

**Ashley Bacon**  
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**Written Testimony for the Senate Permanent Subcommittee on Investigations**  
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Good morning Chairman Levin, Ranking Member McCain, and Members of the Committee. My name is Ashley Bacon, and I am the Acting Chief Risk Officer of JPMorgan. I have been at JPMorgan for 20 years and have spent six years in the Firm's Risk Management function. I appreciate the opportunity to come before you today as a part of your inquiry into the CIO synthetic credit portfolio to tell you about what I observed after being asked in late April to independently assess the CIO trades. Let me first start by expressing the entire Firm's commitment to the importance of effective risk management.

Turning to the CIO portfolio at issue: at the request of senior Firm management, I was brought in from outside the Chief Investment Office in late April 2012, along with other individuals from the Investment Bank, to lead a team of professionals conducting a detailed assessment of the synthetic credit portfolio. The purpose of that review was to understand the persistent losses being experienced and to help chart a course forward. Our team worked long hours on this review and reported back to senior Firm management on at least a daily basis. After initial reports, we were asked to take over responsibility for the day-to-day management of the synthetic credit portfolio—a responsibility that we held until a new CIO management team took over.

The Firm also requested that my colleague Michael Cavanagh lead a Task Force to investigate these trades. Later today, I believe that Mr. Cavanagh will speak in some detail to that effort and to the remedial steps identified by the Task Force in response. I will simply

discuss a few of the key steps we have taken as a Firm to improve our risk management—both within the CIO and elsewhere in the Firm.

*First*, the Firm appointed a new Chief Risk Officer for CIO in May 2012. Additionally, the Firm took steps to ensure Risk's independence and the appropriateness of staffing levels. The new CIO Chief Risk Officer's actual reporting practices now conform to his functional reporting line. He reports to me, and his compensation and career advancement are controlled by Risk, with input from the business and others about his performance, as appropriate.

*Second*, the Firm has overhauled the CIO Risk Committee. The Committee now meets on a weekly basis and attendees include other members of senior management, from within and outside of CIO. It has been reconstituted as the CIO, Treasury and Corporate Risk Committee, to reflect its broader responsibilities and increased participation.

*Third*, CIO has implemented numerous new or restructured risk limits covering a broad set of risk parameters. What remained of the synthetic credit portfolio was transferred to the Firm's Investment Bank, where it is subject to appropriate oversight and detailed analysis.

*Finally*, JPMorgan has conducted a comprehensive self-assessment of the Risk organization and, as a result, we are implementing a series of improvements both Firm-wide and within our lines of business. In addition to working to improve model development, review, approval, and monitoring, the Firm is reaffirming and, where appropriate, is revising its market risk limits across all of its lines of business. We have introduced additional granular, portfolio-level limits and will continue to do so as appropriate. We have strengthened our processes for limit excessions to provide for more rapid escalation and more effective review. We have established a Firm-wide Risk Committee, improved the operation of our Risk Operating and Risk

Governance Committees, and enhanced our reporting to the Board of Directors' Risk Policy Committee.

A risk organization must constantly look for ways to improve. The steps I have described reflect our fundamental belief in how the Firm's risk profile should be overseen with effective challenge and with the right level of information available to address risk issues effectively.

Thank you for the opportunity to appear before you today, and I welcome any questions you have.