacting financial inclusion.

Responses from Bank of America

Rep. Dean

In recent years, financial institutions have attempted to engage with gun manufacturers and push for better risk management and public safety practices. Following the mass shooting at Marjory Stoneman Douglas High School in Parkland, Florida that killed seventeen students and educators and wounded more than a dozen, banks and asset managers asked gun manufacturers to address what steps they had taken to manage the reputation and compliance risks inherently associated with manufacturing assault weapons for civilians, selling weapons to people under the age of 21, or allowing gun sales to proceed without a completed background check. But despite these efforts, gun manufacturers have still not taken steps to manage or control these risks.

How does providing services to or maintaining business relationships with the gun industry align with your company's risk management practices? Will your financial institution consider adopting or adding to your existing risk-reducing gun safety policies, such as codes of conduct or best practices, which several major banks have already adopted?

Answer: The Bank does not follow a categorical approach on prohibition of business with entire sectors, such as the energy sector (including oil, gas or mining companies) or to the firearms sector. In evaluating individual client relationships and transactions, Bank of America actively engages with clients and prospective clients with significant exposure to highly associated environmental and social risks and, in some circumstances, conducts enhanced due diligence as part of our normal know-your-customer (KYC) routine. This due diligence will include, but may not be limited to, the market and credit risk associated with a relationship or transaction as well as any potential legal or reputational risks identified. In addition, we will not knowingly engage in certain activities that, while not illegal, are contrary to our values, operating principles and code of conduct. For additional detail, we would refer to the Bank of America Environmental & Social Risk Policy Framework, in particular, page 4 explaining our risk management approach, and pages 5-7 which outlines bank policy on Due Diligence, heightened risk review and the prohibited list, and which is linked to here: https://about.bankofamerica.com/content/dam/about/pdfs/environmental-and-social-risk-policy-framework-report.pdf

In addition to the policies highlighted on pages 5-7 relating to Due Diligence, heightened risk review and the prohibited list, please also see the discussion on page 10 relating to heightened sensitivity around arms and munitions.

Responses from Bank of America

Rep. Kustoff QFR

An annual percentage rate (APR) can be a misleading metric to compare the cost of loans. For example, if I give you $100 today, and ask you to pay me a $10 fee in one year, the APR would be 10%. But if I ask you to pay me $10 in one week, the APR would be 521%. Therefore, APRs are also a function of "loan duration," and not just "cost."

Additionally, APR caps can serve as a form of price control. According to a recently published study from the National Bureau of Economic Research, these caps can restrict access to credit for lower income consumers and reduce consumer welfare.

Of course, this would negatively impact the millions of consumers who depend on alternative loans.

(To all Witnesses)

Would you say that APR caps, like price controls, could threaten credit inclusion and could cause more harm than benefit to consumer, especially those who lack access to traditional credit?

Answer: We continue to develop and offer products that help people avoid the consequences of short term, high cost loans offered in some other industries. Our goal is to continue to bring those under banked and not banked into traditional banking with all the educational and financial tools available to them to help avoid getting trapped in high cost loans. We do not support price controls and note that APR calculations under TILA can result in higher APR numbers because of the inclusion of various fees, etc.

Responses from Bank of America

Rep. Waters

1. Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, According to the most recent weekly data from the Census Bureau, Black and Latinx homeowners were more than two times as likely as White homeowners to be behind on mortgage payments, and low-income homeowners had higher rates of non-payment than homeowners overall, throughout the pandemic.[1] A recent report from the Consumer Financial Protection Bureau found that borrowers of color were more likely to be in a forbearance plan or have missed a mortgage payment as of March 31st of this year.[2] Meanwhile, the federal foreclosure moratorium will be expiring one month from now on June 30th.
   - How do the forbearance and modification options you offer differ when a customer's mortgage is held on your bank's portfolio, as compared with the options for a federally-backed mortgage?
   - Will you agree to follow all FHFA, FHA and CFPB best practices in treating mortgages that aren't covered by those rules?
   - How does your bank plan to connect homeowners with housing counseling agencies and to provide information regarding the nearly $10 billion in assistance that will be made available through the Homeowner Assistance Fund provided through the American Rescue Plan?

Answer: While our Bank-owned and Private Label Servicing (PLS) portfolio guidelines are not exactly the same as federally-backed, we do have short- and long-term relief programs available across portfolios and we comply with all applicable laws and regulations. Short-term options include 3-month deferrals and 3-month forbearance (6-month for government backed mortgages), in each case renewable up to 12-18 months; and long-term options include maturity date extensions and payment reduction for those coming out of short-term relief programs.

Our Client Assistance Program provides clients the ability to request payment relief for their consumer mortgage accounts based on loan type, investor, and client needs in response to the unprecedented challenges of COVID-19. We make this known through regular communication channels.

The Bank provides homeowners with HUD-approved counselor information via our BankofAmerica.com website, and via account documents sent to these consumers. Additionally, the Bank is updating its call scripting to include this information in conversations with our clients.

[1] Consumer Financial Protection Bureau, *Housing Insecurity and the COVID-19 Pandemic*, (March 2021) and X. An et al., *Inequality in the Time of COVID-19: Evidence of Delinquency and Forbearance*, (Feb. 2021).
[2] Consumer Financial Protection Bureau, *Characteristics of Mortgage Borrowers During the COVID-19 Pandemic*, (May 2021).

Responses from Bank of America

2. Mr. Moynihan, Mr. Dimon, and Ms. Fraser, according to the latest weekly data from the U.S. Census Bureau, nearly 20 percent of homeowners are very or somewhat likely to face foreclosure over the next two months. Will each of you also commit to not initiating foreclosures through at least the rest of this year?

Answer: While foreclosure moratoriums are now currently set to expire July 31, 2021, pursuant to the recently published CFPB Final Rules regarding mortgage servicing, many borrowers will be provided with additional opportunities to be considered for post forbearance assistance prior to the initiation of a foreclosure. As Bank of America is committed to helping our clients, we are currently revising our processes to incorporate these additional opportunities and requirements.

3. Mr. Scharf, Mr. Moynihan, Mr. Dimon, and Ms. Fraser, trade organizations of which you are a member have suggested they might sue the CFPB if they finalize their proposal to provide protections for borrowers facing foreclosure through at least the end of the year, if not longer.[3] Will you oppose such a lawsuit, and instead support CFPB's efforts to provide market-wide borrower protections to prevent harmful, unnecessary foreclosures? And will you commit to provide a reasonable amount of time for borrowers and lenders to make arrangements, including affordable loan modifications and homeowner assistance through forthcoming funds of nearly $10 billion that were provided in the American Rescue Plan Act, through at least the end of the year?

Answer: Bank of America has reviewed the CFPB's Final Rules regarding mortgage servicing. We are currently revising our processes to incorporate the additional opportunities and requirements of the revised rules. Bank of America supports the purpose of the final rules to avoid unnecessary foreclosures and allow borrowers ample opportunity to obtain post forbearance payment assistance, including affordable loan modifications. Bank of America intends to comply with the revised rules and has no intention to advocate in opposition to the rules.

4. Mr. Moynihan, and Mr. Dimon, at the Senate Banking Committee's hearing, you responded that your banks have aggressive outreach to clients about loan modifications.
   - Can you share more specifics about how successful your loan modification communications have been and what kinds of communications you plan to do in the future?
   - Does your bank request up front, lump sum payments for those that exit forbearance?

Answer: For our mortgage clients who have exited forbearance as of June 1, 2021, more than 90% have cured the default. The Bank plans to continue its strategy of providing communications via our website, statements and other documents, and direct conversations with our clients.

A small percentage of mortgage clients have needed extended assistance, and we continue to work with them individually to help them get back on track. For example, for clients with

[3] See US Chamber of Commerce comment letter.

mortgages originated by us, we are adding deferred payments to the end of the loan term so they aren't making a lump-sum payment up front.

5. Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, at the hearing, I discussed the importance of banks originating small mortgages of less than $100,000.
    - Will you please provide for the record the number of mortgage loans your bank originated with a principal balance of less than $100,000 every year beginning in 2015?
    - Additionally, what is the percent of these mortgage loans compared to the total mortgage loans your bank originated every year beginning in 2015, on both a dollar and number of loan basis?
    - Is your bank willing to originate more of these small mortgages with a principal balance of less than $100,000? If yes, what steps will you take to do so?

Answer: We submitted data for this question to the Committee in advance of the hearing, and resubmit for ease of reference.

Funded Loans: January 2016 - April 30, 2021

Funded Year	Overall Funded Count	Overall Funded Amount	Funded Count <$100K	Funded Amount < $100K	% of Funded Count < $100K
2016	145,470	$48,567,747,844	18,104	$1,331,080,503	12%
2017	109,964	$45,650,059,543	9,861	$729,509,911	9%
2018	88,937	$37,917,579,105	6,199	$456,483,948	7%
2019	134,462	$67,261,411,645	5,554	$418,680,786	4%
2020	133,733	$63,051,265,324	5,460	$423,892,263	4%
2021	44,666	$20,519,817,175	1,824	$144,675,119	4%
Grand Total	**657,232**	**$282,967,880,635**	**47,002**	**$3,504,322,530**	**7%**

In addition to the above data we partner with The Neighborhood Assistance Corporation of America (NACA) a nonprofit and HUD-certified organization dedicated to helping economically-disadvantaged individuals become homeowners. They do this through offering homeownership and financial counseling, access to affordable mortgages and a host of other additional services.

Bank of America provides assistance through a combination of grants and NACA borrower subsidies such as closing costs.

Responses from Bank of America

6. All of your firms have made a commitment to either achieve net zero financed emissions by 2050, a key milestone of the Paris Climate agreement, or to otherwise achieve alignment with the Paris agreement. President Biden has committed to cutting U.S. emissions by 50% by 2030, setting the bar for our country's climate ambition. Any commitment weaker than that undermines our aspirations to climate leadership. The IEA agrees in its new net zero report, saying there is "no need for investment in new fossil fuel supply."[4]
    - Do you agree that a global failure to keep climate change to significantly less than 1.5C creates major risks for financial stability?
    - Will you commit to withdrawing financing for companies that continue to develop new fossil fuel projects?
    - What interim steps are you taking to meet your net zero 2050 goals?

Answer: In our Taskforce on Climate-related Financial Disclosures (TCFD) report, we highlight the projected economic damages of temperatures rising to various levels. For additional detail, we would refer to the Bank of America TCFD report which is linked here: https://about.bankofamerica.com/en/making-an-impact/task-force-on-climate-related-financial-disclosures-report

The Bank does not follow a categorical approach on prohibition of business with entire sectors, such as the energy sector (including oil, gas or mining companies). In evaluating individual client relationships and transactions, Bank of America actively engages with clients and prospective clients with significant exposure to environmental and social risks and, in some circumstances, conducts enhanced due diligence as part of our normal know-your-customer (KYC) routine. This due diligence will include, but may not be limited to, the market and credit risk associated with a relationship or transaction as well as any potential legal or reputational risks identified. We will not knowingly engage in certain activities that, while not illegal, are contrary to our values, operating principles and code of conduct. For additional detail, we would refer to the Bank of America Environmental & Social Risk Policy Framework, in particular pages 5-7 which outlines Bank policy on Due Diligence, heightened risk review and the prohibited list, and pages 10-11 which outline similar for fossil fuel related business, and which is linked to here: https://about.bankofamerica.com/content/dam/about/pdfs/environmental-and-social-risk-policy-framework-report.pdf

The Bank has committed to reach net zero before 2050 for our financing activities, operations and supply chain. We will start to set 2030 emission reduction targets in 2022 for key high emitting sectors. These targets will be aligned with decarbonization pathways that have little or no overshoot for a 1.5° scenario. Bank of America has been setting emission reduction goals for operations for more than a decade. To date we have reduced our location-based GHG emissions by 60% for Scope 1 and 2. As for financed emissions, we are working now to implement The Global GHG Accounting & Reporting Standard for the financial industry developed by the Partnership for Carbon Accounting Financials (PCAF) to calculate financed emissions for our business loans. In 2022 we will begin to set 2030 emission reduction targets that align with science for high emitting sectors starting with power and energy.

[4] International Energy Agency, *Net Zero by 2050*, (May 2021).

Responses from Bank of America

7. Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, in March of this year, the CFPB received more complaints from consumers about mortgage servicing problems than in any month since April 2018. According to the CFPB, homeowners with a forbearance reported problems in communication with mortgage servicers, as well as long delays or outright denials in response to their requests for a loan modification or a solution that would allow them to keep their homes.[5]
    - How are each of your companies communicating with mortgage borrowers who have missed three or more mortgage payments?
    - What are you doing for borrowers whose forbearance period is about to end?
    - What steps are each of your companies taking to ensure that homeowners are aware of their options, including how to request and obtain an affordable solution that allows them to avoid foreclosure and keep their homes?

Answer: In addition to providing home ownership counselling contact information to clients and our attempts to engage clients verbally, clients receive a pre-breach escalation letter when they are >59 days behind on their payments.

At the time of forbearance issuance, the Bank advises the client generally that various repayment options may be available. Approximately 45 days prior to the end of a customer's forbearance payment assistance plan, the Bank proactively attempts to engage customers verbally and in writing to discuss post-forbearance options.

Outreach strategies include:
- Pre-assistance expiration emails
- Outbound phone calls
- Solicitation letters
- Proactive modification offers (varies by investor and client eligibility)
- Pledge default letters
- Payment reminder letters

The Bank has also created a COVID page on the BankofAmerica.com website to provide our clients with information and resources to help manage their accounts. Additionally, client billing statements include an 800 number to reach bank personnel who can provide information and assistance with their mortgage accounts.

[5] Consumer Financial Protection Bureau, *Complaint Bulletin*, (May 2021).

Responses from Bank of America

8. Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, there is a consensus that creditors should be doing more to tackle lending disparities experienced by people of color. For instance, in January of this year, President Biden issued a memorandum to redress the federal government's history of discrimination in housing and lending policies,[6] and just last week, this committee heard from prudential bank regulators, including Acting Comptroller of the OCC Michael Hsu, that reducing inequality in banking must be a national priority.[7] A report from November 2020 clarified that lenders have tools available to start tackling these disparities, including Special Purpose Credit Programs (SPCPs).[8] SPCPs are programs recognized and permissible under the Equal Credit Opportunity Act and Regulation B,[9] and are designed to meet the special social needs, and benefit groups and communities that have historically been excluded or discriminated against in lending, including groups that share a common characteristic such as race, national origin, or sex. SPCPs also would not violate other federal non-discrimination laws, such as the Fair Housing Act (FHAct).
   - What, if any, special purpose credit programs do your respective companies have in place that would focus home mortgage and small business lending activities on historically excluded communities, such as African American and Latinx borrowers?
     - If none, what barriers and opportunities do each of your companies see for implementing SPCPs?
   - At the Senate Banking Committee's hearing, you all spoke broadly about how you are in good shape to handle any housing bubble that may occur because of your underwriting and leveraging policies. But what are you doing to ensure that there is housing availability and affordability for people of color during this time of high housing costs?

Answer: Currently we do not offer special purpose credit programs. However we are evaluating options for programs in both Small Business and home purchase lending.

In December we received additional regulatory guidance (CFPB) on how to implement special purpose credit programs and we are using that as our basis for evaluating special purpose credit programs to provide capital and home purchase lending in African American and Latinx communities.

We have a long history of supporting lending to diverse small business owners as well as providing homeownership opportunities to diverse borrowers, across the economic spectrum.

In 2020, over half of our first mortgage and home equity lending was provided to low-to moderate income and/or multicultural clients and communities. Through our $15B

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[6] Memorandum, 86 Fed. Reg. 18 (Jan. 26, 2021).
[7] House Committee on Financial Services, Hearing on Statement of Michael J. Hsu, Acting Comptroller of the Currency, *Oversight of Prudential Regulators: Ensuring the Safety, Soundness, Diversity, and Accountability of Depository Institutions*, 117th Cong. (May 19, 2021).
[8] National Fair Housing Alliance and Relman Colfax PLLC, *Special Purpose Credit Programs: How A Powerful Tool for Addressing Lending Disparities Fits Within the Antidiscrimination Law Ecosystem*, (Nov. 2020).
[9] Consumer Financial Protection Bureau, § 1002.8 Special purpose credit programs.

Responses from Bank of America

Community Homeownership Commitment, we've provided nearly $1.8B in mortgages and over $69M in grants to African American and Latinx homebuyers over the past 2 years. And through our long standing relationship w/ NACA we have provided $7B in purchase lending since 1996 with ~90% of the originations are to diverse clients.

Additionally in 2020, 38% of our Small Business Lending was in multicultural neighborhoods, providing more than $10B in capital. Additional Small Business programs and initiatives included launching our social bond commitment to drive Black doctors and dentists to start or expand their own Small Practice Business in our top 12 LMI markets.

- We are the largest investor in CDFIs in the United States – with more than $1.75 billion in loans and investments in over 250 CDFIs. In January we committed to equity investments of approximately $150 million in 40 CDFI funds, based in 21 markets across the United States. Through May, Bank of America has completed a total of 17 direct equity investments in minority depository institutions (MDIs) and CDFI banks totaling $29 million, as part of our $50 million commitment made last year. These investments underscore Bank of America's ongoing efforts to address the persistent gap in access to growth capital for minority-led businesses. Through our Supplier Diversity Program, we spend more than $2B each year with minority-owned, women-owned, and other diverse businesses. We doubled our investment in the Tory Burch Foundation Capital Program in 2019 by committing $100 million in capital to connect women small business owners to affordable loans. Since the program's launch, more than 3,400 women entrepreneurs have received $57 million in loans through CDFIs to help them grow and refine their businesses.

Bank of America also helps fuel Black innovation with the launch of the Center for Black Entrepreneurship (CBE) in partnership with the Black Economic Alliance, Spelman College, and Morehouse. The CBE will be the first-ever academic center of its kind to assemble, educate and empower a new class of Black entrepreneurial talent. Funding for the CBE comes from our $10 million, two-year grant to support minority entrepreneurs and seeks to eliminate the access barriers among Black entrepreneurs, professional investors, and business builders by leveraging education, mentorship, access to capital and opportunity.

Finally, the Bank supports housing availability and affordability with a range of actions. We partner with builders/developers across the country to identify affordable inventory. We are committed to providing affordable, low-down payment mortgage options to assist clients with homeownership. We are addressing the biggest barrier to home ownership, the upfront costs of buying a home, through our proprietary grant programs that provide closing costs and down payment assistance. In addition, we participate in more than 1,500 affordable housing programs that are offered by local and state municipalities and non-profit agencies.

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9. Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, a report published in 2020 found that U.S. banks collected $11.68 billion in overdraft fees from consumers in 2019,[10] just before the COVID-19 pandemic left millions in financial distress. Furthermore, the largest banks charged billions of dollars in overdraft fees at a time when millions of people lost a job through no fault of their own. Specifically, JPM received $1.5 billion, Wells Fargo received $1.3 billion, and BofA received $1.1 billion in overdraft fees in 2020,[11] while BofA recently settled a $75 million lawsuit for inappropriately assessing multiple fees on a single transaction.[12]
   - Mr. Dimon, at the Senate Banking Committee hearing, you did not seem to know that JPMorgan collected $1.5 billion in overdraft fees, but you said your bank would waive them if you were asked by your customers. Why did JPMorgan put the burden on the customer to ask for a waiver? The pandemic has affected all consumers through no fault of their own, so why take an ad hoc approach that forces your customers to jump through hoops to get relief?
   - Mr. Dimon, you said at the Senate Banking Hearing that your bank would not refund previously charged overdraft fees to consumers. Your customers may have just learned this week that those overdraft fees could have been waived if they requested help, so why not do the right thing and refund those fees? Is it worth it to JPMorgan to earn a record quarterly profit, as you did in the first quarter of this year, on the back of struggling consumers?
   - Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, will your banks consider refunding any overdraft fee you charged during the pandemic and consider not charging any additional fees going forward?

Answer: We have been assisting our customers during this unprecedented time, providing ~$187MM in NSF and overdraft refunds between January 2020 and May 2021. We also processed over 43MM Economic Impact Payments (EIP) and for clients who had a negative balance at the time of the EIP, and provided ~1.1MM temporary credits totaling $200MM. These credits helped to ensure our clients had access to the full amount of their stimulus payment for at least 30 days.

We will continue to help clients with fee refunds, as appropriate, and other solutions needed to address financial hardship.

10. For all witnesses, the *New York Times* recently reported that the American Banking Association and other banking trade groups wrote to the Department of Agriculture to complain about lost interest payments from a relief program for minority farmers that was approved as part of COVID relief last year.[13] In what was interpreted as a veiled threat to withhold future lending to historically disadvantaged communities, the letter stated that "(i)f U.S.D.A. does not compensate lenders for such disruptions or avoid

[10] Peter Smith et al., *Overdraft Fees: Banks Must Stop Gouging Consumers During the COVID-19 Crisis*, Centers for Responsible Lending (June 2020).
[11] American Prospect, *Big Banks Charged Billions in Overdraft Fees During the Worst Months of the Pandemic* (Apr. 22, 2021)
[12] Reuters, *Bank of America reaches $75 mln settlement over excessive fees* (May 14, 2021)
[13] New York Times, *Banks Fight $4 billion debt relief plan for Black Farmers*, (May 19, 2021).

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sudden loan payoffs, the likely result will be less access to credit for those seeking U.S.D.A. guaranteed loans in the future, including U.S.D.A. farmers/ranchers."[14]

- At the Senate Banking Committee hearing, you all indicated that you were not involved in this letter, and some of you had not read it. Have you read the letter?
- Do you think it's appropriate that your representatives in Washington are issuing these threats?
- Do you believe it is inappropriate for the federal government to provide just compensation for those who have been unjustly harmed by discriminatory actions?
- Will you commit to continuing to lend to historically disadvantaged farmers even if Secretary Vilsack carries out the law as he has said he will?

Answer: We support efforts to help socially disadvantaged farmers and ranchers and do not oppose this relief.

11. Mr. Scharf, Ms. Fraser, and Mr. Moynihan, what concrete actions will your banks take to address racial disparities in appraisals? Will you commit to sending the Committee an action plan within 30 days?

Answer: Bank of America has been and remains committed to fair and consistent treatment of customers in all of our processes including home appraisals and are eager to work with the Committee to help address these issues. Over half of all BofA mortgages are made to low-to-moderate income (LMI) and multicultural clients and communities.

Historically, Bank of America has ensured the quality and credibility of the appraisals provided by independent appraisers. All appraisals receive a rules-based automated review as well as a manual review by an independent party. As part of our review process, we evaluate the accuracy of appraisals by examining the comparable sales chosen, potential over and under valuation, possible Fair Housing Act violations, and significant value adjustments. Bank of America maintains control processes that cover the following areas: 2nd line quality testing; client requests for reconsideration of value or a 2nd appraisal; complaint capture, assessment and response; appraisal independence; and oversight of appraisers completing reports on behalf of the bank, including disciplinary action (removal from the bank's vendor appraiser panels and/or referrals to state appraisal boards).

Bank of America has completed an assessment of our appraisal process and has concluded it is a well-controlled process, however, we have identified several areas of opportunity to continue to improve it and we are taking action to enhance our program. The bank is streamlining our client appraisal escalation process, enhancing communications and documentation related to client reconsideration of value requests. We are adding additional independent reviews of client directed reconsideration of value requests and have enhanced our existing process to review and address complaints alleging bias or racial discrimination.

Solutions require a collective effort by all stakeholders. To that end, the financial services industry has coalesced on the issue of equity in appraising, including: lenders, regulators,

[14] Ibid.

