

## Chase, Bank of America, and Your Bank

by Charles B. Wendel

Recent media coverage of Chase and BofA highlights some important issues about those banks and raises questions about the competitive landscape for the remaining 4,700(+/-) remaining players.

JP Morgan Chase continues to grow. The *Financial Times* reports that the bank announced at its annual investor day meeting that it plans “to spend \$15.7bn on new initiatives in 2023, which would include hiring, marketing, and investment in technology. This would be \$2bn more than it spent last year.” It’s worth noting that one list of banks by asset size states that the 478<sup>th</sup> largest US bank has assets of about \$2bn.

Other comments at the meeting point to the dominant position enjoyed by Chase and its intent to expand further:

- “Our capacity for investment is unmatched.”
- “Our competitors have not and cannot invest at the levels that we do. And these investments represent significant future operating leverage for year to come.”

The article also reports an expected increase in NII from \$81bn to \$84bn due to the First Republic deal. “The increased guidance underscored how big banks such as JPMorgan have gained from the recent crisis among some regional lenders, with the company taking in new deposits and buying the remnant of First Republic in a government auction.” BTY, the bank’s average cost for deposits is 1.21%, below the 1.75 paid by its peers, according to BankReg.

While some Senators such as Elizabeth Warren objected to the First Republic deal the bank continues to grow: “The net result of these machinations is that...the nation’s biggest bank – already too big to fail – got a bargain deal on a failing bank that made it even bigger. This is a troubling outcome, leaving me with numerous questions.”

Another mega-bank, this one Bank of America, was also in the news recently, but for a different reason. A May 18<sup>th</sup> Tweet from Representative Dan Bishop stated that based upon whistleblower testimony “Bank of America gave a list to the FBI of anyone who used BofA credit/debit cards in the DC area between Jan 5-7th, 2021 - regardless of whether they participated in the events of Jan. 6th.” Apparently, the personal data of anyone using their credit cards in the DC and Northern Virginia areas for any reason on those dates had that information provided to the FBI by the bank.

The Carolina Journal reported: “Bank of America mined their own customers’ data and voluntarily handed it over to the FBI *without being asked*. The bank identified anyone who used one of their products, like a credit or debit card...and handed the list of people over to federal law enforcement.” Back in February, mentioning several BofA actions back in February, Tucker Carson commented that “Bank of America effectively is acting as an intelligence agency, but they’re not telling you about it.”

How do banks compete against a behemoth with tsunami like power such as JP Morgan Chase? Related to BofA, how can a bank balance its sense of civic responsibility with its commitment to protect the privacy of its customers, the vast majority of whom might be horrified at their bank offering individual account details to government agencies.

Beyond these two banks, many of the 4,700 banks still operating will consolidate with others. Inevitably, that number will decrease to 2,000 or 3,000, but who knows? Banks below \$1bn in assets are probably the most threatened, lacking the capital and, oftentimes, the depth of management to create a sustainable institution.

But that leaves thousands of other banks that can out-maneuver and out-segment larger banks that need to target bigger customers to feed earnings. Small banks can also position themselves as protecting the customer's privacy rather than offering up personal information (while of course following KYC practices and assisting any legitimate investigations). Smaller banks need to move quicker and be more selective in their focus while demonstrating that they in reality are community oriented rather than simply claiming they are.

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