

# Jpmorgan and company essay



**ASSIGN  
BUSTER**

JPMorgan was founded by an American Banker named George Peabody in London in 1838. Jack Piermont Morgan is the son of an American businessman named Janius S. Morgan, joined a Philadelphia-based banking company named Drexel & Company as a promoter to form Drexel, Morgan and Company in 1871. In 1895, the company was revamped and reorganized. Eventually, it was renamed as JPMorgan & Company.

The bank assumed the role of a statesman, a transatlantic post office for British and American state secrets, as well as a confidant of the Federal Reserve. It was the headquarters of a banking empire known as the world's "most secretive bank". The company primarily concentrated on blue-chip corporations serving home to 96 of America's 100 largest companies. Morgan's glamorous cache came from its private banking business; where it seduced the rich with leather armchairs, grandfather clocks and polished brass lamps.

The company catered to many prominent families including the Astros, Guggenheims, du Ponts, and Vanderbilts. In addition, the company served families of Morgan Private Bankers, which served as government adjuncts performing covert missions and as confidants to kings, presidents and popes. The empire was shattered by the Glass-Steagall Act of 1933, which erected a high wall between commercial and investment banking. The company then was led by Harry Morgan.

Together with two other partners, the company branched out, and formed a new investment banking company Morgan Stanley. In 1959, JPMorgan merged with a New-York based commercial bank called Guaranty Trust

Company. In 1989, the Federal Reserve relaxed the Glass-Steagall Act. In 1990, JPMorgan became the first bank to receive permission from the Federal Reserve to underwrite securities, and it established its own investment banking division. This opened up new growth opportunities.

On the eve of the 1987 crash, even though it is only the fourth largest bank, J. P. Morgan and Company was declared as America's most expensive bank, Based on its share price it would have cost \$8.5 billion to buy or more than Citicorp. It was America's only bank to boost a triple-A rating.

For most of the 1980's, it had the highest return on equity of any bank; it often ranks second in profits only to Citicorp and with only half its assets. In 1989, the tide quickly turned when JPMorgan found itself facing fierce competition from global markets; where multinational corporations towered over them in terms of capital and financial expertise. With this in mind, JPMorgan responded to the market changes by pursuing corporate takeovers. In the mid-1990s, JPMorgan faced a dearth of capital to fund large businesses.

Then in the late 1990's the company had offices in 50 countries. Its services were divided into six segments namely: bank credit markets, corporate finance advice, equities and equity investments, interest rate and currency markets, asset management services, and proprietary trading. In mid-2000, JPMorgan's foreign operations in Asia, Europe and Latin America, which accounted for nearly half of its earnings was under considerable threat from its competition. However, CEO Sandy Warner (Warner) who was not in favor of mergers said that: " Everybody is talking about consolidation.

The world is consolidating. Fact of life. But the bigger you are the harder it is to move. You don't give the ball to somebody else and say, ' Help us punch it in. '" Chase has played a key role during World War II.

Winthrop Aldrich, head of Chase at the time stated in the bank's 1942 annual report: " A nation fighting for its life is not stopped by considerations of finance or credit; it is stopped only by military defeat or economic exhaustion. On that basis the main objective of war time finance is to provide the smoothly working mechanism for implementing the fiscal transactions involved in the all-out prosecution of the war." In 1945, the greatest emphasis was put on wholesale banking, with senior leadership drawn from its ranks. International activity was accorded a high priority as well; and correspondent relationships were favored over branching.

Major departments operated with a high degree of autonomy and independence, while relations with personnel were marked by a paternalistic attitude born of the Great Depression. It was also complemented by a sense of social responsibility for which Chase was noted for. In 1955, The Bank of Manhattan Company merged with Chase National forming the Chase Manhattan Bank a thrust into greater prominence, which was considered as the brainchild of the growing affluence of consumer banking. The culture of Chase surfaced in relations between the bank and its officers. It also concerned the relations between the officers themselves. Even though it was overmanned, the bank prided itself on not releasing employees during the depression.

The officer cadre changed in the 1970's; becoming more diverse in character and background. Moreover, the bank abandoned its paternalistic attitude towards employees. It does not hesitate to release officers, and other staff for inadequate performance. Contrary to past practice, managerial talent was introduced from the outside in senior positions; where ever the bank would clearly benefit.

This is one element of Chase's culture held steadfast throughout the post-war years. Successive managements placed social responsibility high on the priority list, which was weighed in the balance with profits. Not until the mid-1990s did Chase look to further increase its size. In March 1996, Chase merged with Chemical Bank Corporation. The company emerged as one of the largest commercial banks in the world in terms of size, providing services such as loans, credit cards, and insurance to individuals and businesses.

In the late 1990's, Chase wanted to move into investment banking, targeting equity underwriting in particular. Towards this end, Chase went on an acquisition spree starting with Hambrecht and Quist (H&Q) in December 1999. To further strengthen its position, it acquired Beacon Group LLC in July 2000 and Robert Fleming Holdings Limited in August 2000. These acquisitions presented Chase Manhattan Bank as a diversified global banking and financial services company providing services such as retail banking, credit cards, investment banking, private equity investments, private banking and global services such as information and transaction processing. It employed about 75, 000 people across the world (5 times more than JPMorgan).

However, Chase was still not among the top investment banking firms in the merger advisory and securities underwriting categories. Both companies are well-established firms with a long legacy of tradition and success in the banking industry. However, both firms also saw themselves as ill-equipped to fully capitalize on the changing dynamics of the financial services industry. Technology was increasingly changing all businesses and global commerce was becoming a necessity for large U.

S Firms. Mergers and acquisitions provided a way for firms to diversify their product line, and increase their global presence in the global financial services industry. The JPMorgan-Chase Manhattan merger is an apt and sound example of how firms choose to address change in market regulations. It also promotes industry dynamics in order to remain competitive and increase growth opportunities.