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trade associations, think tanks and advocate groups. Bank of America is an active participant as the industry assesses and develops solutions. We are members of the Office of the Comptroller of the Currency's (OCC) Project REAcH, and are engaged in The Appraisal Foundation's (TAF) and Appraisal Sub-Committee's (ASC) review of the Uniform Standards of Professional Appraisal Practice (USPAP) and the minimum qualification and requirements to become an appraiser. Furthermore, we look forward to being engaged in the Administration's recently announced new task force to Review Impact of Appraisals on Minority Homeowners and Homebuyers being led by Housing and Urban Development (HUD) Secretary Marcia Fudge.

12. Mr. Dimon, Ms. Fraser, Mr. Moynihan, Mr. Scharf, and Mr. Solomon, when asked during the Senate Banking Committee hearing about extending a 36% interest rate cap from the Military Lending Act to all consumer lending, you all seemed to indicate your banks do not make loans above 36% APR and you would support federal legislation pending further review of the specifics included in the legislation.
    - Do you support the Veterans and Consumers Fair Credit Act, previously introduced by Reps. Chuy García and Grothman in the 116th Congress as H.R. 5050?
    - In what other ways are you looking to reach underbanked consumers who can responsibly pay back small dollar loans, but are susceptible to predatory payday lenders?

Answer: We are continuing our analysis of the legislation noting that we favor certainty, simplicity and transparency for our clients.

On serving the unbanked and underbanked segments, we continue to empower our clients with simple and safe financial solutions to manage their finances. We have invested significantly, and will continue to do so, in the development of new products and technology to support our clients and help them avoid overdrafting their accounts and having payments returned. Last year, we led the industry with the launch of a low-cost, small dollar loan solution to meet clients' short-term cash needs. Our Balance Assist™ loan provides clients up to $500 immediately for a flat fee of $5, and can help clients build a positive credit history. This product complements Bank of America's award-winning mobile banking, spending and budgeting tools, low-balance alerts, and financial education program Better Money Habits – all of which can help customers better manage their money and improve their financial know-how so they can achieve their goals.

Here is a brief outline of all the ways that we serve the unbanked and underbanked segments of the population:

SafeBalance®

- For clients who want a low, predictable monthly maintenance fee ($4.95).
- The initial deposit amount required to open this account is only $25, the lowest of our checking products
- There is no minimum balance required to maintain the account thereafter.
- If a client does not have enough money to cover a transaction, the transaction is returned unpaid, but we will not charge the client a fee.

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- There are no paper checks with this account.
- It is now available as a sole ownership account for 16 and 17 year olds. Plus, students under age 24 may be eligible for a waiver of the monthly maintenance fee while enrolled in high school or in a college, university or vocational program.
- SafeBalance® provides access to banking channels, such as mobile and online services, ATMs and financial centers.
- It is officially certified to meet the required features of the Bank On National Account Standards, which recognize the account as an effective tool to assist with providing affordable solutions for unbanked and underbanked clients.

Secured Credit Card

- Helps clients who are looking to build or rebuild credit as well as establish and strengthen their credit history.
- The card looks and works like any other credit card and has flexible credit lines determined by the client's income, ability to pay and security deposit.
- Ability to earn rewards (e.g. cashback)
- Access to all the tools and capabilities that an unsecured credit card has
- Ability to graduate from secured to unsecured product by maintaining strong payment history and responsible credit usage.

Down Payment and Closing Cost Savings Programs

- Bank of America is committed to helping people thrive through homeownership.
- The Bank of America Community Homeownership Commitment provides solutions for modest-income and first-time homebuyers, including affordable mortgages, grant programs, resources and expertise.
- Our Down Payment Center is a resource for home buyer grants and assistance programs, including our America's Home Grant® and Down Payment Grant programs (available in select markets), as well as state and local programs that could help with the upfront costs of buying a home.
- When combined with a 3% down payment mortgage — such as our Affordable Loan Solution® or the Freddie Mac Home Possible® mortgage — these programs can help make buying a home more affordable.

Mobile Banking App

- Provides clients an easy and convenient way to help manage their finances when and almost anywhere they want.
- Clients can receive personalized alerts to stay in the know about their accounts, and use tools like Spending and Budgeting and Goal-Setting to budget and save.
- Clients can also engage Bank of America's artificial intelligence (AI)-driven virtual financial assistant, Erica to receive personalized, proactive guidance to help them stay on top of their finances.
- The app is available in Spanish, providing our Spanish-speaking clients enhanced access to our mobile capabilities.

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Keep the Change Savings Program

- A convenient way to help build savings automatically while making everyday purchases with a Bank of America debit card.
- Purchases made with a debit card are rounded up to the nearest dollar amount, and the difference is transferred from the checking to the savings account.

Better Money Habits

- Free tools and information to help build financial know-how and focus on financial goals and priorities.
- Helps take action to improve on topics like saving and budgeting, building credit, buying a home and paying down debt.

Balance Assist™

- Short-term, low-cost loan for up to $500 in increments of $100) for a $5 flat fee regardless of amount borrowed.
- Repayments would be made in three equal monthly installments over a 90-day period.
- Borrowers must have been a Bank of America checking account client for at least one year.

13. Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, according to the FDIC survey of U.S. households' use of banking services, the disproportionate effects of the crisis on low-income, communities of color have affected their ability to endure this economic downturn, protect their savings and save up for the future. In 2019, 12.2% of Hispanic households, 13.8% of Black households, and 16.3% of American Indian/Alaska Native households lacked access to a mainstream checking account – compared with 2.5% of White households.[15] Research from PolicyLink and UnidosUS reveal how low-income communities of color and immigrant consumers face more pronounced barriers to banking, including prohibitive identification requirements, banking deserts, and a lack of language access or culturally relevant services.[16] The FDIC projected that the unbanked population may grow in the aftermath of the pandemic, which could push more consumers into expensive alternative financing options like pawn shops, check cashing firms, and payday lenders. What steps are you taking to open up branches in banking deserts that lack easy access to bank branches? Also, please describe your most basic banking account, including any minimum balance requirements and fees associated with the account.

Answer: Bank of America's approach is to evaluate each existing market and new market expansion with a community lens. That means paying attention to how much (or how little) different financial services are being utilized not just in any given financial center but over an entire market area.

[15] Federal Deposit Insurance Corporation, *How America Banks: Household Use of Banking and Financial Services, 2019 FDIC Survey*, (Oct. 2020).
[16] UnidosUS and PolicyLink, *The Future of Banking: Overcoming Barriers to Financial Inclusion for Communities of Color*, (June 2019).

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There is a rigorous, ongoing process used to evaluate each financial center which includes (but is not limited to):

- Market and site specific evaluation (e.g., client usage, building and network fit, opportunity, regulatory)
- Detailed evaluation by BAC community including CRA and Fair Lending teams
- If/when relocations, renovations and consolidations are decided upon, we implement thorough community impact mitigation plans (e.g., digital/education, local non-profit collaboration, leave behind ATM where appropriate).

Based on the 2021 list of underserved middle income tracts, there have been no Bank of America closures in OCC identified banking deserts since 2018.

In response to the request for a description of our most basic banking account, we are proud to report that the SafeBalance® account has been recognized as an industry-leading product with the following pricing and features:

- Low, predictable monthly maintenance fee ($4.95).
- The initial deposit amount required to open this account is only $25, the lowest of our checking products.
- There is no minimum balance required to maintain the account thereafter.
- If a client does not have enough money to cover a transaction, the transaction is returned unpaid, but we will not charge the client a fee.
- There are no paper checks with this account.
- It is now available as a sole ownership account for 16 and 17 year olds. Plus, students under age 24 may be eligible for a waiver of the monthly maintenance fee while enrolled in high school or in a college, university or vocational program.
- SafeBalance® provides access to banking channels, such as mobile and online services, ATMs and financial centers.
- It is officially certified to meet the required features of the Bank On National Account Standards, which recognize the account as an effective tool to assist with providing affordable solutions for unbanked and underbanked clients.

14. For all witnesses, much of your EEO data show that people of color and women are underrepresented in executive and management positions and overrepresented in administrative support positions, compared to national averages. The Committee Staff report on diversity in America's largest banks revealed that on average, senior leadership roles across your banks are only 29% women and 19% people of color.
    - Can you explain why you continue to hire disproportionally more White males in senior management and executive roles than in administrative support roles?
    - Please provide information about the diversity of the directors of the company's board and senior executives, the policies and practices implemented at the company to promote diversity and inclusion among the company's workforce at all levels, and the policies implemented by the company to promote the use of diverse contractors, including diverse asset managers, brokers and underwriters.

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Answer: 50% of our board is diverse; 50% of our management team is diverse; 48% of our U.S.-based workforce are people of color. As described in our 2020 Human Capital Management Report, previously provided to the Committee, our company focuses significant resources on bringing diverse talent to our company, and developing and retaining diverse talent.

In 2020, Bank of America celebrated 30 years of commitment to engaging with diverse-owned companies. Through our Supplier Diversity program, we support the growth of minority- and women-owned suppliers. Through our continued focus, we spend nearly $2B with diverse businesses every year, which in turn helps communities thrive through business development and job growth. We were the first financial institution to be inducted into the Billion Dollar Roundtable which recognizes corporations that achieve spending of at least $1 billion with diverse suppliers, and have been part of this select group every year since.

We also require our vendors in the U.S. to pay individuals working with our company at a rate of $15 per hour or more. Today, 99% of our vendors are at or above this rate and we are working with the remainder. We took this important step to ensure fair and competitive pay for the individuals we work with every day. This will also help stimulate continued growth in small businesses and economic activity in our communities.

More information about our policies and progress is outlined in question 15.

15. Ms. Fraser and Messrs. Moynihan and Scharf, since last summer, many of the largest financial institutions have been increasing their commitments to make important investments in home lending, small business lending, unbanked communities, and MDIs. Earlier this year, shareholder proposals were submitted to seven of the largest banks, requesting them to engage civil rights organizations, employees, shareholders, and customers in a racial equity audit process.[17] I understand that you have not agreed to pursuing a racial equity audit of your company and business practices. In response, Marc Bayard, director of the Black Worker Initiative at the Institute for Policy Studies, said that "[s]tating commitments without accountability and transparency does not dismantle systemic racism."[18]
    - What steps has each of your companies taken to demonstrate to the public, your shareholders, and employees, that you are as committed to addressing inequality inside the banking system as you are tackling racism in the communities benefitting from investment?
    - Please provide a report outlining all the efforts and activities your company has undertaken in the last year to demonstrate your commitment to tackling racism. Please include any stories of consumers and communities that have been impacted.

Answer: This year, shareholders considered a proxy statement requesting a racial equity audit. The Board recommended a vote against the statement based on a belief that our long history of actions and focus in making progress on the issue of racial equality, and reporting on our progress regularly, render the proposal's requested audit unnecessary. Shareholders voted 73.5% against the shareholder proposal.

[17] Common Dreams, *Wall Street Banks Reject Racial Equity Audits, While Professing BLM Support*, (May 17, 2021).
[18] Institute for Policy Studies, *While Professing BLM Support, Wall Street Banks Reject Racial Equity Audits*, (May 17, 2021).

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- Our company is committed to making certain that our policies, practices, products, and programs align to advance the Company's purpose of making our customers' financial lives better;
- Our Board and ESG Committee are actively engaged in the oversight of our ESG programs and strengthening our ESG practices to support Responsible Growth;
- Integral to sustainable Responsible Growth is sharing our success with the communities in which we operate, which we do through ESG leadership, including taking action to drive progress on racial and economic inequality in the United States;
- Responsible Growth has a positive benefit to our customers and communities by advancing projects and issues that contribute to real economic growth and mobility—whether through supporting the small businesses that are essential to the well-being of local communities or projects that create jobs and drive the economy; and
- We actively engage with consumer advocates in the design and marketing of our financial services and products.

Additional details on the shareholder proposal and the Bank's work in this area are available beginning on page 89 of our 2021 proxy statement, available at: https://about.bankofamerica.com/annualmeeting/static/media/BAC_2021_ProxyStatement_ADA.612694a6.pdf

Bank of America's Commitment to Equality -- Equality has long been core to who we are at Bank of America. Across our company, we are committed to our fellow teammates and the communities we serve, and to living our values and the tenets of responsible growth.

Our Board of Directors plays a key role in the oversight of our culture, setting the tone at the top and holding management accountable for maintaining high ethical standards. They do this in a number of ways, including reviewing and providing oversight of our human capital management strategies, programs and practices, including diversity and inclusion (D&I) goals and progress. Our Board also reviews our annual Employee Engagement Survey results, including our Engagement and Diversity & Inclusion indices.

We believe the routine disclosure of our workforce diversity metrics holds our management team accountable to our stakeholders and ensures we are delivering on our commitment to increase representation. For more than 10 years we have publicly shared our workforce diversity data through our website and regular reports to members of Congress and financial regulators. In 2019, we also introduced our Human Capital Management Report and it was one of the first of its kind to transparently provide robust human capital management disclosures.

Our CEO and our management team sets the diversity and inclusion goals of the company. Each management team member has action-oriented diversity goals, which are subject to our quarterly business review process, used as part of talent planning, and included in scorecards reviewed by the Board. Management team members cascade goals to ensure commitment

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and accountability across the company, as well as support and drive an inclusive work environment.

Our Global Diversity & Inclusion Council, chaired by our CEO Brian Moynihan, promotes diversity goal setting, which is embedded in our performance management process and occurs at all levels of the organization. The GDIC consists of senior executives from every line of business and control function and has been in place for over 20 years. The Council sponsors and supports business, operating unit and regional diversity and inclusion councils to ensure alignment to enterprise diversity strategies and goals.

We have built robust analytics and put processes in place at all levels of the company to drive progress and accountability. We measure diversity progress across our top three management levels, composed of more than 1,300 people in senior roles who are part of our executive talent management process, and who fuel the pipeline for our management team. We hold our more than 20,000 managers accountable for driving progress in diversity within their teams. We also provide opportunities for managers to sponsor and support rising talent to continue building our diverse workforce.

- In 2019, Bank of America released its first Human Capital Report, detailing programs and resources, as well as supporting data, across Bank of America's primary focus areas including: being a diverse and inclusive workplace; attracting and retaining exceptional talent; providing holistic benefits supporting teammates' physical, emotional and financial wellness; and recognizing and rewarding performance. Earlier this year, the Bank released its 2020 Human Capital Management Report.
- Bank of America continues to share metrics on diverse representation across the company, a practice the Bank has had in place for many years prior to the inaugural report. Specific highlights of what's new this year include:
    - Additional disclosures related to Black/African American and Hispanic/Latino representation throughout the report.
    - Increases in the representation of women and people of color in nearly every category across the company since 2018 (the exception being women in the top three levels of our company, which remains at 41%).
    - One of the most diverse classes of campus new hires ever – 45% women, 13% Black/African American and 14% Hispanic/Latino.
    - Progress in lines of business, including wealth management, which has seen increases in the percentage of women, people of color, Black/African American and Hispanic/Latino employees.
    - CEO Brian Moynihan noted: "Since our initial report, we have taken extensive steps to care for the health and safety of our teammates during the unprecedented health crisis, including expanding and enhancing employee benefits and resources. We have also built on work we have had underway throughout our company's history to ensure a diverse and inclusive workplace, and have seen increases in diverse representation in nearly every area."

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- Efforts undertaken to address racism are embedded throughout the enterprise and are too numerous to cover in their entirety in a single document. Following is a sampling of some of the more significant activities.
- For a high level summary of activities, please refer to our Advancing Racial Equality site at https://about.bankofamerica.com/en/making-an-impact/helping-advance-racial-equality-and-economic-opportunity#fbid=xQacr3rWgW1, which provides a snapshot of activities addressing issues faced by people and communities of color.
- Another resource, is the Bank of America 2020 Human Capital Report available at: https://about.bankofamerica.com/annualmeeting/static/media/BAC_Human_Capital_Management_Report.0f8f7dd6.pdf. New to this year's report, Bank of America details expanded support and benefits to help employees navigate the ongoing health crisis, and long-term commitments to advance racial equality and economic opportunity for all, including:
    - Supporting employee health and safety, including providing no-cost coronavirus testing; no-cost virtual general medicine and behavioral health consults; mental health resources; and additional support for teammates who continue to work in the office, such as transportation and meal subsidies.
    - Launching innovative solutions to support teammates with child care needs, including providing over 1.7 million days of backup child and adult care and an investment of over $200 million in child and adult care reimbursements through September 2020.
    - Delivering for our clients by providing advice, guidance and access to all our capabilities to help clients meet their financial needs, as well as by delivering critical financial relief.
    - Helping our teammates to have conversations about racial, social and economic injustices, with more than 165,000 employees participating in courageous conversations in the first half of the year alone.
    - Making a four-year, $1 billion commitment which increased to a five-year, $1.25 billion commitment to advance work underway to address critical issues for people and communities of color, including health care, jobs, small businesses and housing.
    - These highlights are in addition to the actions Bank of America takes each year, including equal pay for equal work; support for new parents; personalized support for major life events (including connecting employees to resources, benefits and counseling) from Life Events Services, the company's internal, highly-specialized group; and confidential counseling through its Employee Assistance Program to help manage the stress and broader emotional impacts of events and uncertainty.

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- Additional demonstrations of progress made with our racial equality and economic opportunity commitments include:

  - **Focused support of communities of color through the $1.25 billion investment and the impact of that investment --** The events of 2020 deepened our commitment. In June 2020, CEO Brian Moynihan stated, "A sense of true urgency has arisen across our nation, in view of the racial injustices we've seen in the communities where we work and live. We all need to do more." The $1.25 billion commitment spans across the company, including philanthropy, sustainable finance through lending and investing, Community Development Financial and Minority Depository Institutions (CDFIs/MDFIs) partnerships, our diversity and inclusion work and hiring practices, development of financing solutions for small businesses, thought leadership and advocacy with our partners, and more to drive tangible progress in making systemic changes and reforms that address economic and racial disparities.

  - **Bank of America's $350 million in commitments since June 2020 include:**
    a. Health
       i. 29 Million+ masks, 172,000 bottles of hand sanitizer and 5.7M gloves distributed, with a particular focus on communities of color
       ii. Funding for 9 community-based health organizations through partnership with UnidosUS
       iii. Partnership with CVS Health on no-cost flu voucher program for under-resourced communities.
       iv. Support of the Hispanic Federation's coronavirus response focused on family stabilization and crisis prevention.
    b. Job creation and reskilling
       i. $10 million, two-year grant to fund the Center for Black Entrepreneurship (CBE) in partnership with Spelman and Morehouse colleges, the first-ever academic center of its kind to assemble, educate and empower a new class of Black entrepreneurial talent.
       ii. Supporting the advancement of student and institutional success at 5 HBCUs through the Way Forward Initiative with advisory and consultative services through education company EAB.
       iii. Expanded opportunities for 50,000 women entrepreneurs, with a focus on women of color, at the Bank of America Institute for Women's Entrepreneurship at Cornell.
       iv. Supporting the UnidosUS Latinos in Finance program to assist Hispanic-Latino individuals in navigating career pathways.
       v. Providing funding for the Hispanic Scholarship Fund's Support Services, which empowers and enables students,

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parents, scholars, and alumni to set a course for academic and career success.

vi. Joining a coalition of business leaders to upskill, hire and promote 1 million Black Americans over the next 10 years through the creation of OneTen

vii. Additional organizations who have received grants include: Thurgood Marshall College Fund, United Negro College Fund, Posse Foundation, Maricopa County Community College, Navajo Technical College, United National Indian Tribal Youth Inc. and the American Indian College Fund.

viii. **Signature Jobs Initiative** -- Bank of America has hired more than 10,000 individuals from low- and moderate-income communities since 2018. We are also investing in community colleges, HBCUs, and HSIs in order to increase job opportunities for people of color at a community-based level that will help close the wealth gap and enhance professional career tracks for mid-level candidates. As part of Bank of America's $1.25 billion commitment to advance racial equality and economic opportunity, the company announced further details about its $25 million commitment to enhance up-skilling and reskilling for Black and Hispanic-Latino students. Through initial partnerships with 21 higher education institutions including community colleges, historically Black colleges and universities (HBCUs) and Hispanic-serving institutions (HSIs), Bank of America is giving $1 million to each of the 21 institutions selected across the U.S. to help students of color successfully complete the education and training necessary to be successful in today's workforce.

Each partner institution will develop or enhance existing programs to meet specific skill gaps in their communities to create higher-paying, family-sustaining jobs that are in demand. Bank of America will work alongside major employers in each selected market to ensure these programs target specific hiring needs and create a clearly defined career pathway to future employment.

As part of this initiative, Bank of America is also partnering with and providing funding to the Aspen Institute, which will collaborate with the National Center for Inquiry and Improvement to convene the participating higher education institutions for technical and programmatic assistance and to share best practices.

c. Small Business
   i. $250M+ to 90 equity funds, increased target to $350M
   ii. 20 MDIs/CDFI partner institutions
   iii. We've made grants supporting the resiliency of small businesses, assisting Black, Hispanic-Latino and Indigenous

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entrepreneurs through the U.S. Hispanic Chamber of Commerce, Latino Business Action Network, the California Lutheran University Center for Economic Research & Forecasting with the UCLA Center for the Study of Latino Health and Culture, Echoing Green and Our Native American Business Entrepreneurship Network (ONABEN).

iv. Note: Please see response to Q 21 for additional details on partnerships with CDFIs and MDIs.

d. Affordable Housing

i. In early 2021 we announced a tripling of our affordable homeownership initiative to $15 billion through 2025, aiming to help more than 60,000 individuals and families purchase homes.

ii. Half of Bank of America's home loans are to low- and moderate-income or multicultural families and communities

iii. This commitment complements Bank of America's commitment to help advance racial equality and economic opportunity.

iv. Please see additional details on affordable housing activity in the response to question # 8.

v. **Providing $60 million fund for BIPOC affordable housing developers through** Bank of America Community Development Banking, in partnership with Enterprise Community Partners. This includes $30 million in loans and $30 million in equity financing — a first-of-its-kind fund to support Enterprise's Equitable Path Forward, a five-year initiative to help facilitate racial equality in housing. The investment will increase access to capital and career opportunities for BIPOC (Black, Indigenous and People of Color) leaders developing multi-family, affordable and supportive housing across the country.

e. Client products and services

i. 7 million+ views of Better Money Habits® and Mejores Habitos Financieros

f. Historical perspective and forward look on societal challenges

i. Smithsonian "Our Shared Future: Reckoning with Our Racial Past initiative" partnership

ii. Balance Assist™, SafeBalance®

iii. Race and ethnicity-based violence

iv. Voting rights and processes

g. Our own operations

i. Human capital data: 50% of our board is diverse; 50% of our management team is diverse; 48% of our U.S.-based workforce are people of color

Responses from Bank of America

ii. 165,000+ employees have participated in 320+ courageous conversations

h. See Bank of America 2020 Annual Report, including recent highlights of our ESG efforts: https://d1io3yog0oux5.cloudfront.net/_f2a844ae7284632b8ca0131f0468e614/bankofamerica/db/867/9129/annual_report/BAC_2020_Annual_Report.pdf

- **Driving Racial Equality through Courageous Conversations**
  a. Bank of America's courageous conversations platform was launched in 2015 to drive a culture of inclusion by hosting several courageous conversations focused on issues impacting our communities and modeling how open dialogue can help us all gain greater understanding and appreciation for one another.
  b. In 2020, we refreshed our Let's Get Real…® courageous conversation platform resources, guides and strategy. We built on the work we have had underway for years and have broadened how we engage our teammates on the topics of race and inclusion. We also introduced new guides and toolkits, and are able to further drive conversations and help our employees be advocates and leaders during uncertain times.
  c. Last year, over 165,000 employees participated in more than 320 conversations. We also hosted conversations with external partners and members of the community to discuss topics that are important to our teammates and clients. Post the murder of George Floyd, this included a virtual conversation led by our CEO Brian Moynihan, alongside Secretary of the Smithsonian Institution Lonnie G. Bunch III, Unidos U.S. President and CEO Janet Murguía and National Urban League President and CEO Marc Morial to discuss racial equality and economic opportunity.

