

## **Statement of Senator Mark Warner**

Senate Committee on Banking, Housing and Urban Affairs Hearing:  
“A Breakdown in Risk Management: What Went Wrong at JPMorgan Chase”

June 13, 2012

I would like to thank the Chairman for holding this important hearing so that the Senate can better understand what happened to cause the loss of at least \$2 billion, and possibly several times more than that, at JPMorgan Chase. A family commitment prevents me from attending this hearing in person, but I am submitting this statement and questions for the record.

In the wake of the financial and economic crisis in 2008, which we recently learned has cost American families two decades worth of accumulated wealth, 40% of what they had pre-crisis, this loss at JPMorgan Chase has reminded us of hard learned lessons.

Risk is an everyday feature of our financial system. As a result, we must have a regulatory regime that determines what risks can be undertaken by which financial institutions and markets and how we will manage those risks.

This event has occurred in the middle of writing the rules for the Dodd-Frank Act. I believe that we owe the American people to learn as much as possible from this event, and let it inform how we finish that rule writing process.

This episode demonstrates an extraordinary failure of risk management. It is worth noting that this occurred at one of our soundest banks. No one is happy about this episode, but we should be pleased that JPMorgan Chase has the capital and capacity to deal with this. JPMorgan Chase and markets are addressing this in an orderly way that does not threaten the individual firm, other firms, or our markets. That is a good sign.

From this and also from other hearings, and from the additional work of regulators and experts, we must also understand how we can improve risk management. We must understand how to protect individual firms and the broader system from both the risks that we understand and from unexpected shocks in the future.

I do not expect perfect answers because we cannot know the unknown. But we should learn from large “unexpected” shocks of the past, and we should know how much loss absorption and resilience individual institutions have, including but not limited to capital.