16. For all witnesses, last July, the Office of the Comptroller of the Currency (OCC) published an interpretive letter concluding that banks may provide cryptocurrency custody services for their clients.[19] Has your organization begun to provide such services? And if so, how will you ensure that customers using cryptocurrencies through your financial institutions will not be harmed due to the incredible volatility and instability of some of these products?

Answer: Bank of America does not currently provide cryptocurrency custody services for our clients.

17. For all witnesses, how are you ensuring that essential workers have a voice in the workplace, especially in light of pay disparities between yourselves and your workers? At

[19] OCC, Interpretive Letter #1170, July 2020.

Responses from Bank of America

the Senate Banking Committee hearing, you were asked whether you would pledge to remain neutral if employees want to form a union. None of you answered yes. Yes or no, will you remain neutral if your workers want to explore forming a union?

Answer: Bank of America believes that people are our most important asset. We are committed to sustaining the quality of work environment where each employee feels valued and rewarded. Bank of America acknowledges the rights of each employee and the diversity of opinion represented by the communities we serve. To that end, we have conducted an annual Employee Engagement Survey for nearly two decades. In 2020, more than 90% of teammates participated, with 85% in 2019, demonstrating our employees' willingness to give us feedback on how we are meeting their needs.

18. For all witnesses, the Federal Financial Institutions Examination Council (FFIEC) issued a request for information on how financial institutions use, assess, and explain artificial intelligence (AI), including machine learning (ML) algorithms in practice.[20]
    - How does your financial institution utilize AI or ML algorithms in your lending and servicing decisions?
    - Are your AI or ML algorithms developed and tested for bias "in-house" or through a third-party?
    - How do you assess and catch any algorithmic bias in all of the areas in which you are using AL, including ML? Please provide a summary of your protocols on testing for algorithmic bias, and how you take corrective action.

Answer: One of the ways we improve the overall client experience and better serve their financial needs across our platforms is by the thoughtful and responsible application of artificial intelligence (AI).

In evaluating the potential uses of AI, we first we look at the customer needs and how our potential AI driven solution might benefit them and fit into our overall business process. We treat AI like every other technology: If it can improve the client experience, we will consider including it. If it does not, we won't.

We tests models for bias internally through our model risk management framework. The same standard is applied for all internal and vendor models.

While there are many new applications of AI available today, the building blocks of this technology—data science, predictive modeling, testing and training—have been around for over half a century. As with all technologies we use, we have rigorous policies and procedures in place for how we develop capabilities using AI. Importantly, we take measures to ensure we have a diverse team in place to build, test and refine our AI capabilities. This helps remove the potential bias in algorithms. Ultimately, we understand that members of our team must be held accountable for the output of our AI. Human oversight is a critical factor in AI success.

[20] Federal Register, Request for Information and Comment on Financial Institutions' Use of Artificial Intelligence, Including Machine Learning, (Mar. 31, 2021).

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We do not utilize the type of AI commonly associated with "black boxes" that can produce unexplainable results for such decisions.

We define fairness according to being responsible with AI. We design fairness tests according to that definition. We use data-driven tests to demonstrate fairness results. We debate and decide our actions, as a matter of governance, based upon fairness results. There are numerous quantitative techniques to test for fairness/algorithm bias that are used. Corrective actions include identifying and removing proxy variables associated with protected classes.

19. For all witnesses, deforestation & other land use change are the second biggest contributor to greenhouse gas emissions after fossil fuels. This despite the fact that forests are far and away the world's biggest carbon sinks. In addition, as the fossil fuel transition happens, more pressure will accrue on land use e.g. biofuel industry expansion - which experience has shown often leads to land grabbing, especially from Indigenous peoples. Furthermore, many firms are relying on forest offsets to achieve "net zero", often without reducing emissions from other sources and continuing the site-pollution harms which disproportionately impact communities of color. And it's worth noting nearly every day new evidence shows that offsets are rife with fraud, cheating, etc. Are you counting any kind of "negative" emissions in your net zero or intensity reduction plans? The gold standard policies on climate risk are No Deforestation, No Peatland, No Exploitation (NDPE) policies. JPMorgan Chase recently committed to establishing an NDPE policy for palm oil. Ahead of the Glasgow climate conference in November, will each of you commit to establishing an NDPE policy for all forest-risk commodities?

Answer: As we work toward net zero and our $1 trillion environmental business initiative, we plan to increase financing of climate innovation including projects that will generate negative emissions. We will look to include the emissions information in our reporting as PCAF (Partnership for Carbon Accounting Financials) releases the methodology.

Regarding NDPE, Bank of America has publicly stated policies within our Environmental & Social Risk Policy Framework with respect to biodiversity and ecosystems which includes our Forests Practices Policy. This policy places additional value on forestry certification as a due diligence tool as well as includes an explicit prohibition of illegal logging and practices involving uncontrolled fire.

Furthermore, with regards to our policies regarding palm oil, which is the aspect of our business most likely to be relevant to the No-deforestation, No-peat and No-exploitation Implementation Reporting Framework (NDPE IRF), we use the Roundtable on Sustainable Palm Oil (RSPO) certification as a minimum requirement for clients. We use this standard for clients whose business is focused on ownership and management of palm oil plantations and operations, including growers and mills, to have their operations certified or have in place an outlined action plan and schedule for certification.

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Within our evaluation of all client relationships and transactions, we require due diligence with regards to Human Rights and seek consistency with the principles of the United Nations Universal Declaration of Human Rights, the ILO's Fundamental Conventions, and the United Nations Guiding Principles on Business and Human Rights.

An understanding of the interconnection between climate justice and racial justice informs all of our Environmental & Social Risk policies. While we don't re-state our commitment to racial justice in our published policies related to biodiversity, we have a publicly stated commitment in support of all 17 of the United Nations Sustainable Development Goals, including those dedicated to the principles of inclusive development.

20. For all witnesses, what steps has your firm taken to shore up cybersecurity and protect consumer data?

Answer: Bank of America has made cyber security a top priority because the protection and trust of our clients and customers is essential to our business. We integrate cyber security into our services and processes, and we constantly assess and evolve our program to mitigate the threats of increasingly sophisticated malicious actors and the growing complexity of the technology environment. As cyber security is a critical element of risk management and the resiliency of the financial services sector, Bank of America is committed to promoting best practices and ongoing cyber security partnerships.

We are focused on understanding and managing the risk of rapidly evolving threat and technology environments. In addition to monitoring cyber criminals, we are vigilant in the face of sophisticated threats from nation states that may seek to steal funds, infiltrate supply chains, or disrupt the very infrastructure of our financial system. Bank of America analysts actively track and respond to geopolitical and technological trends impacting security, such as 5G implementation, "deepfakes" and artificial intelligence, to proactively improve our defenses.

We have almost 3,000 people on our Global Information Security team that work around the clock and around the globe to protect the firm, our customers, and our clients by leveraging their deep and diverse expertise. We are committed to making smart and substantial investments in cyber security as a priority for Bank of America. We are now spending over $1 billion annually to ensure we mitigate risk with the best people and the best technology.

We are also working to improve cyber security across the financial services sector and beyond to reduce risk and increase resiliency. Bank of America has leadership and founding roles in key financial services sector organizations and initiatives, including the Financial Service Sector Information Sharing and Analysis Center (FS-ISAC), the Analysis and Resilience Center for Systemic Risk (ARC), the Financial Services Sector Coordinating Council (FSSCC), and Sheltered Harbor. Through dynamic information sharing, innovative projects, and challenging exercises, we are constantly sharing best practices and refining our cyber security program through collaboration with the private sector and government partners such as the Departments of Treasury and Homeland Security. Bank of America also

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works closely with other critical infrastructure sectors to improve coordination, share best practices, and ensure appropriate cyber security controls are in place.

21. For all witnesses, please list the commitments your firm made in each of the two years, 2020 and 2021, to invest in, partner with, or otherwise support, minority depository institutions (MDIs) and community development financial institutions (CDFIs), including non-depository CDFIs. Please provide a progress report on how much of those committed funds, investments and other support were delivered in each of the two years (2020 and 2021) and name which MDIs and CDFIs received this support from your firm as well as what type of support.
    - What, if any, additional commitments have your firm made in each of the two years (2020 and 2021) to support communities of color?
    - Will you commit to providing the Committee with a written progress report of this work every quarter?

Answer: Bank of America has extensive relationships with MDIs, CDFIs and minority investment firms serving clients across the country. The Bank of America **CDFI and MDI Portfolio data as of April 30, 2021:**

	Number of institutions	$ Amount	Comments
CDFIs and MDIs (loan funds, banks and credit unions)	259	$1.8 billion	Loans, deposits, capital grants and equity investments into CDFIs or MDIs Significant majority of portfolio consists of loans to non-profit CDFI loan funds
Minority Depository Institutions (MDIs) – deposits, loans & equity	22	$124 million	Deposits, loans and equity into banks or credit unions that are minority-owned or are CDFI banks that are minority-led Significant majority of this volume is deposits. These amounts are included in the total above

Bank CDFI and MDI Program

- Bank of America is the largest private sector supporter of CDFIs, with a $1.8 billion portfolio (loans, deposits, capital grants and equity as of April 30, 2021) in 256 CDFIs across the U.S., providing financing for affordable housing, small businesses, and community facilities across health care, education, child care and other social services. This includes 22 institutions that are MDIs with deposits, loans and equity totaling $124

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million. Bank of America's work with CDFI and MDIs extends back to 1995. We have dedicated teams supporting our work with CDFIs and MDIs. These unique partnerships create new pathways for deploying capital to many of the businesses and communities most in need of economic revitalization and opportunity – including women and people of color – by circumventing historical barriers, such as geographic restrains.

- Additionally, the Bank issued a $2 billion Equality Progress Sustainability Bond designed to advance racial equality, economic opportunity and environmental sustainability, the first offering of its kind in the financial services industry. More than 50 percent of proceeds will be dedicated to more focused lending and investments that provide socioeconomic empowerment for communities of color in the U.S.
- PPP CDFI program- Additional pandemic efforts supporting CDFIs include:
    - In 2020, we exceeded our original commitment of $250 million, providing more than $254 million in support to our network of CDFIs and MDIs in an effort to facilitate lending through the PPP.
    - Included $50 million in deposits to minority-owned banks identified by the National Banking Association.
    - Additionally we provided $10 million in operating philanthropic grants to help CDFIs and MDIs cover expenses and other direct costs to keeping their doors open.
    - Examples of small businesses that benefited from PPP lending through CDFIs:
        - **Scottdale Early Learning** (SEL) – A **Black, female-owned business that, like many other child-care and education providers**, was forced to close its doors after Georgia entered shelter-in place. Working with one of **BofA's CDFI partners, the Reinvestment Fund**, SEL secured a PPP loan, helping them continue to address the systemic socioeconomic disadvantages faced by low-income families in DeKalb County.
        - **Mitchell Learning Academy** – Mitchell Learning Academy (MLA), a **Black-owned childcare business in Jacksonville**, FL, was at high-risk after coronavirus: enrollment was down drastically, stay-at-home orders kept children out of the center, and the owner, Reshawndia Mitchell, couldn't maintain her staff of 10 any longer. **Working with Black Business Investment Fund, a BofA CDFI partner**, MLA was able to get a small business PPP loan, helping them to remain open to the families of essential workers, first responder and health care workers. "Receiving the PPP loan allows us to retain the staff that we've had for several years, which is critical to our business being successful," said Reshawndia.
        - **IMPACT Services** – Impact Services is **a nonprofit specializing in providing social services, economic and community development, veteran housing and job training services in Philadelphia.** Coronavirus caused their revenue streams to quickly dry-up, resulting in layoffs and the discontinuation of programs that their community depended on. After connecting with the **Community First Fund, a BofA CDFI partner**, Impact secured a PPP loan, allowing them to keep their 150 staff, restart programs, and continue fighting for the rights of disadvantaged people.

Additional coordination with CDFIs on small business lending

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- Bank of America developed an online tool to connect small businesses to CDFIs in their communities. Small Businesses enter the loan amount and their location, and the tool provides them with a list of CDFIs that can assist them.

MDI and CDFI banks Investments
- Bank of America has completed a total of 20 direct equity investments in minority depository institutions (MDIs) and CDFI banks as part of our $50 million commitment made last year. This initiative is part of our $1.25 billion five year racial equality and economic opportunity commitment. As part of this commitment, the Bank will acquire up to 4.9% of common equity in MDIs and CDFI banks facilitating benefits in the communities that these institutions serve through lending, housing, neighborhood revitalization, and other banking services.

Recognition
- In September 2020, Fortune magazine recognized Bank of America on its "Change the World" list for our leadership and long-standing support of CDFIs, the impact of the additional financing we channeled through that network as part of the PPP, and our $50 million equity investment in MDIs. Bank of America ranked No. 15 and the top global bank among 53 companies for their innovative business strategies that have positively impacted the world.

Equity Investment in Minority Focused Funds
- Equity investment in minority focused funds is part of our $1.25 billion racial equality and economic opportunity commitment. In September we announced that $200 million would be dedicated for direct equity investment in minority focused funds. These funds provide capital to Black, Hispanic-Latino, Asian, Native American, other under-represented minority and women entrepreneurs to help them establish and grow their business. Equity investment in minority focused funds is an additional – and separate commitment from MDIs, CDFIs and CDFI banks. On May 20, 2021 we announced that we increased our target for equity investment in minority focused funds from $200 million to $350 million. In less than a year, the company has committed more than $250 million to 90 investment (minority focused) funds across the U.S. Closed investments include:
  - Closed investments include, but are not limited to:
  - Avenue Growth Partners – District of Columbia
  - Cleveland Avenue – Chicago, Ill.
  - Cleo Capital – San Francisco, Calif.
  - e2JDJ – New Orleans, La.
  - Elevate Capital – Portland, Ore.
  - Fearless Fund – Atlanta, Ga
  - Greenwood, Inc. – Atlanta, Ga.
  - Harlem Capital – New York, N.Y.
  - Jumpstart Nova – Nashville, Tenn.
  - L'Attitude Ventures – San Diego, Calif.
  - MaC Ventures – Los Angeles, Calif.

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- The Marathon Fund – Washington, D.C.
- New Community Transformation Fund – Grand Rapids, Mich
- Noemis Ventures – New York, N.Y.
- Reign Ventures – New York, N.Y.
- Serena Ventures - San Francisco, Calif.
- TMV – New York, N.Y.
- Ulu Ventures – Palo Alto, Calif.
- VamosVentures – Los Angeles, Calif.
- Visible Hands – Boston, Mass.
- Zeal Capital Partners – Washington, D.C.
- Zane Ventures – Atlanta, Ga.

- A summary of activities supporting communities of color is addressed on our Advancing Racial Equality site at: https://about.bankofamerica.com/en/making-an-impact/helping-advance-racial-equality-and-economic-opportunity#fbid=xQacr3rWgW1, which provides a snapshot of activities addressing issues faced by people and communities of color.

- Another resource, is the Bank of America 2020 Human Capital Report, previously shared with the Committee and available at: https://about.bankofamerica.com/annualmeeting/static/media/BAC_Human_Capital_Management_Report.0f8f7dd6.pdf. New to this year's report, Bank of America details expanded support and benefits to help employees navigate the ongoing health crisis, and long-term commitments to advance racial equality and economic opportunity for all.

- As noted earlier, the Bank included focused support for communities of color through a \$1.25 billion commitment to advance work underway addressing critical issues for people and communities of color, including health care, jobs, small businesses and housing and the impact of that investment. The events of 2020 deepened our commitment. In June 2020, CEO Brian Moynihan stated, "A sense of true urgency has arisen across our nation, in view of the racial injustices we've seen in the communities where we work and live. We all need to do more." The \$1.25 billion commitment spans across the company, including philanthropy, sustainable finance through lending and investing, CDFI and MDFI partnerships, our diversity and inclusion work and hiring practices, development of financing solutions for small businesses, thought leadership and advocacy with our partners, and more to drive tangible progress in making systemic changes and reforms that address economic and racial disparities. Additional details relating to our commitments to support communities are available in response to Question 15.

- In 2020, we also committed \$100 million in philanthropy specifically to meet critical needs caused by the coronavirus, in addition to the \$250 million of philanthropy we provide each year. Examples include:
  - We made a \$1 million grant to Howard University Hospital in Washington, D.C., to broaden testing, improve telemedicine capabilities and help develop contact tracing in at-risk minority communities —where African Americans comprised 48% of the population and 70% of virus-related deaths.

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- We made a $500K grant to Grady Memorial Hospital in Atlanta, which is the largest safety-net hospital, serving a majority African American population. A $500,000 grant from Bank of America helped Grady increase capacity for acute patient care, expand in-house coronavirus testing and develop a tele-health program to help individuals remotely.
- In Chicago, we provided a grant to Role Model Movement, Inc., a nonprofit that seeks to reshape under-resourced Black/African American communities on the city's south and west sides.
- We also made a grant to Chicago's A Safe Haven, which focuses on addressing the root causes of homelessness.
- Hispanic-Latino community-based health organizations that are part of the UnidosUS community health affiliate network in nine markets across the U.S.;
- Local nonprofits serving Native American communities' coronavirus response including hunger relief and health care
- Providing vital services for the homeless through Native American Connections and ensuring that operating support continues for the National American Indian Housing Council;
- Support of the Hispanic Federation's coronavirus response focused on family stabilization and crisis prevention.

- We continue to work with a range of nonprofits that serve communities of color, including issuing awards through Neighborhood Builders, our signature philanthropic program. The program spotlights and provides grant support and leadership development to local nonprofit organizations that are building the sustainability of the sector and moving the needle on addressing issues fundamental to economic mobility, including workforce development, basic needs, and community development.

- We are proud to partner with singer, songwriter, and activist John Legend's organization, FREEAMERICA, and New Profit to promote Unlocked Futures, an accelerator supporting entrepreneurs impacted by the criminal justice system who are operating mission-driven organizations. The initiative gives individuals a grant, tools, mentorship, and strategic support to help grow their business, and was launched through a $500,000 leadership grant from the Bank of America Charitable Foundation.

- We are one of the founding partners of iHeartMedia's new Black Information Network (BIN), the first and only 24/7 national audio service dedicated to providing news coverage with a Black voice and perspective.

We share the Committee's eagerness for progress as our long history with these issues demonstrate and will keep the Committee informed as we continue to make progress on our initiatives.

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22. Can you please describe the extent to which your firm utilizes forced arbitration clauses in contracts with consumers, employees, investors, and contractors?

Answer: Bank of America avoids relying on mandatory arbitration clauses in nearly all cases. Since 2009, Bank of America has not used mandatory arbitration in banking disputes with individual customers regarding consumer credit cards; auto, recreational vehicle and marine loans; and deposit accounts. Bank of America eliminated mandatory arbitration in its mortgage and home equity agreements several years before that, other than in a limited number of jurisdictions, where we have customized loan agreements with high net worth borrowers that contain mandatory arbitration provisions.

Bank of America, along with other securities industry firms, also uses arbitration clauses in our client agreements when establishing a brokerage or investment advisory account relationship. FINRA provides the forum and sets the rules for these arbitrations, subject to oversight and approval of the Securities and Exchange Commission.

Additionally, Bank of America does not include mandatory arbitration clauses in our offer letters to employees and thus, employees we hire are not required to arbitrate discrimination and harassment claims (though employees registered with FINRA are required to arbitrate non-discrimination employment claims as result of industry requirements and we have a mutual arbitration clause with a managed service provider for contract employees).

23. For all witnesses, please describe the company's compensation and clawback policies, including the average amount of compensation received by each decile of employees; a breakdown of the base pay and incentive pay for each decile, including a descriptions of metrics, sales goals, or cross selling required to be met in order to qualify for the incentive or bonus pay; average pay by race and gender at each decile; the minimum wage paid to employees and the number of employees earning minimum wage, and a description of:
    - how these policies are designed to promote accountability of company executives;
    - how the compensation of the chief executive officer and other senior executives compares to the median compensation of an employee of the company.

    Answer: At Bank of America, we are committed to ensuring that all employees are compensated equitably and competitively based on market rates for their roles and their job performance. We regularly benchmark compensation against other companies, both within and outside our industry, to ensure that our pay is competitive with comparable roles in the market.

    This commitment to fair compensation has benefited all our employees, regardless of their position in the company. That includes our move to a minimum hourly rate of pay for U.S. teammates of $20, as described above, and our planned move to $25 per hour by 2025.

    For our senior-level employees, we have developed a strong pay-for-performance governance framework that rewards long-term, sustainable results that are aligned with

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stockholder interests. And, for 2020, we recognized approximately 97% of our teammates globally with special compensation awards—the fourth year in a row we've done so.

The CEO's direct reports receive a portion of their total compensation as base salary and the remainder as variable pay—a majority of which is delivered as deferred equity-based awards. Finally, the Board of Directors' Compensation and Human Capital Committee oversees all compensation plans and practices with periodic input from the Chief Risk Officer. Additionally, compensation plans are reviewed and certified annually by our risk management team and Management Compensation Committee of which the Chief Risk Officer is a member, and all variable pay awards are subject to clawback policies.

Beginning in 2009, we made equity-based awards to executive officers and other key risk-takers subject to a performance-based clawback to encourage sustainable profitability over the vesting period. If losses occur during the vesting period, awards may be canceled in whole or in part. Also beginning in 2009, equity awards have been subject to a detrimental conduct clawback to encourage compliance with policies and appropriate behaviors. If an executive officer engages in detrimental conduct, unvested awards can be cancelled and previously vested awards can be recouped. An additional recoupment policy, instituted in 2007, permits the Board to require reimbursement of any incentive compensation paid to an executive officer whose fraud or intentional misconduct caused the company to restate its financial statements.

Our Corporate Governance Guidelines require the CEO to hold at least 500,000 shares of common stock, and for executive officers other than the CEO to hold at least 300,000 shares of our common stock within five years of assuming the position. The Guidelines also require that (i) our CEO retain at least 50 percent of the net after-tax shares from future equity awards until one year after retirement and (ii) our other executive officers retain at least 50 percent of the net after-tax shares until retirement. This ensures that executive officers have a significant and long-term financial stake in the company.

Furthermore, since 2011, certain executive officers have received a portion of their incentive compensation in the form of performance restricted stock units (PRSUs). Our performance-based awards continue to use a re-earn approach, meaning 100% of the award is the maximum that can be earned, and the award vests only to the extent that performance standards are met over a three-year period. Future performance below these standards will decrease the amount paid, and no PRSUs will be re-earned if results are below the minimum standards. As has been consistent practice, the Committee does not exercise discretion to change payouts.

In 2016, our Incentive Compensation Forfeiture & Recoupment Disclosure Policy became effective. Pursuant to this Policy, we will disclose publicly the incentive forfeitures or clawbacks recovered from certain senior executives in the aggregate pursuant to our Detrimental Conduct and Incentive Compensation Recoupment policies, subject to certain privacy, privilege, and regulatory limitations.

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Bank of America is committed to equal pay for equal work through our pay-for-performance philosophy. We maintain robust policies and practices that reinforce equal pay for equal work, including reviews with oversight from our Board and senior leaders. We have a standard U.S. practice that restricts the solicitation of compensation information from candidates during our hiring process. This helps ensure that we consider new hires for their individual qualifications and roles, rather than how they may have been previously compensated. For over 15 years, we have conducted rigorous analysis with outside experts to examine individual employee pay before year-end compensation decisions are finalized, and we adjust compensation where appropriate. Results of our most recent review of employee compensation at Bank of America showed that compensation received by women is on average greater than 99% of that received by men, and compensation received by people of color is on average greater than 99% of non-people of color teammates, as validated by third-party analysis.

As provided in our written statement for the hearing, in 2020, the CEO to median employee pay ratio was 274:1.

24. For all witnesses, please provide a detailed description of your firm's capital market activities, including with respect to securities (including underwriting, trading, and securitization) and derivatives, including—
    - the trading desk structure of the company, identifying each desk and the instruments traded or held at each desk;
    - the average and standard deviation of a metric of inventory, constructed using data on individual trading desk positions, for long securities positions, short securities positions, and derivatives, at each individual trading desk for a quarterly period six months prior to the reporting date;
    - how the company complies with restrictions under section 13 of the Bank Holding Company Act of 1956 (commonly referred to as the 'Volcker Rule') at each trading desk, including a general description of the methodology for determining reasonably expected near term customer demand and for designing compensation practices at the desk so as not to create incentives for proprietary trading; and
    - the total profit or loss attributed to the company's trading account, including a breakdown of profit earned on fees, commissions, and spreads, and a description of the source of trading account profit or loss that cannot be attributed to fees, commissions, and spreads.

Answer: The Company has established a compliance program that is reasonably designed to comply with the restrictions under section 13 of the Bank Holding Company Act of 1956 (together with its implementing regulations, commonly referred to as the "Volcker Rule") that provides for a management framework; internal controls over proprietary trading activities, covered fund activities and investments, and prudential backstops; written policies and procedures; independent testing; training; and recordkeeping. The program also provides for the appropriate management of incentive compensation plans for its employees with an appropriate balance of risk and reward. The framework requires, among other things, senior management and control functions to annually certify that incentive plans appropriately balance risks and rewards in a manner that does

Responses from Bank of America

not encourage excessive or imprudent risk-taking or incentivize impermissible proprietary trading and are otherwise consistent with the Company's business strategy and performance objectives and effective controls and risk management.

Capital markets trading activities are divided into two main segments, Global Banking and Global Markets. Global Banking capital markets activities include underwriting debt and equity instruments (or securities). Global Markets capital markets activities are divided into two main product segments FICC and Equities. Within FICC, trading activities are split by main product specific lines of business and primarily trading futures, options, swaps, repos, loans, and bonds. Within Equities, trading activities are split by main lines of business and primarily trading futures, options, swaps, ETFs, mutual funds, and stocks. Volcker Trading Desks are defined as a unit of the organization that purchases and sells financial instruments for the trading account of the Company.

As for the level of detail requested for inventory data and profit/loss data, we are limited in our ability to provide certain proprietary, confidential, and competitively-sensitive information. However, as reported on the Company 10-Q filing, the average Q1'21 Global Markets trading account securities was $265.2 billion and derivatives assets of $47.5 billion. Global Banking does not report average balances for securities or derivatives separately on the 10-Q. And the total noninterest income for Q1'21 was $5.2 billion for Global Markets. For Global Banking, investment banking fees for Q1'21 was $1.2 billion.

25. For all witnesses, please list any merger or acquisition that was completed by your firm in the previous year, including—
    - a description of how each merger or acquisition affected the company's size and complexity;
    - an account of the retail branch closures that resulted from the merger or acquisition;
    - a description of any regional markets that experienced a change in market concentration, as measured by the Herfindahl-Hirschman Index, resulting from the merger or acquisition;
    - a description of any regional markets that experienced a change in the company's regional share of deposits resulting from the merger or acquisition;
    - a list of Federal or State government agencies that approved the transaction;
    - a description of any conditions placed by a Federal or State government agency on the company when the transaction was approved

Answer: Bank of America did not complete any mergers or acquisitions of depository institutions in the previous year. On April 2, 2021, Bank of America announced that it completed the acquisition of a non-banking entity, Axia Technologies, Inc. Axia is a payment and technology company.

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26. Bank branches are critical to meeting the needs of local communities' access to affordable financial services and loan products, especially in low-income communities of color. When banks close or consolidate branches after a merger or for other reasons, it contributes to a loss of available affordable products and services in these communities and creates bank or branch "deserts," forcing consumers and small businesses to turn to alternative financial providers. According to a report by the National Community Reinvestment Coalition, between 2017 and 2020, Wells Fargo has closed 586 bank branches, JPMorgan Chase closed 262 branches, and Bank of America closed 342.[21] This analysis of FDIC and Census Bureau data found that most branches closed in low-and moderate-income communities.
    - Mr. Moynihan, what steps, if any, has your bank taken to reduce the number of banking deserts in low-income communities, or the meet the needs of local communities in neighborhoods where few bank branches exist?
    - How many branches has your bank has opened in the past year that were located in banking deserts? Please give us an example.

Answer: Bank of America is serving LMI areas. Currently, 30% (or roughly 1200) of our financial centers and approximately 5500 ATMs are located in LMI communities. Since 2017, those numbers have remained steady at the 29-30% level and we anticipate that continuing into the future. For example, while there have been 28% of our financial center closures in LMI areas since 2017, there have concurrently been 28% of our financial center openings in LMI areas over the same time period.

It is also worth noting that the LMI community has rapidly adopted digital (transactions, inquiries, new accounts) and helped propel us forward with our "Digital 1st" Strategy. In fact, we have documented a consistently increasing LMI digital usage rate of 88% in 2016, 94% in 2019, and 97% in 2020.

In addition, with our Community Banking initiative, we have deployed a cohesive strategy to help empower economic mobility for clients and small businesses through a tailored, community-centered approach:

1. People, products & access: bringing safe financial solutions in the form of SafeBalance® (low cost banking account without overdraft fees), Balance Assist™ (small dollar loan offering); Secured credit card; Advantage Savings accounts and our "Keep the Change" savings program.
2. Jobs and empowerment: bringing 11,000+ LMI hires through Pathways, exceeding our 10,000 pledge; completing ~177,000 small business LMI loans for ~$5 Billion in Q1 of 2021 amounting to 55% of total Small Business lending.
3. Investment and philanthropic capital: bringing ~$55 million in Community Development (CDFI) lending in 1Q as well as another ~$20 million deployed YTD through the BAC Charitable Foundation.

[21] National Community Reinvestment Coalition, *Bank Branch Closure Update (2017-2020)*, (Dec. 2021).

Responses from Bank of America

Importantly, Bank of America is also committed to offering banking services to rural customers primarily through our award winning digital platform and phone channels, both of which includes free educational tools such as Better Money Habits.

Select grants or investments are available nationwide such as Community Homeownership Commitment grant, Community Development Banking or Community Development Financial Institutions (CDFI) lending.

In many cases, Bank of America also offers our clients in rural communities no-fee access through fee refunds or upfront credit to their checking accounts.

In response to the request for examples of locating financial centers in banking deserts, we have two:

- In one of our expansion markets in the greater Cleveland (OH) area, we are scheduled to open the Carnegie & 79th Financial Center and the Ohio City Financial Center in 1Q22 to serve the largely underserved, LMI and Majority-Minority communities there.
- In our existing market of Philadelphia (PA), we opened the Fern Rock Advanced Center and a stand-alone Home Loans Sales Center in the largely underserved, LMI and Minority-Minority neighborhoods in North Philadelphia.

27. Mr. Moynihan, during the Committee hearing, you mentioned a partnership between Bank of America and Duke Energy Corporation--touting their commitment to producing clean power and your bank's commitment to buying clean power. However, according to recent reports, Duke and its non-merchant subsidiaries produced 131 million MWh of electricity from coal and gas in 2019 and are planning to add just 17 million MWh of clean energy between 2020 and 2030. Of Duke's 54 million MWh of coal generation in 2019, only 11 percent is firmly committed to retire by the end of 2030 and they intend on building as much as 7,800 MW of new gas by 2030 (or roughly a fifth of the 40,000 MW of their current coal and gas capacity.) How does Duke's present and future energy portfolio align with Bank of America's commitment to achieve Net Zero Greenhouse Gas Emissions before 2050? Will you commit to restricting financing for Duke's investments in coal and gas after 2030?

    Answer: Our strategy is to continue to work with our clients who are making the transition to the low-carbon sustainable future. Duke Energy has announced a plan to achieve net zero by 2050. Duke's plan as we understand it includes retiring its coal-only units by 2030 and a commitment for its natural gas business to achieve net zero methane emissions by 2030.

July 19, 2021

Via Electronic Mail

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairwoman Waters:

Thank you for the questions for the record from the May 27, 2021 hearing entitled "Holding Megabanks Accountable: An Update on Banking Practices, Programs and Policies." Per your request, please find enclosed Wells Fargo & Company's written responses to the questions provided.

Sincerely,

Wells Fargo & Company

cc: The Honorable Patrick McHenry, Ranking Member

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Questions from Chairwoman Maxine Waters

1. **Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, According to the most recent weekly data from the Census Bureau, Black and Latinx homeowners were more than two times as likely as White homeowners to be behind on mortgage payments, and low-income homeowners had higher rates of non-payment than homeowners overall, throughout the pandemic.[1] A recent report from the Consumer Financial Protection Bureau found that borrowers of color were more likely to be in a forbearance plan or have missed a mortgage payment as of March 31st of this year.[2] Meanwhile, the federal foreclosure moratorium will be expiring one month from now on June 30th.**

    - **How do the forbearance and modification options you offer differ when a customer's mortgage is held on your bank's portfolio, as compared with the options for a federally-backed mortgage?**

    - **Will you agree to follow all FHFA, FHA and CFPB best practices in treating mortgages that aren't covered by those rules?**

    - **How does your bank plan to connect homeowners with housing counseling agencies and to provide information regarding the nearly $10 billion in assistance that will be made available through the Homeowner Assistance Fund provided through the American Rescue Plan?**

For Wells Fargo-owned loans, we offer 18 months of forbearance in addition to 18 months of deferral, interest free, which is consistent with federally backed mortgage loans, and we adhere to applicable regulatory guidelines when servicing our mortgage loans. The Homeowner Assistance Fund ("HAF") extends funds to states, the District of Columbia, U.S. territories, and tribal entities to provide relief for our country's most vulnerable homeowners. Wells Fargo is collaborating with individual state and local government agencies that are eligible to receive HAF funds on ways that we can assist them in distributing those funds to homeowners. In addition, our website includes extensive information regarding COVID-19-related mortgage assistance, including details on how customers can "reach out to a local HUD-approved, non-profit housing counseling agency for financial education, mortgage help services, and other free assistance."

[1] Consumer Financial Protection Bureau, Housing Insecurity and the COVID-19 Pandemic, (March 2021) and X. An et al., Inequality in the Time of COVID-19: Evidence of Delinquency and Forbearance, (Feb. 2021).
[2] Consumer Financial Protection Bureau, Characteristics of Mortgage Borrowers During the COVID-19 Pandemic, (May 2021).

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2. **Mr. Scharf, Mr. Moynihan, Mr. Dimon, and Ms. Fraser, trade organizations of which you are a member have suggested they might sue the CFPB if they finalize their proposal to provide protections for borrowers facing foreclosure through at least the end of the year, if not longer.[3] Will you oppose such a lawsuit, and instead support CFPB's efforts to provide market-wide borrower protections to prevent harmful, unnecessary foreclosures? And will you commit to provide a reasonable amount of time for borrowers and lenders to make arrangements, including affordable loan modifications and homeowner assistance through forthcoming funds of nearly $10 billion that were provided in the American Rescue Plan Act, through at least the end of the year?**

Wells Fargo supported the CFPB's efforts to extend eviction and foreclosure protections until 2022, and we did not wait for the agency to make its final decision before providing such protections ourselves. For the loans that we own, we have extended through the end of the year our moratoria on foreclosures and evictions.

3. **Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, at the hearing, I discussed the importance of banks originating small mortgages of less than $100,000.**

   - **Will you please provide for the record the number of mortgage loans your bank originated with a principal balance of less than $100,000 every year beginning in 2015?**

   - **Additionally, what is the percent of these mortgage loans compared to the total mortgage loans your bank originated every year beginning in 2015, on both a dollar and number of loan basis?**

   - **Is your bank willing to originate more of these small mortgages with a principal balance of less than $100,000? If yes, what steps will you take to do so?**

From 2015 through July 14, 2021, Wells Fargo has originated approximately 215,632 first lien mortgages with principal amounts less than $100,000, totaling more than $11 billion in loans. These loans represent approximately 10.2% of all Wells Fargo first lien mortgages originated during the same period.

The table below provides the approximate number of first lien mortgages originated with principal amounts of less than $100,000 by year, based on a search of readily available information, and also lists the percentages those loans represent of all first lien mortgages.

Wells Fargo provides a significant amount of mortgage loans in amounts less than $100,000, and will continue to look for opportunities to do more.

[3] See US Chamber of Commerce comment letter.

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	2015	2016	2017	2018	2019	2020	2021	2016-May 2021
First Lien Mortgages Originated for <$100,000	57,112	47,319	34,769	24,482	19,950	16,732	15,268	215,632
Percent of Total First Lien Mortgages	13.7%	11.3%	11.8%	11.1%	8.0%	5.5%	7.6%	10.2%

4. **All of your firms have made a commitment to either achieve net zero financed emissions by 2050, a key milestone of the Paris Climate agreement, or to otherwise achieve alignment with the Paris agreement. President Biden has committed to cutting U.S. emissions by 50% by 2030, setting the bar for our country's climate ambition. Any commitment weaker than that undermines our aspirations to climate leadership. The IEA agrees in its new net zero report, saying there is "no need for investment in new fossil fuel supply."[4]**

   - **Do you agree that a global failure to keep climate change to significantly less than 1.5C creates major risks for financial stability?**

   - **Will you commit to withdrawing financing for companies that continue to develop new fossil fuel projects?**

   - **What interim steps are you taking to meet your net zero 2050 goals?**

At Wells Fargo, we recognize that climate change is one of the most urgent environmental and social issues of our time, and we are committed to aligning our activities to support the goals of the Paris Agreement and helping transition to a net zero carbon economy. On March 8, 2021, we set a goal of achieving net zero greenhouse gas emissions—including financed emissions—by 2050. At the same time, we also announced that we would launch an Institute for Sustainable Finance to manage the deployment of $500 billion of financing to sustainable businesses and projects by 2030, as well as support science-based research on low-carbon solutions and advocate for policies that enable client transitions to a net zero carbon economy. We plan to set and disclose interim targets for select carbon intensive portfolios—including the oil and gas and power sectors—no later than the end of 2022. Further, we plan to set and disclose targets for additional sectors within a reasonable time after disclosing financed emissions for those sectors.

[4] International Energy Agency, Net Zero by 2050, (May 2021).

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Additionally, we collaborate with leading government and nonprofit organizations to advance clean technology innovation, community resiliency, and green jobs. We also recently became a founding partner of the Rocky Mountain Institute's Center for Climate Aligned Finance, which seeks to assist financial institutions in bringing portfolios of lending and investment activities in alignment with 1.5°C-consistent emissions pathway.

With respect to financing for particular companies, we understand that, as a provider of financial services for customers in nearly every sector of the economy and around the world, it is imperative that we consider the environmental and social impacts of our lending and investments in addition to the traditional credit risk considerations. We seek to adhere to global best practices for managing environmental and social risk. Our Environmental and Social Risk Management Framework and policies include due diligence requirements that help us identify, evaluate, and manage these complex issues. We look at the full spectrum of risks and various other factors when we consider financing any sector, company, or project-specific transaction.

5. **Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, in March of this year, the CFPB received more complaints from consumers about mortgage servicing problems than in any month since April 2018. According to the CFPB, homeowners with a forbearance reported problems in communication with mortgage servicers, as well as long delays or outright denials in response to their requests for a loan modification or a solution that would allow them to keep their homes.**[5]

    - **How are each of your companies communicating with mortgage borrowers who have missed three or more mortgage payments?**

    - **What are you doing for borrowers whose forbearance period is about to end?**

    - **What steps are each of your companies taking to ensure that homeowners are aware of their options, including how to request and obtain an affordable solution that allows them to avoid foreclosure and keep their homes?**

As the effects of the COVID-19 pandemic continue to linger, keeping people in their homes is a top priority for us. To date, we have provided more than one million mortgage forbearances to customers and extended through the end of the year our moratoria on foreclosures and evictions for mortgages we own.

With respect to customers exiting forbearance, we are staffed to reach out to customers early and often to provide them the options available to help them retain their home. We do this through a multi-channel approach, typically 45 days before a customer's forbearance will expire. Our approach includes letters, e-mails, and phone calls, and we also provide customers options to engage with a HUD-approved non-profit housing counselor if they choose. For Wells-Fargo owned loans, we complete a deferral to the end of the loan in most situations with no

[5] Consumer Financial Protection Bureau, Complaint Bulletin, (May 2021).

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documentation required from the customer. For loans we service for others, we follow investor guidelines, many of which have developed simple solutions for customers similar to the Wells Fargo approach.

6. **Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, there is a consensus that creditors should be doing more to tackle lending disparities experienced by people of color. For instance, in January of this year, President Biden issued a memorandum to redress the federal government's history of discrimination in housing and lending policies,[6] and just last week, this committee heard from prudential bank regulators, including Acting Comptroller of the OCC Michael Hsu, that reducing inequality in banking must be a national priority.[7] A report from November 2020 clarified that lenders have tools available to start tackling these disparities, including Special Purpose Credit Programs (SPCPs).[8] SPCPs are programs recognized and permissible under the Equal Credit Opportunity Act and Regulation B,[9] and are designed to meet the special social needs, and benefit groups and communities that have historically been excluded or discriminated against in lending, including groups that share a common characteristic such as race, national origin, or sex. SPCPs also would not violate other federal non-discrimination laws, such as the Fair Housing Act (FHAct).**

    - **What, if any, special purpose credit programs do your respective companies have in place that would focus home mortgage and small business lending activities on historically excluded communities, such as African American and Latinx borrowers?**

        - **If none, what barriers and opportunities do each of your companies see for implementing SPCPs?**

    - **At the Senate Banking Committee's hearing, you all spoke broadly about how you are in good shape to handle any housing bubble that may occur because of your underwriting and leveraging policies. But what are you doing to ensure that there is housing availability and affordability for people of color during this time of high housing costs?**

Wells Fargo is proud to be a leading mortgage lender in the United States, and we continue to pursue efforts to make homeownership more accessible. From a lender standpoint, we are working to understand the needs of each community by being on the ground and building trust. This allows us to develop products and solutions that meet the needs of communities. We are bringing

[6] Memorandum, 86 Fed. Reg. 18 (Jan. 26, 2021).
[7] House Committee on Financial Services, Hearing on Statement of Michael J. Hsu, Acting Comptroller of the Currency, Oversight of Prudential Regulators: Ensuring the Safety, Soundness, Diversity, and Accountability of Depository Institutions, 117th Cong. (May 19, 2021).
[8] National Fair Housing Alliance and Relman Colfax PLLC, Special Purpose Credit Programs: How A Powerful Tool for Addressing Lending Disparities Fits Within the Antidiscrimination Law Ecosystem, (Nov. 2020).
[9] Consumer Financial Protection Bureau, § 1002.8 Special purpose credit programs.

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programs like NeighborhoodLIFT to communities where we work with local nonprofits, and offer down payment assistance and closing cost credits to help get people into affordable homes. We support these nonprofits to deliver credit counseling, financial literacy training, and education on improving FICO scores. We also put owning a home within reach with options like our Dream. Plan. Home. mortgage, which offers a low down payment, and closing cost credit, which offers a $5,000 closing cost credit for eligible buyers in available markets.

In 2017, Wells Fargo made a 10-year, $60 billion commitment to increase Black homeownership, and so far, we have helped 72,000 African Americans become homeowners. This is in addition to the 10-year, $125 billion commitment Wells Fargo made in 2015 to Hispanic homeownership financing. We are proud to be the number one funder of home purchase loans for African Americans, Hispanics, and Asian Americans as of 2019, according to Home Mortgage Disclosure Act data.

Wells Fargo further recognizes the many benefits that SPCPs can provide; however, such programs are complex and require careful, extensive consideration. Though Wells Fargo does not currently offer any SPCPs, we are evaluating whether and how they may be used to serve our customers as part of our lending practices in the future.

7. **Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, a report published in 2020 found that U.S. banks collected $11.68 billion in overdraft fees from consumers in 2019,[10] just before the COVID-19 pandemic left millions in financial distress. Furthermore, the largest banks charged billions of dollars in overdraft fees at a time when millions of people lost a job through no fault of their own. Specifically, JPM received $1.5 billion, Wells Fargo received $1.3 billion, and BofA received $1.1 billion in overdraft fees in 2020,[11] while BofA recently settled a $75 million lawsuit for inappropriately assessing multiple fees on a single transaction.[12]**

    - **Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, will your banks consider refunding any overdraft fee you charged during the pandemic and consider not charging any additional fees going forward?**

At Wells Fargo, we are continually looking for ways to be more customer-centric. Last year, we launched Clear Access Banking, a convenient deposit account with no overdraft, non-sufficient funds ("NSF"), or returned item fees. Clear Access demonstrates our commitment to provide a simplified banking experience. It offers customers access to money management, payments, and digital banking experiences and services all for a low monthly fee. Other accounts offer overdraft services to help customers avoid declined transactions. For consumer accounts that offer optional overdraft coverage and overdraft protection, our Overdraft Rewind feature automatically

[10] Peter Smith et al., Overdraft Fees: Banks Must Stop Gouging Consumers During the COVID-19 Crisis, Centers for Responsible Lending (June 2020).
[11] American Prospect, Big Banks Charged Billions in Overdraft Fees During the Worst Months of the Pandemic (Apr. 22, 2021)
[12] Reuters, Bank of America reaches $75 mln settlement over excessive fees (May 14, 2021)

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reevaluates transactions from the previous business day and may waive or refund overdraft and NSF fees when a customer receives a qualifying direct deposit. Our consumer accounts also allow customers to set up alerts to help stay on top of account activity and balance, sent by email, text, or push notifications.

Additionally, through March 31, 2021, Wells Fargo offered fee refunds, including for overdraft and NSF fees, to all customers who asked for a reversal and identified impacts related to COVID-19, with no supporting proof required. We continue to assist customers who are facing hardships on a case-by-case basis. This assistance can include providing fee reversals.

8. **Mr. Dimon and Mr. Scharf, it has been reported that several U.S. banks have started deploying camera software that can analyze customer preferences, monitor workers, and spot people loitering near ATMs.[13] Not only have visual analytics algorithms been shown to perform poorly on women and people of color, they are deployed disproportionately in lower-income and non-White communities.[14]**

    - **How are your institutions using this visual recognition software and what do you see as the value adds of this software in the different areas in which you are using it?**

    - **What steps have you taken to measure or reduce bias in your software?**

    - **What percentage of your currently-deployed visual recognition software is located in lower-income and non-White communities?**

    - **How will you ensure that you are protecting customers' civil rights and privacy with the use of this software?**

Wells Fargo's limited use of face recognition technology is in the context of mobile banking app authentication for customers. This functionality is not enabled by default. Customers choose whether to use the method of authentication. Moreover, the facial recognition biometric data collection and processing is handled entirely by and within the customer's mobile device. Wells Fargo does not collect or store any facial recognition biometric data in the process.

[13] Reuters, U.S. banks deploy AI to monitor customers, workers amid tech backlash, (Apr. 19, 2021).
[14] MIT, Gender Shades: Intersectional Accuracy Disparities in Commercial Gender Classification, (2018). See also, NIST, NIST Study Evaluates Effects of Race, Age, Sex on Face Recognition Software, (Dec. 19, 2019).

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9. **For all witnesses, the *New York Times* recently reported that the American Banking Association and other banking trade groups wrote to the Department of Agriculture to complain about lost interest payments from a relief program for minority farmers that was approved as part of COVID relief last year.[15] In what was interpreted as a veiled threat to withhold future lending to historically disadvantaged communities, the letter stated that "(i)f U.S.D.A. does not compensate lenders for such disruptions or avoid sudden loan payoffs, the likely result will be less access to credit for those seeking U.S.D.A. guaranteed loans in the future, including U.S.D.A. farmers/ranchers."[16]**

    - **At the Senate Banking Committee hearing, you all indicated that you were not involved in this letter, and some of you had not read it. Have you read the letter?**

    - **Do you think it's appropriate that your representatives in Washington are issuing these threats?**

    - **Do you believe it is inappropriate for the federal government to provide just compensation for those who have been unjustly harmed by discriminatory actions?**

    - **Will you commit to continuing to lend to historically disadvantaged farmers even if Secretary Vilsack carries out the law as he has said he will?**

As our CEO Charlie Scharf explained at the Senate Banking Committee hearing on May 26, 2021, this is not an issue that Wells Fargo is involved in. Nevertheless, discrimination has no place at Wells Fargo; we are proud to be a significant lender in the agricultural sector and look forward to continuing support American farmers as best we can.

10. **Mr. Scharf, Ms. Fraser, and Mr. Moynihan, what concrete actions will your banks take to address racial disparities in appraisals? Will you commit to sending the Committee an action plan within 30 days?**

Discrimination has no place at Wells Fargo, and we strongly support a fair appraisal process for all customers. The issue of housing appraisal bias is one we take very seriously, and we have processes and procedures in place to address it. We also continue to consider ways that we can enhance our handling of concerns over valuations and safeguard against discrimination. And, because we recognize that no individual lender can eliminate potential bias within the existing appraisal framework, we are supportive of work to identify systemic solutions that may minimize potential bias in the appraisal process by engaging stakeholders such as financial regulators, lenders, appraisers, Fannie Mae/Freddie, and consumer groups.

[15] New York Times, Banks Fight $4 billion debt relief plan for Black Farmers, (May 19, 2021).
[16] Ibid.

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Our Real Estate Valuation Services ("REVS") team supports consumer and commercial lending partners within the company as well as customers by providing reliable, compliant, and timely real estate services while reviewing valuation practices for compliance with all regulatory guidelines and requirements. REVS oversees Wells Fargo's valuation service providers including third-party service providers such as appraisal management companies ("AMCs") that engage independent contractor appraisers, and/or AMC employed staff appraisers on behalf of Wells Fargo. In addition to REVS, enterprise-wide groups such as our Enterprise Complaints Management Office ("ECMO"), fair lending compliance teams, and members of our Legal Department support REVS in the handling of valuation issues, including customer complaints alleging bias.

11. **Mr. Dimon, Ms. Fraser, Mr. Moynihan, Mr. Scharf, and Mr. Solomon, when asked during the Senate Banking Committee hearing about extending a 36% interest rate cap from the Military Lending Act to all consumer lending, you all seemed to indicate your banks do not make loans above 36% APR and you would support federal legislation pending further review of the specifics included in the legislation.**

    - **Do you support the Veterans and Consumers Fair Credit Act, previously introduced by Reps. Chuy García and Grothman in the 116th Congress as H.R. 5050?**

    - **In what other ways are you looking to reach underbanked consumers who can responsibly pay back small dollar loans, but are susceptible to predatory payday lenders?**

Wells Fargo adheres to all fair lending laws and is committed to bringing underbanked and unbanked households into the financial mainstream. We believe it is important that all qualified borrowers have access to fair credit with no discrimination. While interest rate caps can help to prevent manipulative or unlawful practices, depending on how they are structured, they can also make it harder for lenders to provide riskier loans at competitive prices.

Wells Fargo is focused on expanding access to financial services for the underbanked and unbanked. Recently, we launched our Banking Inclusion Initiative, a 10-year commitment to accelerate unbanked individuals' access to affordable mainstream accounts and help unbanked communities have easier access to low-cost banking. We are focusing on Black and African American, Hispanic, and Native American/Alaska Native families, who account for more than half of America's 7 million+ unbanked households. We are also assisting those who are underbanked and underserved, who may have a bank account yet still use high-cost, non-bank services.

Now is the time to bring together a broad and diverse group of national and community stakeholders to address long-standing inequities by increasing access to digitally-enabled transactional accounts and financial health coaching. Through this initiative, we also will collaborate with partners to explore solutions to the credit challenges facing unbanked individuals. We will organize our resources under one umbrella and work with a broad and diverse group of stakeholders on a sustained multi-year effort to accelerate financial inclusion.

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Overall, the initiative will focus in three areas: (i) access to affordable products and digital solutions; (ii) financial education and advice; and (iii) the launching of a National Unbanked Advisory Task Force that will feature representatives from leading organizations, including the League of United Latin American Citizens, the National Association for the Advancement of Colored People, the National Bankers Association, the National Congress of American Indians, UnidosUS, the National Urban League, and Hope Enterprise Corporation.

12. **Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, according to the FDIC survey of U.S. households' use of banking services, the disproportionate effects of the crisis on low-income, communities of color have affected their ability to endure this economic downturn, protect their savings and save up for the future. In 2019, 12.2% of Hispanic households, 13.8% of Black households, and 16.3% of American Indian/Alaska Native households lacked access to a mainstream checking account – compared with 2.5% of White households.[17] Research from PolicyLink and UnidosUS reveal how low-income communities of color and immigrant consumers face more pronounced barriers to banking, including prohibitive identification requirements, banking deserts, and a lack of language access or culturally relevant services.[18] The FDIC projected that the unbanked population may grow in the aftermath of the pandemic, which could push more consumers into expensive alternative financing options like pawn shops, check cashing firms, and payday lenders. What steps are you taking to open up branches in banking deserts that lack easy access to bank branches? Also, please describe your most basic banking account, including any minimum balance requirements and fees associated with the account.**

We firmly believe that Wells Fargo is uniquely positioned to serve customers throughout the country. We operate at a local level, supporting consumers as well as small and larger businesses. We also actively support the communities where we do business. The quality, depth, and breadth of what we can offer customers are matched by few, and we continue to invest in a robust customer experience both digitally and through in-person interactions in our branches.

We also take a thoughtful approach to branch closures. Generally, our approach focuses on reducing redundant branches, most of which are in larger metropolitan areas. But when we have closed branches in rural areas, we have worked to provide continued services, minimizing community impacts. We have sold branch real estate to local banks to facilitate their role in the community or have installed ATMs for customer service.

After recent branch closures, the percent of low- and moderate-income ("LMI") branches in our footprint improved due to our conscious policy of mitigating closures in LMI neighborhoods. Wells Fargo's branch consolidations have not been weighted toward LMI

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[17] Federal Deposit Insurance Corporation, How America Banks: Household Use of Banking and Financial Services, 2019 FDIC Survey, (Oct. 2020).
[18] UnidosUS and PolicyLink, The Future of Banking: Overcoming Barriers to Financial Inclusion for Communities of Color, (June 2019).

communities; in fact, our percentage of CRA-reportable branches located in LMI census tracts has improved in recent years. While our total new branch openings have been limited, Wells Fargo has opened branches in LMI designated areas. Two examples include our Liberty City branch in Miami, Florida, which had limited banking services when we opened and our Avalon Superior branch in South Central Los Angeles, California where we are the only branch in the neighborhood. Additionally, our recent CRA performance evaluation service test notes that our opening and closing of branches has not affected the accessibility of our delivery systems, particularly in LMI geographies and to LMI individuals.

With respect to our most basic banking account, last year we launched Clear Access Banking, a low-cost, convenient bank account with no overdraft or NSF fees. The account has a minimum opening deposit of $25 and a low monthly service fee of $5, which is waived for primary account owners between 13 and 24 years old. Clear Access Banking demonstrates our commitment to provide a simplified banking experience and gives customers the comfort of having one affordable account for money management, payments, and access to all digital banking experiences and services.

Finally, please see the response to question 11 for additional information on our Banking Inclusion Initiative.

13. **For all witnesses, much of your EEO data show that people of color and women are underrepresented in executive and management positions and overrepresented in administrative support positions, compared to national averages. The Committee Staff report on diversity in America's largest banks revealed that on average, senior leadership roles across your banks are only 29% women and 19% people of color.**

    - **Can you explain why you continue to hire disproportionally more White males in senior management and executive roles than in administrative support roles?**

    - **Please provide information about the diversity of the directors of the company's board and senior executives, the policies and practices implemented at the company to promote diversity and inclusion among the company's workforce at all levels, and the policies implemented by the company to promote the use of diverse contractors, including diverse asset managers, brokers and underwriters.**

Meeting the increasingly diverse needs of Wells Fargo's global customer base is critical to our company's long-term growth and success. Wells Fargo values and promotes diversity, equity, and inclusion ("DEI") in every aspect of our business. Wells Fargo's leadership is committed to advancing DEI, including by fostering a company culture that values DEI.

DEI leaders across the company help to strategically implement inclusive practices and behaviors. And to create accountability and measure progress, DEI metrics are integrated into monthly business review meetings.

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Since Charlie Scharf became CEO in October 2019, Wells Fargo has made substantial progress toward its DEI commitments. For example, we created a new Operating Committee role, the Head of Diverse Segments, Representation & Inclusion, which reports to the CEO. This role is responsible for advancing the Company's DEI efforts in the marketplace and workplace and will drive a company-wide diverse segments strategy and partner with our line of business CEOs and diverse segment teams to deliver products and services designed to meet the needs of our diverse customer base. Further, for the hiring of senior roles, we have implemented Diversity Sourcing and Interview Team Guidelines that require a diverse slate of candidates (at least 50 percent) and a diverse interview panel.

Together with our CEO and other Operating Committee members, including our Head of Human Resources, our new Head of Diverse Segments, Representation & Inclusion and his team are promoting and enhancing DEI priorities and goals within the company and externally that include a focus on diverse workforce representation (including significantly increasing Black leadership), accountability of senior management for progress in improving diverse representation and inclusion, unconscious bias education and training, and new business initiatives focused on support for diverse communities.

Additionally, we formed a new council of over 150 of our most senior Black, Latino, and AAPI leaders who are advising the CEO on improving every aspect of DEI, both inside and outside Wells Fargo. This council has already developed over 40 recommendations that the company is implementing to improve its culture, increase recruiting of diverse talent, and support external partnerships in our communities. We will continue to solicit direct input from Wells Fargo's senior diverse leaders for continued feedback and to hold ourselves accountable.

With respect to accountability, as part of the year-end evaluation process, Operating Committee members are evaluated based on, among other performance metrics, their progress in improving diverse representation and inclusion in their area of responsibility. These evaluations have a direct impact on year-end compensation decisions.

In addition, each Operating Committee member is assigned to serve as the executive sponsor for a diverse Employee Resource Network and implement an enterprise sponsorship program within their line of business or function to sponsor and develop diverse talent to take on more responsibility and rise in the organization.

Currently, our Board of Directors is 25 percent women and 25 percent racially or ethnically diverse. Of the 14 Operating Committee-level individuals who report directly to CEO Charlie Scharf, 28.5 percent are women, and 14.3 percent are racially or ethnically diverse.

Wells Fargo is also committed to supplier diversity, and integrates DEI principles into our vendor engagements. Our supplier diversity team is fully dedicated to executing Wells Fargo's three pronged strategy of: (i) growing procurement with diverse-owned businesses; (ii) building capacity; and (iii) external outreach.

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To execute our strategy of growing procurement with diverse suppliers, we leverage internal and external partners to reach out to minority, women, veteran, LGBT, individuals with disabilities, and small business suppliers to work with Wells Fargo. We set aggressive goals to increase spending through benchmarking and evaluating best practices. As a result, we have steadily increased our annual spending with diverse suppliers from $824 million in 2013 to nearly $1.4 billion in 2020, representing 12 percent of our total controllable spending and surpassing the financial services industry average of 9.3 percent. One example to highlight is our relationship with World Wide Technology ("WWT"), which has grown to become a global technology solution provider with $12 billion in annual revenue. It is the largest African American-owned technology company in the U.S. and is capable of deploying technology at scale through its internal network of highly-skilled IT engineers and application developers. Based in St. Louis, Missouri, WWT has more than 6,000 employees, and our partnership has led to continued growth for WWT and enhanced service offerings within Wells Fargo Technology.

In addition to direct spending with diverse suppliers, we also invest in capacity building programs to help diverse suppliers grow their businesses. For example, last year Wells Fargo sponsored the Game Changer Program in partnership with the Women's Business Center of Charlotte, NC and the Deltas of Charlotte Foundation. This year-long program focused on helping 14 African American women business owners grow their businesses through more than 40 hours of business development training. The CEOs were mentored by Wells Fargo leaders that are also members the international sorority Delta Sigma Theta.

Further, in October 2020, key executives across the company launched Wells Fargo's Diverse Asset Managers Initiative, a multiyear plan in which the company has allocated some of its own assets to underutilized asset managers and is helping them gain access to its fund platform and extensive network of investment professionals.

14. **Ms. Fraser and Messrs. Moynihan and Scharf, since last summer, many of the largest financial institutions have been increasing their commitments to make important investments in home lending, small business lending, unbanked communities, and minority depository institutions. Earlier this year, shareholder proposals were submitted to seven of the largest banks, requesting them to engage civil rights organizations, employees, shareholders, and customers in a racial equity audit process.[19] I understand that you have not agreed to pursuing a racial equity audit of your company and business practices. In response, Marc Bayard, director of the Black Worker Initiative at the Institute for Policy Studies, said that "[s]tating commitments without accountability and transparency does not dismantle systemic racism."[20]**

[19] Common Dreams, Wall Street Banks Reject Racial Equity Audits, While Professing BLM Support, (May 17, 2021).

[20] Institute for Policy Studies, While Professing BLM Support, Wall Street Banks Reject Racial Equity Audits, (May 17, 2021).

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- **What steps has each of your companies taken to demonstrate to the public, your shareholders, and employees, that you are as committed to addressing inequality inside the banking system as you are tackling racism in the communities benefitting from investment?**

- **Please provide a report outlining all the efforts and activities your company has undertaken in the last year to demonstrate your commitment to tackling racism. Please include any stories of consumers and communities that have been impacted.**

Wells Fargo has taken a number of actions to promote and enhance DEI goals within the company and externally that include a focus on diverse workforce representation (including significantly increasing Black leadership), accountability of senior management for progress in improving diverse representation and inclusion, unconscious bias education and training for employees, and new business initiatives and investments focused on support for diverse communities. For example, we have created a new Operating Committee role, the Head of Diverse Segments, Representation & Inclusion, who reports directly to our CEO and is responsible for advancing the company's diversity, equity, and inclusion efforts in the marketplace and workplace.

We are also currently conducting a Human Rights Impact Assessment ("HRIA"), which includes a specific focus on racial equity and is being overseen by the Board's Corporate Responsibility Committee, to assess and determine the company's human rights risks. Wells Fargo has engaged a third party to conduct the HRIA during 2021 and will publicly report a summary of the HRIA results and actions being taken by Wells Fargo in response.

For more information on our efforts to elevate diversity, equity, and inclusion, please see our Social Impact and Sustainability Highlights[21]

15. **For all witnesses, last July, the Office of the Comptroller of the Currency (OCC) published an interpretive letter concluding that banks may provide cryptocurrency custody services for their clients.[22] Has your organization begun to provide such services? And if so, how will you ensure that customers using cryptocurrencies through your financial institutions will not be harmed due to the incredible volatility and instability of some of these products?**

We continue to closely and actively follow developments around cryptocurrencies, which have emerged as alternative investments products, though their status as a currency and mechanism of payment remains fluid. Our Wealth and Investment Management division, like many other wealth management providers, has added these new digital currencies as an asset type to the private placement offering for qualified high net worth clients with appropriate constraints and limits. We

[21] 2020 Social Impact and Sustainability Highlights, Wells Fargo (Apr. 2021), https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/social-impact-sustainability-highlights.pdf.

[22] OCC, Interpretive Letter #1170, July 2020.

are exploring other opportunities to meet client demand but do not have any direct product or service offerings at this time.

16. **Messrs. Dimon, Gorman, and Solomon, Scharf, each of your banks has made commitments to significant greenhouse gas emissions reductions, while also taking steps to expand Bitcoin and other cryptocurrency services. At 14 gigawatts and growing, Bitcoin's energy use exceeds that of Sweden and other populous nations.[23] How do you reconcile services to enable Bitcoin use with your emissions reduction targets? Please provide any analysis, including any assessment and data of the energy usage of cryptocurrencies that your bank may be seeking to offer to your clients, and its impact on climate change.**

Wells Fargo has not committed to offer Bitcoin or other cryptocurrency services. Rather, we are focused on leveraging the underlying technology such as Distributed Ledger Technology ("DLT") to help our company and our clients move and settle money efficiently. For example, we are leveraging DLT for cross border money movement through a tokenized cash pilot and exploring other DLT applications for internal money movement.

While we are not proactively developing solutions that would enable custodianship, active trading/exchange, or purchase of Bitcoins or other cryptocurrencies, we are continuing to work with and support our clients who may be leveraging cryptocurrencies or the underlying technologies Additionally, within our Wealth & Investment Management group, we have, based on client requests, partnered with a third-party professional manager to onboard a private placement offering for qualified high-net-worth individuals to enable investment strategies where clients desire exposure.

Wells Fargo's climate goal is to achieve net-zero greenhouse gas emissions by 2050, including in our financed emissions. To meet this ambitious goal, we will work closely with our customers, including those in the most carbon-intensive sectors, to measure, manage, and disclose their emissions, and we will begin setting targets for certain carbon-intensive portfolios no later than the close of 2022. We recognize that different economic sectors will move at varying speeds, as the economy-wide transition to net zero accelerates, and we intend to support clients through the low-carbon transition.

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[23] CNBC, Why everyone from Elon Musk to Janet Yellen is worried about Bitcoin's energy usage, (May 13, 2021).

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17. **For all witnesses, how are you ensuring that essential workers have a voice in the workplace, especially in light of pay disparities between yourselves and your workers? At the Senate Banking Committee hearing, you were asked whether you would pledge to remain neutral if employees want to form a union. None of you answered yes. Yes or no, will you remain neutral if your workers want to explore forming a union?**

We recognize that our employees are our greatest asset, and we work hard to ensure that all voices throughout the company are heard and appreciated.

18. **For all witnesses, the Federal Financial Institutions Examination Council (FFIEC) issued a request for information on how financial institutions use, assess, and explain artificial intelligence (AI), including machine learning (ML) algorithms in practice.[24]**

    - **How does your financial institution utilize AI or ML algorithms in your lending and servicing decisions?**

    - **Are your AI or ML algorithms developed and tested for bias "in-house" or through a third-party?**

    - **How do you assess and catch any algorithmic bias in all of the areas in which you are using AL, including ML? Please provide a summary of your protocols on testing for algorithmic bias, and how you take corrective action.**

We believe responsible use of emerging technology has great promise for our industry. Artificial intelligence ("AI"), for example, has the potential to help detect and prevent harm from bad actors and greatly enhance customer experience and financial inclusion. Responsible use of AI at banks carries with it fundamental value propositions including making better business decisions, driving leaner and faster operations, enhancing customer experience, and detecting patterns or irregularities in data.

We are actively evaluating the use of AI and machine learning ("ML") algorithms throughout the life cycle of our product offerings, and we use internally and externally developed AI and ML algorithms in marketing and customer contact strategies (e.g., pre-approval invitations to apply). We have the capability to and generally test these algorithms internally, though engaging external sources for such tests has also proven valuable. With respect to bias, we adhere to applicable laws, regulations, and guidance and facilitate review by stakeholders across the company, including functions dedicated to fair lending. We also follow established risk management guidelines.

[24] Federal Register, Request for Information and Comment on Financial Institutions' Use of Artificial Intelligence, Including Machine Learning, (Mar. 31, 2021).

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19. For all witnesses, deforestation & other land use change are the second biggest contributor to greenhouse gas emissions after fossil fuels. This despite the fact that forests are far and away the world's biggest carbon sinks. In addition, as the fossil fuel transition happens, more pressure will accrue on land use e.g. biofuel industry expansion - which experience has shown often leads to land grabbing, especially from Indigenous peoples. Furthermore, many firms are relying on forest offsets to achieve "net zero", often without reducing emissions from other sources and continuing the site-pollution harms which disproportionately impact communities of color. And it's worth noting nearly every day new evidence shows that offsets are rife with fraud, cheating, etc. Are you counting any kind of "negative" emissions in your net zero or intensity reduction plans? The gold standard policies on climate risk are No Deforestation, No Peatland, No Exploitation (NDPE) policies. JPMorgan Chase recently committed to establishing an NDPE policy for palm oil. Ahead of the Glasgow climate conference in November, will each of you commit to establishing an NDPE policy for all forest-risk commodities?

Wells Fargo has not issued such a policy. Nevertheless, we believe that climate change is one of the most urgent environmental and social issues of our time, and as one of the largest financial institutions and employers in the U.S., we are committed to doing our part to embed sustainability across our enterprise, to leverage our expertise and market position to accelerate sustainable technology innovation, and to deploy capital and collaborate with a range of stakeholders to advance a low-carbon future and climate-resilient development. On March 8, 2021, we set a goal of achieving net zero greenhouse gas emissions—including our financed emissions—by 2050. At the same time, we also announced that we would launch an Institute for Sustainable Finance to manage the deployment of $500 billion of financing to sustainable businesses and projects by 2030, as well as support science-based research on low-carbon solutions and advocate for policies that enable client transitions. With respect to reducing financed emissions, we plan to set and disclose interim targets for select carbon intensive portfolios—including the oil and gas and power sectors—no later than the end of 2022. Further, we plan to set and disclose targets for additional sectors within a reasonable time after disclosing financed emissions for those sectors.

20. For all witnesses, what steps has your firm taken to shore up cybersecurity and protect consumer data?

We recognize that cybersecurity is an area where we must remain ever vigilant to meet evolving threats. We invest heavily in cyber threat management and controls aimed at preventing and preparing for cyberattacks, and we maintain tools to quickly detect and respond to adverse events, limiting their impact. Relatedly, we prioritize personal data privacy and support transparency in our information collection and use practices.

Wells Fargo's Information and Cyber Security organization aims to protect Wells Fargo systems, networks, and customer data through the design, execution, and oversight of our Information Security Program ("ISP"). Wells Fargo organizations and employees, as well as vendors, nonemployees, and third parties with access to our systems or sensitive information must adhere

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to the ISP's policies, procedures, and requirements. ISP requirements comply with applicable laws and regulations and are informed by industry standards, including from the National Institute of Standards and Technology Cybersecurity Framework and the International Organization for Standardization.

Employees and resources with access to Wells Fargo's systems or customer information are required to complete annual training on customer information protection and Gramm Leach Bliley Act 501(b) compliance. They are also required to abide by our Code of Ethics and Business Conduct, including its provisions related to the treatment of confidential information. Additionally, we perform employee background checks, which we also require for nonemployees and third-party service providers who handle Wells Fargo's customer information.

Additionally, we encourage customers to protect their accounts and customer information by offering security options like two-factor authentication, biometrics, and the ability to turn debit cards on and off. 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 in order to help keep their accounts and information secure.

21. **For all witnesses, please list the commitments your firm made in each of the two years, 2020 and 2021, to invest in, partner with, or otherwise support, minority depository institutions (MDIs) and community development financial institutions (CDFIs), including non-depository CDFIs. Please provide a progress report on how much of those committed funds, investments and other support were delivered in each of the two years (2020 and 2021) and name which MDIs and CDFIs received this support from your firm as well as what type of support.**

    - **What, if any, additional commitments have your firm made in each of the two years (2020 and 2021) to support communities of color?**

    - **Will you commit to providing the Committee with a written progress report of this work every quarter?**

We are a long-term investor in community development financial institutions ("CDFIs") and minority depository institutions ("MDIs") and believe that they are critical in driving capital to minority and underserved communities and fostering an inclusive recovery from the pandemic. In total, we have provided more than $2.4 billion in funding to support CDFIs and more than $40 million to support MDIs from January 2011 to May 2021. Within the last year, we met our commitment of $50 million of equity investments in Black-owned MDIs across the country. Specifically, we invested in the following MDIs: Broadway Federal Bank/City First Bank (Los Angeles, California and Washington, District of Columbia); Carver Federal Savings Bank (New York, New York); Carver State Bank (Savannah, Georgia); Citizens Savings Bank & Trust (Nashville, Tennessee); Citizens Trust (Atlanta, Georgia); Commonwealth National Bank

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(Mobile, Alabama); First Independence (Detroit, Michigan); Harbor Bank (Baltimore, Maryland); Industrial Bank (Washington, District of Columbia); Liberty Bank & Trust (New Orleans, Louisiana); M&F Bank (Durham, North Carolina); Optus Bank (Columbia, South Carolina); and Unity National Bank (Houston, Texas).

Relatedly, we recently launched the Black Economic Alliance Entrepreneurs Fund, along with the Black Economic Alliance Foundation, to accelerate the growth of Black entrepreneurs and business owners. The $50 million evergreen fund will provide seed, start-up, and early-stage capital to businesses founded and led by Black entrepreneurs.

Additionally, through our Open for Business Fund, we invested more than $150 million over the past year to CDFIs around the country, which are providing grants to hard-hit small businesses with a focus on diverse-owned organizations. These funds are projected to help more than 26,000 small businesses maintain an estimated 75,000 jobs nationwide. Our Diverse Community Capital ("DCC") program has dedicated $175 million to CDFIs over five years to provide capital and technical assistance for diverse small business owners in the U.S. The DCC program has enabled CDFIs to lend nearly $350 million to Black small business owners across the country since the program launched in 2015, according to Opportunity Finance Network. And on March 30, 2021, Wells Fargo closed on a $5 million loan to Hope Enterprise Corporation, a 501(c)(3) and certified CDFI that is dedicated to strengthening communities, building assets, and improving lives in the Delta and other economically distressed areas of the Deep South.

22. Can you please describe the extent to which your firm utilizes forced arbitration clauses in contracts with consumers, employees, investors, and contractors?

We are committed to maintaining a thoughtful approach to resolving disputes fairly and efficiently, and in our experience, arbitration provides for faster, more efficient outcomes. We are in the process of removing confidentiality restrictions in all types of consumer arbitration agreements that have them, thereby increasing the transparency of the arbitration process. Moreover, we will be updating all consumer arbitration agreements to provide for reimbursement of filing fees where the customer prevails so that the costs of filing for arbitration do not deter consumers from bringing justified disputes to our attention. These changes follow our decision last year to end the use of mandatory arbitration for future employee claims of sexual harassment.

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23. For all witnesses, please describe the company's compensation and clawback policies, including the average amount of compensation received by each decile of employees; a breakdown of the base pay and incentive pay for each decile, including a descriptions of metrics, sales goals, or cross selling required to be met in order to qualify for the incentive or bonus pay; average pay by race and gender at each decile; the minimum wage paid to employees and the number of employees earning minimum wage, and a description of:

- **how these policies are designed to promote accountability of company executives;**
- **how the compensation of the chief executive officer and other senior executives compares to the median compensation of an employee of the company.**

Policies Designed to Promote Accountability of Company Employees. Our company continues to be committed to designing and implementing performance management and compensation programs that are aligned to the company's expectations by establishing a balanced framework, promoting risk management, discouraging imprudent or excessive risk-taking, enabling the ability to hold employees accountable when expectations are not met and reward employees when expectations are met and exceeded.

Performance management is a key facet of how we align our culture and company expectations for our employees. Our Performance Management Policy establishes the framework and standards that reinforce personal accountability and risk management, and provides an opportunity for personal recognition and development. Managers and employees work together to set performance objectives in support of enterprise strategy, business goals and their roles and responsibilities through the lens of strong risk management practices. Managers and employees engage in ongoing coaching and feedback activities throughout the year and participate in mid-year and year-end performance evaluations where they document and discuss accomplishments against their objectives, as well as areas of focus and development opportunities. Performance improvement opportunities are also addressed, as needed, to proactively remediate performance issues as they arise.

Performance objectives for employees (and their management) whose roles involve promotional or sales activity are designed to discourage excessive or inappropriate risk, and are subject to additional oversight. These performance objectives are intended to drive the right behaviors and serve our customers' needs better.

Our compensation program is linked to performance management and promotes prudent risk accountability and reinforces our company expectations. The company's compensation principles are:

- **Pay for performance.** Compensation is linked to company, line of business, and individual performance, including meeting regulatory expectations and creating long-term value consistent with the interests of shareholders.

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- **Effective risk management.** Compensation promotes risk management and discourages imprudent or excessive risk-taking.

- **Attract and retain talent.** People are one of the company's competitive advantages; therefore, compensation helps attract, motivate, and retain people with the skills, talent, and experience to drive superior long-term company performance.

Minimum Wage Paid to Employees. The company's minimum wage is $15.00, and approximately 0.002 percent of our employees fall within in that category. Minimum pay levels are tiered based on various factors, including the cost of labor in different markets, with the minimum hourly pay ranging from $15 to $20 based on employee location.

Compensation of the CEO & Other NEOs Compared to the Median. The company's CEO, CFO, and next three highest paid named executive officers ("NEOs") pay ratio in comparison to the company's median employee is reported in the table below. The pay ratios reported are reasonable estimates calculated in a manner consistent with SEC rules based on our internal records and the methodology described in our proxy statement. The estimated annual total compensation of the median Wells Fargo employee (other than the CEO) was $74,416 for 2020.

Name	Reporting Year	Total Direct Compensation	Ratio compared to Median
Charles W. Scharf	2020	$ 20,392,046	**274**
Michael Santomassimo	2020	$ 8,107,710	**109**
Mary T. Mack	2020	$ 8,537,861	**115**
Lester J. Owens	2020	$ 13,639,888	**183**
Scott E. Powell	2020	$ 14,622,488	**196**

Clawback and Forfeiture Policy. To further strengthen the company's risk and control practices, we undertook a holistic review of our clawback policies and forfeiture provisions during 2020. As part of this review, we engaged an external compensation consultant to complete a market review of peer practices and obtained feedback from key internal stakeholders. This resulted in the Board of Directors' Human Resources Committee ("HRC") implementing a new, holistic Clawback and Forfeiture Policy ("Policy") to replace two separate recoupment and clawback policies and performance-based vesting provisions maintained within award agreements. The new Policy is applicable for compensation awarded on or after January 1, 2021. By expanding the population of employees and types of incentive compensation awards subject to the Policy, as well as clawback triggers, the new Policy strengthens the HRC's and Board's ability to forfeit and recover compensation (as appropriate). The Policy is designed to discourage employees (including our named executives) from taking unnecessary or inappropriate risks that would adversely impact our company or harm our customers. The new Policy provides the HRC and the Board with important tools they need to hold employees accountable.

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24. For all witnesses, please provide a detailed description of your firm's capital market activities, including with respect to securities (including underwriting, trading, and securitization) and derivatives, including—

- **the trading desk structure of the company, identifying each desk and the instruments traded or held at each desk;**

- **the average and standard deviation of a metric of inventory, constructed using data on individual trading desk positions, for long securities positions, short securities positions, and derivatives, at each individual trading desk for a quarterly period six months prior to the reporting date;**

- **how the company complies with restrictions under section 13 of the Bank Holding Company Act of 1956 (commonly referred to as the 'Volcker Rule') at each trading desk, including a general description of the methodology for determining reasonably expected near term customer demand and for designing compensation practices at the desk so as not to create incentives for proprietary trading; and**

- **the total profit or loss attributed to the company's trading account, including a breakdown of profit earned on fees, commissions, and spreads, and a description of the source of trading account profit or loss that cannot be attributed to fees, commissions, and spreads.**

Wells Fargo routinely includes trading desks as part of its quantitative metrics reporting related to the Volcker Rule. These desks serve a variety of functions and are governed by our Volcker Compliance Program (the "Program"). The Program is performed through a clearly articulated and well-defined lines-of-defense construct, which expressly allocates responsibilities regarding compliance risk management amongst the front line, various oversight functions, and Internal Audit. The Wells Fargo Volcker Compliance Program is guided by the Volcker Rule's required six compliance program elements:

- **Policies and procedures** reasonably designed and established to identify, document, describe, monitor, limit, and report trading activities and covered funds activities and investments, and to facilitate compliance with the Volcker Rule for all applicable activities;

- **Internal Controls** established to effectively monitor and facilitate compliance with the Volcker Rule and prevent the occurrence of activities and investments that are prohibited by the Volcker Rule, and including the production, monitoring and submission of quantitative metrics;

- **Governance** framework designed to clearly delineate responsibility and accountability for compliance with the Volcker Rule, including appropriate management review of trading

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limits, strategies, hedging activities, investments, incentive compensation, and other matters identified in the Volcker Rule or by management as requiring attention;

- **Independent testing/Audit** designed to assess and facilitate the effectiveness of the Volcker Compliance Program;

- **Training** of appropriate team members to facilitate the effective implementation and enforcement of Volcker Compliance Program; and

- **Recordkeeping** sufficient to demonstrate compliance and consistency with the requirements of the Volcker Rule, and the facilitation of regulatory oversight.

These six elements are incorporated into Wells Fargo's Enterprise Volcker Rule Policy that establishes company-wide standards for compliance with the Volcker Rule. The Program also includes various business-level and enterprise function-level policies, procedures, trading desk mandates, controls, governance forums, systems, and processes.

In addition, Wells Fargo maintains a limit methodology that requires periodic reviews of its limits that aim to ensure that trading desk inventory does not exceed the reasonably expected near term demand of customers. The company also maintains an Incentive Compensation Risk Management Policy and a Performance Management Policy that include standards regarding incentive compensation for front line traders.

25. **For all witnesses, please list any merger or acquisition that was completed by your firm in the previous year, including—**

    - **a description of how each merger or acquisition affected the company's size and complexity;**

    - **an account of the retail branch closures that resulted from the merger or acquisition;**

    - **a description of any regional markets that experienced a change in market concentration, as measured by the Herfindahl-Hirschman Index, resulting from the merger or acquisition;**

    - **a description of any regional markets that experienced a change in the company's regional share of deposits resulting from the merger or acquisition;**

    - **a list of Federal or State government agencies that approved the transaction;**

    - **a description of any conditions placed by a Federal or State government agency on the company when the transaction was approved**

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Wells Fargo has not engaged in any significant mergers or acquisitions in the previous year.

26. **Mr. Scharf, in the second quarter of last year, Wells Fargo posted its first quarterly report since 2008 showing losses. A large part of this was driven by your exposure to the fossil fuel sector, and the disruption that oil and gas companies experienced in 2020. According to the report, "47% of [Wells Fargo's] past-due corporate loans were from the oil, gas and pipeline industry alone in the second quarter."[25] In a story published last April about Wells Fargo convening a special group on energy bankruptcies, one insider described Wells Fargo's oil and gas portfolio as a "bloodbath."[26] What is Wells Fargo doing to protect investors and the public from the significant financial stability risks that its investments in the fossil fuel sector pose?**

Wells Fargo actively managed its exposure across all industries in response to the COVID-19 pandemic. In the oil & gas sector, the second quarter of 2020 represented the low point for global demand. Over the course of last year, we reduced our outstanding exposure to the oil and gas sector in response to the lower commodity prices and risks driven by the downturn. Since the second quarter of 2020, we have seen a significant improvement in the operating performance and risk profile across our energy and power portfolio.

27. **Mr. Scharf, on March 4, 2020, this Committee released a 113-page report following an in-depth investigation into the serious deficiencies in the compliance infrastructure within Wells Fargo. Indeed, your bank has faced billions of dollars in fines in the last few years and signed multiple settlements related to onerous sales goals that pushed employees to create millions of fake customer accounts. But the fake account scandal is just one of several compliance failures the bank has been tasked to rectify by state and federal regulators. In response to "widespread consumer abuses and compliance breakdowns," the Federal Reserve placed an asset cap on your bank in 2018, limiting further growth until you had improved your "governance and controls."[27] In March 2020, mere weeks before the COVID-19 pandemic began, you testified before this committee to say that Wells Fargo had a problematic structure and culture.[28] In that same hearing, you vowed to move the company in a "significantly improved direction." Can you tell us what concrete actions you have taken to move the bank in that improved direction since you spoke those words?**

Since Charlie Scharf became CEO in October 2019, much has changed at Wells Fargo. While working to effectively serve our customers throughout the challenges of the last year, we have also been committed to advancing our regulatory work and implementing organizational and cultural

[25] Charlotte Observer, Wells Fargo plans $10 billion in cuts, posts first quarterly loss since 2008, (Jul. 14, 2020).
[26] Reuters, Exclusive: Wells Fargo shifts energy banks to focus on bankruptcies, (Apr. 30, 2020).
[27] Federal Reserve, Responding to widespread consumer abuses and compliance breakdowns by Wells Fargo, Federal Reserve restricts Wells' growth until firm improves governance and controls. Concurrent with Fed action, Wells to replace three directors by April, one by year end (Feb. 2, 2018).
[28] NPR, Wells Fargo CEO: 'We Have Not Done What's Necessary To Address Our Shortcomings' (Mar. 10, 2021).

change. While we still have significant work to do, we are committed to devoting the resources necessary to operate with strong business practices and controls, maintain the highest level of integrity, and have an appropriate culture in place.

We have new leadership. In particular, we made significant changes to our management team by elevating strong internal talent while bringing in people with the experience and skills necessary for our success. Since the fourth quarter of 2019, we have replaced more than 50 percent of our Operating and Management Committees and added at least 30 senior strategic hires in risk management, operational excellence, and other key areas across the company—including a new Chief Operating Officer; Chief Financial Officer; Chief Compliance Officer; General Counsel; Head of Sales Practices; Head of Operations; Head of Wealth Management; Head of Consumer Lending; Head of Home Lending; Head of Credit Cards; and Head of Diverse Segments, Representation, and Inclusion; among many others. Our broader group of senior leaders is also a new team. Over 40 percent of our top leaders are new to the company or their roles from the start of 2020. Our Board of Directors also appointed a new chairman and elected a new member to add additional financial services experience and support our transformation.

We have also implemented a flatter organizational structure. We made changes to the management structure, most notably having more of our businesses report directly to the CEO. We now have five principal lines of business to provide clearer authority, accountability, and responsibility. All of those line of business leaders now report directly to the CEO and sit on our Operating Committee. These changes have created the right structure to build our businesses over the long term and increase our ability to successfully execute our top priority, which is our risk, regulatory, and control work. We are confident that this organizational model and our strengthened risk and control foundation has brought greater focus and accountability to the company.

We are also simplifying the company. We identified certain businesses that are not core to our mission and decided to exit them, opting to focus on our customers and our core, scaled businesses. In the past months, we have announced sales of or our intention to exit the student loan business, international wealth management, asset management, corporate trust, and direct equipment finance in Canada.

Our focus on these changes has begun to yield results. In January of this year, the OCC terminated an open consent order from 2015 related to our Bank Secrecy Act and anti-money laundering compliance program.

We are focused on making long-term, sustainable changes. And we know there is still much more to be done. This is a multi-year journey. As we execute on our commitments, we may have setbacks, but we believe we are doing what is necessary to move forward and satisfy our obligations. Ultimately, our regulators will decide when we have fulfilled those obligations.

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28. Mr. Scharf, there are concerns about the customers who were not informed that their mortgage payments had been paused by Wells Fargo, in the wake of the COVID-19 pandemic outbreak last year. In July 2020, *NBC News* had identified cases in 11 states, where Wells Fargo had placed customers in a forbearance plan without their permission.[29] A second report in October revealed that at least 1,600 customers' mortgages were placed in forbearance, and in many of those cases, customers had filed for Chapter 13 bankruptcy.[30] The customers' attorneys reported that erroneous forbearance filings place their clients' homes at risk of foreclosure and can hurt consumers' credit reports.

- **Wells Fargo has reportedly changed its practices, but can you tell us how many customers had been impacted as of the date that this practice ended?**

- **What steps has Wells Fargo taken to protect those consumers' credit reports and help them avoid foreclosure?**

On March 9, 2020—before the passage of the Coronavirus Aid, Relief, and Economic Security Act of 2020—Wells Fargo began offering its mortgage customers payment assistance, including 90-day forbearances, even if they were previously behind on their payments. We sought to make it as easy as possible for our customers to obtain relief and have provided more than one million mortgage forbearances to date. By the end of March, however, as more customers began to experience the unprecedented economic effects of the global pandemic, we received a significantly higher than usual volume of inquiries regarding mortgage payment assistance. At its peak, the call volume was roughly 2.5 times greater than the average daily volume in February. Although we shifted resources to attempt to address the increased volume, the sudden, soaring demand for mortgage forbearances, other payment assistance, and information made it difficult to make contact with all of our customers. In an attempt to ensure that all customers received the payment relief they needed, we provided mortgage forbearances to certain customers who had made an inquiry or expressed hardship but had not explicitly requested a forbearance.

As we have stated publicly, we undertook a customer-focused approach with the goal of ensuring that every customer who needed a forbearance would receive one without unnecessary delay. Our actions were not motivated by any financial benefit to Wells Fargo. We do not receive, nor do we pay our employees, any incentive fees or other compensation for placing customers in forbearance; to the contrary, we benefit most when customers make their payments and remain current on their loans.

We sincerely apologize to any customer who received a forbearance and did not expressly request one, and are actively working to assist each customer who was negatively affected. We have made changes to our practices to require an affirmative request from a customer before providing a

[29] NBC News, Troy Harlow has always made sure to pay his mortgage on time. Wells Fargo had other plans for him, (July 16, 2020).
[30] NBC News, 1,600 customers say Wells Fargo paused their mortgage payments without their consent, (Oct. 1, 2020).

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forbearance. We also proactively reached out to our customers to identify cases in which we provided an unrequested forbearance to verify that our customers are receiving only the assistance they need and want. For every customer who received an unwanted forbearance, we are removing the forbearance, adjusting credit reporting, and working to make the customer whole.

29. **Mr. Scharf, at the Senate Banking Committee hearing, you were asked what you were doing to continue protections and make sure homeowners are aware of expiring programs. Mr. Scharf, you said that Wells Fargo is suspending foreclosures through the rest of the year, and that Wells Fargo was supportive of CFPB's efforts to extend foreclosure protections to give borrowers and lenders more time to find affordable loan modifications instead of costly, harmful foreclosures. What kind of forbearance or loan modification options does your bank offer homeowners who have requested help with their mortgages?**

    - **Will you please provide a record of how many homeowners Wells Fargo has approved for a forbearance, loan modification, or other loss mitigation option, as well as how many foreclosures Wells Fargo has filed since the beginning of the pandemic?**

As the effects of the COVID-19 pandemic continue to linger, keeping people in their homes is a top priority. To date, we have approved more than 1.4 million homeowners for a forbearance, loan modification, or other loss mitigation option since March 2020. We have also extended through the end of the year our moratoria on foreclosures and evictions for mortgages we own.

With respect to customers exiting forbearance, requirements vary significantly from investor to investor (e.g., FHA, GSEs). Additionally, the CFPB recently finalized rules that provide safeguards for borrowers as they exit forbearance. Wells Fargo is committed to adhering to all applicable requirements and is taking proactive steps to assist borrowers. For example, we have been attempting to contact borrowers at multiple points throughout their forbearance periods, and we conduct outreach campaigns beginning at 45 days out of a borrower exiting forbearance to either assist the borrower with extending their forbearance or helping them to assess next steps. We also work with borrowers to navigate the investor programs available to them to aid in resolving delinquency and exploring potential loan modification options.

Additionally, we value transparency and work hard to communicate clearly with our customers. We notify borrowers upfront and prior to entering forbearance that tailored post-forbearance options will be made available to them at the time they exit forbearance. Particular options available to borrowers, however, depend on a variety of circumstances. Accordingly, we work with borrowers to identify the appropriate course of action for them at the time they are ready to exit forbearance and resume payments. For example, if a borrower was current on their loan at the time they entered forbearance, wishes to exit forbearance, and can still afford to make payments at pre-forbearance amounts, Wells Fargo provides an automatic deferral of missed payments to the end of the loan term, and the borrower can resume making payments as normal. If, on the other hand, a borrower is unable to resume payments at pre-forbearance amounts because of a drop of income or other reason, Wells Fargo will work with them to develop a plan, collect necessary documentation, and explore other options, including loan modifications, as appropriate.

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Questions from Representative Madeleine Dean

1. **You stated that it was your understanding that Wells Fargo had ended or was close to ending its relationship with the National Rifle Association (NRA). During the NRA's recent bankruptcy trial in Texas, the organization disclosed in February court filings that the organization maintained two accounts at Wells Fargo worth a total of more than $12 million. As recently as April 2021, one of the NRA's political arms, the NRA Political Victory Fund, reported to the Federal Election Commission that it had paid thousands in monthly fees to Wells Fargo. In light of those figures, could you please clarify your comments about the current status of Wells Fargo's relationship with the National Rifle Association? If you view this business as "declining," what steps has Wells Fargo taken to unwind your financial ties to that organization?**

Wells Fargo has exited all credit exposure to the NRA, which was reported publicly by the NRA in 2019 in its Uniform Commercial Code and mortgage filings.

2. **Mr. Scharf, it was announced in September of last year that Wells Fargo's planned to sell its private student loan portfolio. This transaction was reported to close the first half of 2021 – though your company has stated it was taking applications from existing customers up until January 28th.**

   - **Has that sale been totally completed or is it still occurring? And how did you communicate the change in loan ownership to loan holders?**

Wells Fargo is proud of its efforts to help students succeed financially, including by promoting responsible borrowing. We decided to exit the student lending business because it is not one of the core businesses in Wells Fargo's long-term operating strategy. However, our support of students will continue through financial planning, deposit products, and financial education tools. We will also continue to find impactful ways to help support students, including through scholarship support.

As of the end of May 2021, nearly all of our student loan portfolio has been sold and transferred. The remainder of the portfolio will be sold and transferred by the end of 2021. Customers were sent written communications concerning the sale and transfer of their loans starting 60 days before their loans were sold and transferred; customers were also sent a post-sale and transfer written communication.

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3. **During the pandemic private student loan borrowers have received no required protections, unlike their federal loan counterparts. Instead private lenders were protected only as far as their lender preferred.**

    - **Mr. Scharf, what pandemic protections did Wells Fargo put in place for their student loan borrowers and how long did they last? Have those protections continued after the announcement of the sale of your portfolio?**

Wells Fargo offered 90-day payment deferrals to student loan customers seeking temporary payment relief due to hardships caused by the COVID-19 pandemic. Customers could request and receive a second 90-day deferral following the first deferral. Deferrals were granted based on a streamlined request through an online tool or a conversation with a customer service representative. For the duration of a customer's deferral, Wells Fargo (i) suspended collection calls and did not report late or missed payments to credit bureaus with respect to the deferred payments, (ii) did not charge late fees with respect to the deferred payments, and (iii) suspended involuntary collections efforts with respect to the loans subject to a payment deferral. Most customers had concluded their COVID-19 deferrals prior to the public announcement of Wells Fargo's decision to sell its student loan portfolio in December 2020. However, customers continued to be eligible to receive business-as-usual financial hardship payment deferrals as well as loan modifications.

4. **In recent years, financial institutions have attempted to engage with gun manufacturers and push for better risk management and public safety practices. Following the mass shooting at Marjory Stoneman Douglas High School in Parkland, Florida that killed seventeen students and educators and wounded more than a dozen, banks and asset managers asked gun manufacturers to address what steps they had taken to manage the reputation and compliance risks inherently associated with manufacturing assault weapons for civilians, selling weapons to people under the age of 21, or allowing gun sales to proceed without a completed background check. But despite these efforts, gun manufacturers have still not taken steps to manage or control these risks. How does providing services to or maintaining business relationships with the gun industry align with your company's risk management practices? Will your financial institution consider adopting or adding to your existing risk-reducing gun safety policies, such as codes of conduct or best practices, which several major banks have already adopted?**

Wells Fargo provides banking services to a wide variety of customers. Firearms manufacturers are among the hundreds of different industries to which Wells Fargo provides financial services. With respect to gun manufacturers, we have a strict due diligence process to evaluate whether each adheres to all state and federal laws before accepting them as customers. We assess each client's history and capacity for maintaining regulatory compliance, most recent licensing, background check systems, and any relevant international legal compliance. We also consider geographical coverage, reputational concerns, and prior or open investigations, as we do with other industries. We listen carefully to all voices and all points of view in the ongoing related firearms debate, and we take each of them seriously. We also continue to evaluate our customer relationships on an ongoing basis.

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Question from Representative David Kustoff

1. **An annual percentage rate (APR) can be a misleading metric to compare the cost of loans. For example, if I give you $100 today, and ask you to pay me a $10 fee in one year, the APR would be 10%. But if I ask you to pay me $10 in one week, the APR would be 521%. Therefore, APRs are also a function of "loan duration," and not just "cost." Additionally, APR caps can serve as a form of price control. According to a recently published study from the National Bureau of Economic Research, these caps can restrict access to credit for lower income consumers and reduce consumer welfare. Of course, this would negatively impact the millions of consumers who depend on alternative loans.**

   - **Would you say that APR caps, like price controls, could threaten credit inclusion and could cause more harm than benefit to consumer, especially those who lack access to traditional credit?**

Wells Fargo adheres to all fair lending laws and is committed to bringing underbanked and unbanked households into the financial mainstream. We believe it is important that all qualified borrowers have access to fair credit with no discrimination. While interest rate caps can help to prevent manipulative or unlawful practices, depending on how they are structured, they can also make it harder for lenders to provide riskier loans at competitive prices.

Wells Fargo is focused on expanding access to financial services for the underbanked and unbanked. Recently, we launched our Banking Inclusion Initiative, a 10-year commitment to accelerate unbanked individuals' access to affordable mainstream accounts and help unbanked communities have easier access to low-cost banking. We are focusing on Black and African American, Hispanic, and Native American/Alaska Native families, who account for more than half of America's 7 million+ unbanked households. We are also assisting those who are underbanked and underserved, who may have a bank account yet still use high-cost, non-bank services.

Now is the time to bring together a broad and diverse group of national and community stakeholders to address long-standing inequities by increasing access to digitally enabled transactional accounts and financial health coaching. Through this initiative, we also will collaborate with partners to explore solutions to the credit challenges facing unbanked individuals. We will organize our resources under one umbrella and work with a broad and diverse group of stakeholders on a sustained multi-year effort to accelerate financial inclusion.

Overall, the initiative will focus in three areas: (i) access to affordable products and digital solutions; (ii) financial education and advice; and (iii) the launching of a National Unbanked Advisory Task Force that will feature representatives from leading organizations, including the League of United Latin American Citizens, the National Association for the Advancement of Colored People, the National Bankers Association, the National Congress of American Indians, UnidosUS, the National Urban League, and Hope Enterprise Corporation.

Questions for the Record
David M. Solomon, Chairman and CEO of Goldman Sachs

House Financial Services Committee, May 27, 2021 Hearing, "Holding Megabanks Accountable: An Update on Banking Practices, Programs and Policies"

QUESTION FROM CONGRESSWOMAN DEAN

1. **In recent years, financial institutions have attempted to engage with gun manufacturers and push for better risk management and public safety practices. Following the mass shooting at Marjory Stoneman Douglas High School in Parkland, Florida that killed seventeen students and educators and wounded more than a dozen, banks and asset managers asked gun manufacturers to address what steps they had taken to manage the reputation and compliance risks inherently associated with manufacturing assault weapons for civilians, selling weapons to people under the age of 21, or allowing gun sales to proceed without a completed background check. But despite these efforts, gun manufacturers have still not taken steps to manage or control these risks.**

   How does providing services to or maintaining business relationships with the gun industry align with your company's risk management practices? Will your financial institution consider adopting or adding to your existing risk-reducing gun safety policies, such as codes of conduct or best practices, which several major banks have already adopted?

   At Goldman Sachs, we make judgments on how we want to deploy capital, and we assess any reputational and other risks that affect our business, our shareholders and our employees. We believe that our policies that we've enacted over time have struck the right balance. We do not advise, finance or invest in companies that manufacture assault weapons, bump stocks or high capacity magazines. However, we do continue to advise and finance sporting goods companies that may sell firearms as a part of their overall businesses. We, of course, will continue to be thoughtful in how we engage, including taking these factors into account in our business selection decisions.

QUESTION FROM CONGRESSMAN KUSTOFF

1. **An annual percentage rate (APR) can be a misleading metric to compare the cost of loans. For example, if I give you $100 today, and ask you to pay me a $10 fee in one year, the APR would be 10%. But if I ask you to pay me $10 in one week, the APR would be 521%. Therefore, APRs are also a function of "loan duration," and not just "cost." Additionally, APR caps can serve as a form of price control. According to a recently published study from the National Bureau of Economic Research, these caps can restrict access to credit for lower income consumers and reduce consumer welfare. Of course, this would negatively impact the millions of consumers who depend on alternative loans. Would you say that APR caps, like price controls, could threaten credit inclusion and could cause more harm than benefit to consumer, especially those who lack access to traditional credit?**

   We are supportive of consumer protection and pricing transparency and designed all of our consumer products around these tenets. Any bill that imposes an interest rate cap would need to take into account the possibility of a materially different interest rate environment as well as ensuring consumers continuing access to products supporting small dollar emergency cash needs. This is because overly restrictive legislation may restrict credit to certain borrowers with lower credit scores at times when those borrowers may have an especially acute need for credit.

QUESTIONS FROM CHAIRWOMAN WATERS

1. **All of your firms have made a commitment to either achieve net zero financed emissions by 2050, a key milestone of the Paris Climate agreement, or to otherwise achieve alignment with the Paris agreement. President Biden has committed to cutting U.S. emissions by 50% by 2030, setting the bar for our country's climate ambition. Any commitment weaker than that undermines our aspirations to climate leadership. The IEA agrees in its new net zero report, saying there is "no need for investment in new fossil fuel supply."[1]**
   - **Do you agree that a global failure to keep climate change to significantly less than 1.5C creates major risks for financial stability?**
   - **Will you commit to withdrawing financing for companies that continue to develop new fossil fuel projects?**
   - **What interim steps are you taking to meet your net zero 2050 goals?**

   At Goldman Sachs, we have a long-standing commitment to address climate change and advance the transition to a lower-carbon economy.

   We recently made a ten-year, $750 billion sustainable finance commitment that leverages the whole of our business to advance climate transition and inclusive growth. As part of that commitment, we have achieved $156 billion in commercial activity, which includes $93 billion dedicated to climate transition.

   Acknowledging the importance of setting new climate-related goals for our business, we also recently announced a net zero by 2050 commitment for our financing activities, in line with the goals of the Paris Agreement, announced a new 2030 net zero target for our supply chain that expands on our existing carbon neutrality for our operations, and have committed to set interim business-related climate targets by the end of 2021.

   We have actively been engaged in making the business case for global climate action, including support for the 2015 UNFCCC Paris Agreement. For example, we were one of the first U.S. companies to commit to the White House American Business Act on Climate Pledge in 2015. Please refer to our current Task Force on Climate-Related Financial Disclosures ("TCFD") report, which is publically available on our website, for further details on how climate change impacts our business, how we measure impact, and our approach to managing climate related risks and opportunities for our business.[2] Our Environmental Policy Framework, which is publically available on our website, also outlines our approach managing environmental and social risks across our business activities, including risks related to climate change.[3] We also publish our annual sustainability report on our progress. Additionally, we are committed to setting interim goals by the end of the year on how we further integrated climate risks into our business.

   Where we can have the most impact on the real economy in support of climate transition is working across our business to assist clients, counterparties, and investment companies in accelerating and implementing their de-carbonization strategies. This includes financing opportunities that fund investment in our clients' transition to a lower-carbon-intensity business model, participating in the scaling of sustainable finance in equity capital markets, and facilitating M&A opportunities to accelerate climate transition.

2. **For all witnesses, the *New York Times* recently reported that the American Banking Association and other banking trade groups wrote to the Department of Agriculture to complain about lost interest payments from a relief program for minority farmers that was approved as part of COVID relief last year.[4] In what was interpreted as a veiled threat to withhold future lending to historically disadvantaged communities, the letter stated that "(i)f U.S.D.A. does not compensate lenders for such disruptions or avoid sudden loan payoffs, the likely result will be less access to credit for those seeking U.S.D.A. guaranteed loans in the future, including U.S.D.A. farmers/ranchers."[5]**

[1] International Energy Agency, *Net Zero by 2050*, (May 2021).
[2] https://www.goldmansachs.com/investor-relations/corporate-governance/sustainability-reporting/tcfd.pdf
[3] https://www.goldmansachs.com/s/environmental-policy-framework/index.html
[4] New York Times, *Banks Fight $4 billion debt relief plan for Black Farmers*, (May 19, 2021).
[5] Ibid.

- **At the Senate Banking Committee hearing, you all indicated that you were not involved in this letter, and some of you had not read it. Have you read the letter?**
- **Do you think it's appropriate that your representatives in Washington are issuing these threats?**
- **Do you believe it is inappropriate for the federal government to provide just compensation for those who have been unjustly harmed by discriminatory actions?**
- **Will you commit to continuing to lend to historically disadvantaged farmers even if Secretary Vilsack carries out the law as he has said he will?**

Yes, I have read the letter drafted by the American Bankers Association (ABA) and other banking trade associations. We are not currently, nor have we ever been, a lender to the U.S.D.A.'s minority lending program and, as I said during the hearing, this is not an issue that Goldman Sachs was involved in. Moreover, we never saw a draft of the letter, we never provided input on the content of the letter, and we were not consulted about the letter before it was sent to the Department of Agriculture.

3. **Mr. Dimon, Ms. Fraser, Mr. Moynihan, Mr. Scharf, and Mr. Solomon, when asked during the Senate Banking Committee hearing about extending a 36% interest rate cap from the Military Lending Act to all consumer lending, you all seemed to indicate your banks do not make loans above 36% APR and you would support federal legislation pending further review of the specifics included in the legislation.**
   - **Do you support the Veterans and Consumers Fair Credit Act, previously introduced by Reps. Chuy Garcia and Grothman in the 116th Congress as H.R. 5050?**
   - **In what other ways are you looking to reach underbanked consumers who can responsibly pay back small dollar loans, but are susceptible to predatory payday lenders?**

We are supportive of consumer protection and pricing transparency and designed all of our consumer products around these tenets. Any bill that imposes an interest rate cap would need to take into account the possibility of a materially different interest rate environment as well as ensuring consumers continuing access to products supporting small dollar emergency cash needs. This is because overly restrictive legislation may restrict credit to certain borrowers with lower credit scores at times when those borrowers may have an especially acute need for credit.

With respect to small dollar loans, Goldman Sachs generally does not offer and originate small dollar retail loans to U.S. customers. Marcus personal loans are fully amortizing loans generally with terms of 2-6 years and loan amounts ranging from $3,500 to $40,000. Notably, from time to time, we have offered loans as low as $600 (e.g., our seasonal loan program that offered loans of $600 to $3,000 during the holiday season). These loans were also fully amortizing with terms ranging from 6 to 24 months. The APR range for these loans was consistent with our larger loans and, as with all Marcus loans, there were no fees. For all of these loans, we conduct an ability to pay assessment designed to evaluate that our borrowers have the financial capacity to repay the amounts that we lend to them.

In addition to Marcus loans, we also have associated partnerships with large brands such as the Apple Card. Through Apple Card, we provide credit to cardholders across a broad income spectrum and offer innovative financial services to millions of customers that help them to understand their spending and payment options better and seamlessly earn and redeem rewards.

Because Marcus is a digital platform, customers do not need to walk into a branch to open an account; they can do it directly from their mobile phone or call one of our Marcus Specialists. We believe that digital banking can be leveraged to be more inclusive, particularly with regard to communities that are underbanked.

4. **For all witnesses, much of your EEO data show that people of color and women are underrepresented in executive and management positions and overrepresented in administrative support positions, compared to national averages. The Committee Staff report on diversity in America's largest banks revealed that on average, senior leadership roles across your banks are only 29% women and 19% people of color.**
   - **Can you explain why you continue to hire disproportionally more White males in senior management and executive roles than in administrative support roles?**
   - **Please provide information about the diversity of the directors of the company's board and senior executives, the policies and practices implemented at the company to promote diversity and inclusion**

among the company's workforce at all levels, and the policies implemented by the company to promote the use of diverse contractors, including diverse asset managers, brokers and underwriters.

Improving our diversity and inclusion efforts in every aspect of the work we do at the firm is 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 and disability. Effectively serving a broad and diverse set of clients means having an appreciation and understanding of their different experiences, interests and values, and we are committed to building a team capable of that critical work. I believe a core part of my tenure as CEO will be defined by our progress on this front. I believe that we should have a company that looks like the regions and communities we serve.

We are focused on driving accountability and transparency as it relates to these efforts and ensuring we have impact not only on the people of Goldman Sachs but also on the communities where we operate. For the first time, we published in April our inaugural People Strategy Report, which provides a comprehensive overview of our approach to attracting, developing, retaining and rewarding diverse talent. The Report also discusses how we hold managers and senior leadership accountable for our diversity and inclusion commitments, including by our global, regional, and divisional committees.

Board Diversity
We have been, and will continue to be, committed to diversity on our Board, and in recent years have maintained a particular focus in our director searches on diverse candidates. Our Governance Committee aims to develop a Board that, as a whole, reflects diverse viewpoints, backgrounds, skills, experiences and expertise.

Our five most recently appointed independent directors have been women: Kimberley Harris, Jessica Uhl, Dr. Drew Faust, Vice Admiral Jan Tighe (Ret. U.S. Navy) and Ellen Kullman. Of our 13 directors, our Board includes: six directors who are women, two directors who are Black, including our Lead Director and our newest director Kim Harris, one director who is of Indian descent, one director with career service in the military and three directors who are non-U.S. or dual citizens. Overall, our Board is 62% diverse by race, gender or sexual orientation.

I update the firm's Board on our progress against our objectives and aspirational goals on a monthly basis and annually I present our go forward priorities.

Diversity of Senior Leaders
Having a diverse Board is not enough to achieve where we want to be on our diversity efforts. Our most recent partner class had the highest percentage of women (27%, up 4% from 2016) and Black partners (7%, up 3% from 2016) in our history. We also recently added two women and one ethnically diverse leader to the Management Committee, bringing the total on the committee to seven women and four non-white leaders out of 28 Committee members.

Most recently, I announced a number of new leadership positions within our firm – many of whom are women. These include the Chief Legal Officer and General Counsel, the Global Co-Head of our Consumer and Wealth Management Division, the Head of Investor Relations, the Chief Operating Officer for our Asset Management Division, and our Deputy Chief of Staff for the firm. I have also recently promoted a number of Black professionals into leadership seats in the last year, including our Chief Strategy Officer, our Global Head of Corporate and Workplace Solutions, our Co-Head of Investment Banking in Asia (ex-Japan), our Global Chief Operating Officer of Global Investment Research and our Private Wealth Management New York Region Head.

However, more work needs to be done to enhance the diversity of our senior leaders across the firm, and we are working to improve these efforts.

Increasing Diverse Representation
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. In 2019, we set forth ambitious aspirational goals for entry-level analysts and associates, a comprehensive action plan to increase diverse representation at all levels and a plan to create an even stronger culture of inclusion for all of our people. We are

aiming to achieve representation in entry-level hiring of 50% women globally, 11% Black professionals and 14% Hispanic/Latino professionals in the Americas, and 9% Black professionals in the UK.

With consistent and persistent focus, we have attracted more diverse talent to Goldman Sachs than ever before. In our 2020 campus analyst class in the Americas, 55% were women, Black talent made up 11% of the class, Hispanic/Latinx talent made up 17%, and Asian talent made up 31%. The positive results we have achieved demonstrate the power of setting aspirational goals and holding ourselves accountable.

In addition to setting clear aspirational goals, we continue to find innovative ways to democratize 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 HBCUs, we launched a $25 million commitment to HBCUs over the next five years. The commitment is tied to the *Market Madness: HBCU Possibilities Program*, a four-month training in finance fundamentals. 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, and over time we believe that this expansion in our long-term investment in HBCUs will help us better serve our clients and contribute to a more inclusive and dynamic economy and society.

But we know it is not enough to recruit talent; we also need to make sure they can realize their potential, so last year, we set additional representation goals to hold ourselves accountable and do so transparently in the public domain. By 2025, we aim for 7% of our vice presidents in both the Americas and the U.K. to be Black, 9% of our vice presidents in the Americas to be Hispanic/Latinx, and 40% of our vice presidents across the globe to be women. By increasing the diversity of our vice president population, we will pave the way to increase the representation of our most senior roles at the firm.

Furthermore, to ensure that our experienced hiring practices are democratized, we expanded the "Rooney Rule" with the "Rule of 2" for experienced hires (vice president, managing director and partner), whereby our businesses are required to interview two or more diverse qualified candidates for each open experienced role and we continue to work on ways of finding new sources of talent via search firms and through internal referrals.

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, minority and women 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.

Moreover, we actively encourage our sourcing teams to include small and diverse businesses in competitive bids and encourage our larger, non-diverse vendors to do the same. Our Vendor Code of Conduct, which all of our vendors must acknowledge, also states the expectation we have of our vendors to provide diverse companies with the opportunity to compete on a fair and equal basis for business. In 2020, in an effort to minimize barriers to entry, we built a new website to increase transparency on doing business with Goldman Sachs and simplified our online application form to encourage more prospective diverse vendors to submit their details as to expertise and experience, which is then shared with our strategic sourcing teams.

In recent years, we have further expanded our program globally and firmwide. In addition, we continue to partner with our 10,000 Small Businesses program, 10,000 Women program, Launch With GS and One Million Black Women initiatives, among others, to identify diverse vendors for upcoming sourcing opportunities.

This year, for the first time, we publicly reported our spend with small and diverse businesses. In 2020, we bought goods and services worth over $265 million from small and diverse vendors globally. Seventy percent was with minority-women-owned businesses and 30% with small businesses. Twenty-eight percent was subcontracted through our non-diverse prime vendors to multiple smaller diverse vendors.

Over the course of 2021, we are further enhancing our reporting capabilities and we remain committed to holding ourselves and our vendors accountable in our efforts to increase activity with small and diverse businesses from our 2020 baseline by 50% by 2025.

Use of Diverse Asset Managers
Our asset management business works with nearly 40 external asset managers that are majority women-owned or ethnically diverse-owned firms. This number has almost doubled over the last two years due to a focused effort to increase our pipeline and onboard more diverse managers. These firms manage equity, fixed income, hedge fund and private equity assets for Goldman Sachs institutional and private clients.

In addition, we are continuing to refine and enhance our diverse manager sourcing across all asset classes to further increase the number of diverse-owned managers on the platform. We are increasing the training of our manager selection team on diversity, equity and inclusion and will be hiring additional professionals with experience in sourcing diverse managers. We also plan to partner with diverse industry trade organizations to connect to smaller diverse-owned managers and have partnered with organizations focused on creating an asset management investor pipeline.

Use of Diverse Broker-Dealers
Goldman Sachs is one of the largest issuers of corporate bonds in the investment grade capital markets, and we have had an established diverse broker-dealer program for many years. Specifically, in the last 10 years, we have employed a range of diverse firms on every new syndicated USD benchmark and preferred financing we have issued for ourselves, representing over $156 billion of aggregate issuance. We have endeavored to be inclusive across all diverse firm types with strong representation from Black, Hispanic, disabled veteran and women owned and operated firms.

The majority of these transactions have included four diverse firms, with some including as many as 12. Over this period, we have asked 23 different diverse firms to join our underwriting syndicate, and we are proud to support these firms and their underwriting and distribution businesses. We manage our relationships with diverse firms on a continuous basis and regularly review our partner firms based on numerous criteria, including the commitment each makes to their community, the proportion of their employees that are diverse and representative of their demographic, and their distribution capabilities.

Moreover, in 2020, our Federal Instruments Fund — designed to direct the bulk of its trading to diverse broker-dealers — raised $3.1 billion, more than twice the prior year. This stands as the leader among all diversity and inclusion–related money market fund flows during 2020. Despite that significant inflow, the fund maintained 61.8% of purchases with diverse-, women- or veteran-owned broker-dealers who benefited from the increased trading volumes.

5. **For all witnesses, last July, the Office of the Comptroller of the Currency (OCC) published an interpretive letter concluding that banks may provide cryptocurrency custody services for their clients.[6] Has your organization begun to provide such services? And if so, how will you ensure that customers using cryptocurrencies through your financial institutions will not be harmed due to the incredible volatility and instability of some of these products?**

   We are not an OCC regulated bank. In any event, we do not currently provide crypto custody services to our clients.

[6] OCC, Interpretive Letter #1170, July 2020.

6. **Messrs. Dimon, Gorman, and Solomon, Scharf, each of your banks has made commitments to significant greenhouse gas emissions reductions, while also taking steps to expand Bitcoin and other cryptocurrency services. At 14 gigawatts and growing, Bitcoin's energy use exceeds that of Sweden and other populous nations.[7] How do you reconcile services to enable Bitcoin use with your emissions reduction targets? Please provide any analysis, including any assessment and data of the energy usage of cryptocurrencies that your bank may be seeking to offer to your clients, and its impact on climate change.**

   At the present time, Goldman Sachs is not engaged in Bitcoin mining activities. However, our firm does advise clients from time to time on Bitcoin-related transactions and activities.

   Goldman Sachs has a long-standing commitment to address climate change. In 2005, we implemented a global Environmental Policy Framework that guides our approach to environmental and social risk management and is consistently applied across our business, including for potential cryptocurrency-related transactions. We continue to assess how we can enhance environmental and social risk management guidelines for activities with significant climate impact, and have continued to update our framework with enhanced guidelines to better reflect our standards.

   We also recently announced a net zero by 2050 commitment for our financing activities, in line with the goals of the Paris Agreement, announced a new 2030 net zero target for our supply chain that expands on our existing carbon neutrality for our operations, and have committed to set interim business-related climate targets by the end of 2021. Where we can have the most impact on the real economy in support of climate transition is working across our business to assist clients, counterparties, and investment companies in accelerating and implementing their decarbonization strategies. We remain committed to working with our clients in all stages of their climate transitions.

7. **For all witnesses, how are you ensuring that essential workers have a voice in the workplace, especially in light of pay disparities between yourselves and your workers? At the Senate Banking Committee hearing, you were asked whether you would pledge to remain neutral if employees want to form a union. None of you answered yes. Yes or no, will you remain neutral if your workers want to explore forming a union?**

   At Goldman Sachs, we have a global workforce of approximately 40,000 people and no traditional branch network. We would be happy to listen to any issues that our employees have and would try to address their concerns.

8. **For all witnesses, the Federal Financial Institutions Examination Council (FFIEC) issued a request for information on how financial institutions use, assess, and explain artificial intelligence (AI), including machine learning (ML) algorithms in practice.[8]**
   - **How does your financial institution utilize AI or ML algorithms in your lending and servicing decisions?**
   - **Are your AI or ML algorithms developed and tested for bias "in-house" or through a third-party?**
   - **How do you assess and catch any algorithmic bias in all of the areas in which you are using AL, including ML? Please provide a summary of your protocols on testing for algorithmic bias, and how you take corrective action.**

   Goldman Sachs employs industry-standard methodologies and algorithms to inform our servicing and lending decisions. We believe that AI and machine learning offer many advantages to consumers, including more customized and innovative products and services, lower costs, and better customer experience across client segments.

   Currently, our predictive models are traditional in the industry and are developed in-house, using Federal Credit Reporting Act (FCRA) compliant data. Some fraud-related models were developed by vendors, using methodologies and data sources reviewed by our firm. Model risk review and fair-lending analysis are performed in-house by independent teams within Goldman. The fair lending compliance office reviews variables used to ensure inputs do not independently introduce bias into the model, and also conducts ongoing analyses on sensitive underwriting and servicing decisions to detect any signs of unintended discrimination.

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[7] CNBC, *Why everyone from Elon Musk to Janet Yellen is worried about Bitcoin's energy usage*, (May 13, 2021).
[8] Federal Register, Request for Information and Comment on Financial Institutions' Use of Artificial Intelligence, Including Machine Learning, (Mar. 31, 2021).

9. For all witnesses, deforestation & other land use change are the second biggest contributor to greenhouse gas emissions after fossil fuels. This despite the fact that forests are far and away the world's biggest carbon sinks. In addition, as the fossil fuel transition happens, more pressure will accrue on land use e.g. biofuel industry expansion - which experience has shown often leads to land grabbing, especially from Indigenous peoples. Furthermore, many firms are relying on forest offsets to achieve "net zero", often without reducing emissions from other sources and continuing the site-pollution harms which disproportionately impact communities of color. And it's worth noting nearly every day new evidence shows that offsets are rife with fraud, cheating, etc. Are you counting any kind of "negative" emissions in your net zero or intensity reduction plans? The gold standard policies on climate risk are No Deforestation, No Peatland, No Exploitation (NDPE) policies. JPMorgan Chase recently committed to establishing an NDPE policy for palm oil. Ahead of the Glasgow climate conference in November, will each of you commit to establishing an NDPE policy for all forest-risk commodities?

We approach environmental risks with the same care and discipline as how we manage any other risk to our business, and we've implemented a global Environmental Policy Framework that guides our approach and is consistently applied across our business. Deforestation and degradation of forests remains a significant challenge in many regions, and is a major contributor to greenhouse gas emissions. We have several policies in place to address deforestation, including both sector-specific and cross-sector guidelines which we apply as part of our environmental and social risk management process, as outlined in our Environmental Policy Framework.

For example, for any palm oil related transactions, we require clients to have a commitment to no net deforestation, no peatland development and no human rights violations. Where this is not in place, we will introduce or refer clients to credible experts who can help establish such a commitment. We continue to assess how we can enhance environmental and social risk management guidelines for activities with significant climate impact, and have continued to update our framework with enhanced guidelines to better reflect our standards.

10. For all witnesses, what steps has your firm taken to shore up cybersecurity and protect consumer data?

Cybersecurity is front and center on my agenda, as well as on our Board's agenda. Like every firm, we face a steady stream of attempted cyberattacks every day, including from highly sophisticated adversaries. Protecting against cyberattacks is standard procedure for Fortune 500 companies. We take very seriously our responsibilities to our customers to maintain the highest level of privacy, security, and control over customer financial data, assets and transactions. We identify and mitigate vulnerabilities as they are discovered in four key ways.

First, we work together across the financial sector and between the government and the industry to understand the adversaries who are targeting our institutions. We share information regularly with our industry and government partners to identify new threats and protect our systems from their techniques. Going forward, we will continue to encourage even more information sharing between the financial sector and the U.S. government.

Second, we actively identify and fix vulnerabilities in our network. We actively do penetration tests with our own highly skilled staff as well as use specialized third parties to find possible vulnerabilities before potential attackers.

Third, the protection and responsible use of client data is deeply engrained in our culture and nowhere is that more critical and visible than the expansion of our consumer businesses. Our goal is always to consider privacy regulations as a floor rather than a ceiling when implementing privacy protections for customer data.

Fourth, we are focused on ensuring the resiliency and continuity of critical firm functions under all conditions. While it is impossible to prevent all incidents, we conduct regular tests of our business continuity plans and approaches to rapidly restore key systems in the event of a catastrophic event.

But we cannot solve the cybersecurity issue alone, which is why I am encouraged by the number of strong regulators across the financial sector that stipulate cybersecurity and other controls to reduce the risk of major incidents. We continue to support the need for harmonization of regulations, domestically and globally, including through use of the Financial Sector Cybersecurity Profile as a common approach to assessing cybersecurity maturity across the industry.

11. For all witnesses, please list the commitments your firm made in each of the two years, 2020 and 2021, to invest in, partner with, or otherwise support, minority depository institutions (MDIs) and community development financial institutions (CDFIs), including non-depository CDFIs. Please provide a progress report on how much of those committed funds, investments and other support were delivered in each of the two years (2020 and 2021) and name which MDIs and CDFIs received this support from your firm as well as what type of support.

- **What, if any, additional commitments have your firm made in each of the two years (2020 and 2021) to support communities of color?**
- **Will you commit to providing the Committee with a written progress report of this work every quarter?**

As part of Goldman Sachs's mission to advance sustainable economic growth and inclusive financial opportunity, the firm is committed to investing in the future of traditionally underserved areas and communities. Since 2020, Goldman Sachs committed direct capital investments and philanthropic grants to the following initiatives:

- $2.5 billion to CDFIs and MDIs, including $1.5 billion in PPP support and emergency funds
- $10 billion over the next 10 years to One Million Black Women
- $500 million to Launch With GS
- $10 million through the Fund for Racial Equity

Partnerships with CDFIs and MDIs

For 10 years, Goldman Sachs has partnered with and helped build infrastructure for CDFIs to expand their capacity to meet the needs of small businesses in low-income and minority communities. In response to the economic crisis created by the COVID-19 pandemic, the firm moved quickly to meet the urgent and unique needs of the moment by accelerating the flow of capital to struggling small businesses across the country. Since 2020, the firm has committed $2.5 billion in direct and philanthropic capital to CDFIs and mission-driven lenders to facilitate emergency lending to underserved and minority-owned small businesses amidst the COVID-19 pandemic. This includes $1.25 billion in emergency funds in partnership with New York City and Chicago and PPP commitments which the firm quickly deployed to small businesses via six key CDFI partners: Lendistry, Hope Enterprise Corporation, Pursuit, Community Reinvestment Fund (CRF), LiftFund and CDC Small Business Finance. In addition, Goldman Sachs committed $25 million in philanthropic support to CDFIs and community-based nonprofits helping businesses navigate the COVID-19 pandemic. As of June 2021, $1.4 billion of the total $2.5 billion commitment has been deployed. Of the total lending capital deployed, nearly half went to majority-minority communities.

In addition to the $1.25 billion CDFI lending commitment, we recently committed an additional $1 billion in partnership with the SBA and our CDFI partner Lendistry to fund approximately 40,000 PPP loans, over half of which will benefit minority-owned businesses. The commitment to Lendistry, one of the most active SBA Community Advantage lenders in the country, is the largest ever to a Black-led CDFI and provides much-needed capital to underserved small businesses, especially Black-run small businesses and communities, who have been disproportionately impacted by the pandemic.

In 2021, Goldman Sachs also announced a $130 million commitment (including $100 million for PPP) to Hope Enterprise Corporation, a leading Black-led MDI and CDFI in the South, to establish the "Deep South Economic Mobility Collaborative," a public-private partnership with seven cities and nine historically Black colleges and universities across the South. This Collaborative provides credit and support services to entrepreneurs of color, particularly Black women entrepreneurs, in historically disadvantaged neighborhoods.

To amplify the reach and impact of our capital, we also engaged with stakeholders in the public sector to support emergency funds in New York City and Chicago to support impacted small businesses, serving as a model for other relief funds across the country. Additionally, to ensure the furthest reach of this capital to underserved small businesses, we partnered with organizations such as the National Urban League, the U.S. Hispanic Chamber of Commerce, and the New Voices Foundation to deploy capital, critically important information, and technical assistance, to small businesses owned by entrepreneurs of color.

<u>One Million Black Women</u>
In 2021, we launched a new investment initiative, One Million Black Women, to address the dual disproportionate gender and racial biases that Black women have faced for generations, which have only been exacerbated by the pandemic. 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 over the next ten years to narrow opportunity gaps for Black women 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 across seven pillars: healthcare, job creation and workforce advancement, education, housing, digital connectivity, financial health and increasing access to capital.
There has never been an investment of this size focused on Black women, and we are proud to bring Black leaders together in this effort through our Advisory Council, 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 (CEO of Walgreens) and Darren Walker (President, Ford Foundation).

<u>Launch With GS</u>
Launch With GS is the firm's investment strategy to increase access to capital and facilitate connections for women, Black, Latinx, and other diverse entrepreneurs and investors. In 2021, the firm announced a new $500 million commitment to the initiative, bringing the total commitment to $1 billion toward investing in these entrepreneurs and funds. In early 2020, Launch With GS hosted Goldman Sachs's first Black and Latinx Entrepreneur Cohort, comprising a group of high-growth start-ups from across the United States. Beyond access to capital, these businesses participate in a customized six-week virtual experience — including one-on-one and sector-specific workshops with our research, banking and investment teams, and interaction with start-up experts across key areas, including legal services, capitalization, marketing and branding.

<u>Fund for Racial Equity</u>
In response to the murder of George Floyd in 2020, Goldman Sachs launched the Fund for Racial Equity to support the vital work of leading organizations addressing racial injustice, structural inequity and economic disparity. Seeded with a $10 million grant from *Goldman Sachs Gives*, the Fund focuses support across four key themes: advancing economic progress, legal and criminal justice reform, fueling social change and fostering educational opportunities. Inaugural grantees include the Black Economic Alliance, Black Girls Code, My Brother's Keeper Alliance and the United Negro College Fund.

12. Can you please describe the extent to which your firm utilizes forced arbitration clauses in contracts with consumers, employees, investors, and contractors?

A central principle underlying the design and development of our products and servicing approach for our U.S. consumers is that the consumer is at the center of everything we develop. For our U.S. direct to consumer retail lending and savings products, we believe that we have pro consumer arbitration provisions, which balance our simple and transparent product characteristics with the increased efficiency, cost-savings, flexibility and privacy afforded by arbitration. For example:

- Consumers may opt out of the arbitration clause completely within 90 days after account opening
- We clearly and prominently disclose to each of our Marcus consumers the arbitration clause and their ability to opt out; this language is in all caps on the first page of each Marcus consumer agreement
- We agree to pay all costs associated with the arbitration
- Consumers may also pursue claims in small claims court rather than in arbitration
- Our approach is also designed to address a common concern raised regarding small dollar claims by providing that, if the consumer prevails at arbitration and receives an award greater than our last settlement offer (i.e., last offer made before the arbitrator is selected), we will pay the greater of that amount or $10,000 plus reasonable attorneys and expert fees
- We encourage early dispute resolution by encouraging mediation prior to arbitration
- We agree to pay the cost of the mediator
- The consumer may select for his/her arbitration hearing to take place in the judicial district where he/she lives

- Consumers can choose whether they would like to have their arbitration heard before the Judicial Arbitration and Mediation Services, Inc. (JAMS) or American Arbitration Association (AAA). We will pay all fees of JAMS or AAA

In addition to the Marcus agreements described above, we have employment-related arbitration agreements as a broker dealer through FINRA for employees who carry registrations. We also have arbitration agreements directly between the firm and our employees, as well as between the firm and our contingent workers. We believe the arbitration forum has many advantages for all parties, including increased efficiency and speed, cost-savings and flexibility.

That said, in consideration of the feedback that we have received, as well as the results of a recent shareholder vote at our annual meeting, we have decided to undertake a review to assess the issue of employee arbitration comprehensively.

13. For all witnesses, please describe the company's compensation and clawback policies, including the average amount of compensation received by each decile of employees; a breakdown of the base pay and incentive pay for each decile, including a descriptions of metrics, sales goals, or cross selling required to be met in order to qualify for the incentive or bonus pay; average pay by race and gender at each decile; the minimum wage paid to employees and the number of employees earning minimum wage, and a description of:

- **how these policies are designed to promote accountability of company executives;**
- **how the compensation of the chief executive officer and other senior executives compares to the median compensation of an employee of the company.**

Our Compensation Principles guide our firm in its review of compensation for the most senior employees at our firm. In general, our Compensation Principles require that the more senior you become at Goldman Sachs, the more your total compensation is tied to the long-term health of the firm. For example, members of our Management Committee receive the majority of their total compensation in the form of deferred equity (approximately 60-70%), which is subject to retention and holding requirements, which ties them directly to the long-term health of Goldman Sachs. Ultimately, we believe our compensation program is designed so that it does not encourage imprudent risk taking.
Our people are paid based on the performance of the firm as a whole, their group's performance and their individual performances (including based on nonfinancial factors such as compliance, teamwork and culture). Moreover, our Compensation Principles, which apply to all of our employees, specifically include:

- Paying for Performance, which means that firmwide compensation should directly relate to firmwide performance over the cycle
- Encouraging Firmwide Orientation and Culture, which means that employees should think and act like long-term shareholders, and compensation should reflect the performance of the firm as a whole
- Discouraging Imprudent Risk-Taking, which means that compensation should be carefully designed to be consistent with the safety and soundness of our firm
- Attracting and Retaining Talent, which means that compensation should reward an employee's ability to identify and create value, but the recognition of individual performance should be considered in the context of the competitive market for talent

In addition to our Compensation Principles, in reviewing compensation for our most senior employees, our firm is guided by our Variable Compensation Frameworks, which more broadly govern the variable compensation process for our employees (such as our executive officers) who could expose the firm to material amounts of risk, and our Performance Assessment Framework, which we developed to provide greater definition to, and transparency regarding, the key factors our firm considers in assessing the firm's performance in connection with compensation decisions for our senior leaders (including our executive officers).

The Performance Assessment Framework includes an assessment of pre-established financial metrics and nonfinancial factors on a firmwide and divisional basis across four categories: (1) financial performance, (2) clients, (3) risk management and (4) leadership, culture and values (which includes people-related metrics), and is intended to provide a structure to help to ensure that our compensation program for our senior leaders continues to be appropriately aligned with our long-term strategy, stakeholder expectations and the safety and soundness of our firm.

In addition, for 2020, our firm considered the following factors in determining the amount and form of variable compensation to be awarded to each of our executive officers:

- individual performance
- stakeholder feedback, including specific feedback received from shareholders and other constituents and the results of our Say on Pay votes
- market for talent
- Chief Risk Officer input and risk management
- regulatory matters and the views of our regulators

Clawback Provisions
The firm has a long-standing practice of including robust recapture (or clawback) provisions in our award agreements that, among other things, help ensure appropriate accountability among executives and other employees. This includes potential forfeiture or recapture for conduct that constitutes "cause" or certain "risk" violations. The firm's definition of "cause" is designed to reinforce to our people the importance of following the firm's policies and procedures and protecting the firm, its reputation and its business interests, by covering a variety of inappropriate conduct, including:

- conviction of certain crimes
- engaging in conduct detrimental to the firm
- engaging in employment disqualification conduct under applicable law
- violating any securities or commodities laws, rules or regulations of any relevant exchange or association of which the firm is a member
- violating certain firm policies

The firm's variable compensation award agreements also include a "risk" forfeiture provision that may result in forfeiture if the employee, during the relevant fiscal year, participated (or otherwise oversaw or was responsible for, depending on the circumstances, another person's participation) in the structuring or marketing of any product or service, or participated on behalf of the firm or any of its clients in the purchase or sale of any security or other property, in any case without appropriately considering the risk to the firm or the broader financial system; and as a result our firm determines there has been or reasonably could be expected to be a material adverse impact on the firm, the employee's business unit or the broader financial system.

Median Compensation
In accordance with SEC rules, we calculated and disclosed the ratio between my FY 2020 compensation, and the median of the 2020 compensation of all of our other employees. For 2020, this ratio was approximately 172:1.

Minimum Wage
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 minimum compensation levels in the United States exceed $15 per hour. Additionally, unlike for our own employees whom we employ directly, we negotiate a rate with our vendor firms and they determine how much of the rate they pass onto their staff. In the United States, all of our vendors are paid above minimum wage, and a substantial majority of our U.S. vendors are paid more than $15 per hour.

14. For all witnesses, please provide a detailed description of your firm's capital market activities, including with respect to securities (including underwriting, trading, and securitization) and derivatives, including—

- **the trading desk structure of the company, identifying each desk and the instruments traded or held at each desk;**
- **the average and standard deviation of a metric of inventory, constructed using data on individual trading desk positions, for long securities positions, short securities positions, and derivatives, at each individual trading desk for a quarterly period six months prior to the reporting date;**
- **how the company complies with restrictions under section 13 of the Bank Holding Company Act of 1956 (commonly referred to as the 'Volcker Rule') at each trading desk, including a general description of the methodology for determining reasonably expected near term customer demand and for designing compensation practices at the desk so as not to create incentives for proprietary trading; and**

- **the total profit or loss attributed to the company's trading account, including a breakdown of profit earned on fees, commissions, and spreads, and a description of the source of trading account profit or loss that cannot be attributed to fees, commissions, and spreads;**

As a general matter, our capital market 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 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.

We make markets in and clear institutional client transactions on major stock, options and futures exchanges worldwide and provide prime brokerage and other equities financing activities, including securities lending, margin lending and swaps. Additionally, we provide various forms of financing to clients globally.

These capital markets activities are performed by trading desks that specialize in equities, fixed income, currencies and commodities products. We have created a framework of "mandates" to build a comprehensive inventory of all our trading and non-trading activities. Each mandate documents and governs the relevant activity. The mandates include a description of the desk, the inventory of the relevant financial instruments, list of personnel and their location and other items. Mandate activity compliance is primarily overseen by the mandate's supervisors.

Our employees in our trading businesses are paid based on the performance of the firm as a whole, the performance of their division, business unit and desk, and their individual performances (including based on nonfinancial factors such as compliance, teamwork and culture). In reviewing compensation, the firm is guided by our Compensation Principles, which apply to all of our employees and specifically include:

- Paying for Performance, which means that firmwide compensation should directly relate to firmwide performance over the cycle
- Encouraging Firmwide Orientation and Culture, which means that employees should think and act like long-term shareholders, and compensation should reflect the performance of the firm as a whole
- Discouraging Imprudent Risk-Taking, which means that compensation should be carefully designed to be consistent with the safety and soundness of our firm
- Attracting and Retaining Talent, which means that compensation should reward an employee's ability to identify and create value, but the recognition of individual performance should be considered in the context of the competitive market for talent

In addition to our Compensation Principles, in reviewing compensation for our employees, including employees in our trading businesses, the firm is guided by our Variable Compensation Frameworks, which more broadly govern the variable compensation process for our employees who could expose the firm to material amounts of risk – including those performing underwriting activities, market-making related activities and risk-mitigating hedging activities for our trading businesses. These Variable Compensation Frameworks are designed to ensure that such employees receive incentives that appropriately balance risk and financial results in a manner that does not encourage such employees to expose their organizations to imprudent risk (*e.g.,* by providing for risk adjustment of awards, forfeiture/clawback, and deferral of payment), each consistent with the final Guidance on Sound Incentive Compensation Policies adopted by the Federal Reserve System, Federal Deposit Insurance Corporation and the Department of the Treasury and published on June 25, 2010.

Further, the Firm's Volcker Enterprise-Wide Compliance Manual provides that variable compensation arrangements for employees who perform underwriting activities, market-making related activities and risk-mitigating hedging activities and are identified in the Firm's applicable Volcker mandates must be designed not to reward or incentivize prohibited proprietary trading and appropriately balance risk and financial results in a manner that does not encourage such employees to expose the Firm to excessive or imprudent risk. Some specific requirements and/or guidelines applicable to the variable compensation process for such employees, which are intended to supplement the requirements under the Variable Compensation Frameworks, include:

- For those employees performing underwriting activities, compensation incentives must not be designed to reward speculation in, and appreciation of, the market value of securities that are underwritten by the firm,

- For those employees performing market-making related activities, compensation incentives must not be designed to reward speculation in, or appreciation of, the market value of a position held in inventory, rather than the use of that inventory to successfully provide effective and timely intermediation and liquidity services to clients, and

- For those employees performing risk-mitigating hedging activities, variable compensation for engaging in risk-mitigating hedging activities should not be based purely on profits derived from hedging.

The Volcker Enterprise-Wide Compliance Manual also includes requirements that are imposed on the Firm's management when creating, recommending and reviewing such variable compensation arrangements.

15. For all witnesses, please list any merger or acquisition that was completed by your firm in the previous year, including—

- **a description of how each merger or acquisition affected the company's size and complexity;**
- **an account of the retail branch closures that resulted from the merger or acquisition;**
- **a description of any regional markets that experienced a change in market concentration, as measured by the Herfindahl-Hirschman Index, resulting from the merger or acquisition;**
- **a description of any regional markets that experienced a change in the company's regional share of deposits resulting from the merger or acquisition;**
- **a list of Federal or State government agencies that approved the transaction;**
- **a description of any conditions placed by a Federal or State government agency on the company when the transaction was approved**

In September 2020, Goldman Sachs completed its purchase of Folio Financial, Inc., an execution, clearing and custody platform that serves independent Registered Investment Advisors ("RIAs") across the wealth spectrum. Folio Financial has developed a differentiated technology offering that provides institutional grade clearing and custody services to RIAs. This acquisition enhances our own offerings to RIAs while expanding its client base in that segment. The acquisition of Folio did not have any material impact on our size and complexity. Additionally, Folio has no retail banking branches and therefore no retail branch closures resulted from the acquisition.