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Reputation Dented, Dimon Prevails in JPM Vote

by Maria Aspan
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Jamie Dimon's next challenge will be avoiding another close call like this.

JPMorgan Chase (JPM) stockholders decisively voted Tuesday to continue vesting him with dual leadership power at the bank. The shareholder proposal to split Dimon's chairman and chief executive roles won support from only 32% of JPMorgan Chase investors, down from the 40% that supported a similar proposal last year, according to preliminary results. But to a certain extent, the damage has already been done. The vote's outcome can't erase the months of harsh spotlight it focused on Dimon's power, his board's composition and governance style, and the London Whale trading losses that, a year later, continue to nip at Dimon's once-pristine reputation as the industry's best CEO.

Shareholders aired complaints about all of those things on Tuesday, during a nearly two-hour annual meeting in Tampa, Fla. Dimon was an uncharacteristically subdued participant in the meeting, ceding most of his defense to lead director Lee Raymond. The former chairman and CEO of Exxon Mobil (XOM) has spent the past few months rallying the board around Dimon, while prominent proxy advisory firms pushed the bank to split up JPMorgan's chairman and CEO roles.

"We're mindful of what some of the proxy consultants have said," but "we don't think this is time for disruption," Raymond told shareholders on Tuesday. "It's the board's considered and unanimous view that the current structure … is in the best interests of our company at this time."

Several prominent shareholder groups pushed back against that assertion on Tuesday. Michael Garland of the New York City Comptroller's office told Dimon and Raymond that naming an independent chairman "may not be a silver bullet, but it's an important first step" in improving the bank's governance.

Other investors welcomed the vote results, sending JPMorgan shares up 2% after the meeting ended. Some analysts predicted that Dimon would soon shake off the weeks of close scrutiny and kibitzing over his power at JPMorgan.

"This can be distracting, this kind of press, this kind of vote — he was none too happy about the notion of splitting the roles up," Albion Financial analyst Jason Ware says. "Most folks have short memories, and [Wall Street] is all about, 'What have you done for me lately?'"

But the fallout from the London Whale trading losses has lingered, despite congressional hearings, the departures of several senior executives and sweeping leadership overhauls. In February, Dimon and his top lieutenants invited investors to a day-long event at the bank's New York headquarters, with the aim of discussing JPMorgan's strategy for the coming year. A few weeks later, a scathing Senate report about how the bank handled the Whale losses had eclipsed most of that discussion and Dimon's efforts to move beyond last year's scandals.

Other members of JPMorgan's board also fell under scrutiny in the weeks leading up to the meeting. Proxy advisers at Glass Lewis & Co. and Institutional Shareholder Services recommended that shareholders vote against three members of the board's four-person risk committee: David M. Cote, CEO of Honeywell International Inc., James S. Crown, president of Henry Crown & Co. and Ellen V. Futter, president of the American Museum of Natural History in New York.

On Tuesday, shareholders re-elected all of the bank's directors, although those three barely eked out a majority. Crown and Cote won about 57% and 59% approval, respectively; Futter won a scant 53.1% approval. Dimon said she was unable to attend the meeting, without giving a reason.

Raymond also hinted at possible future changes to the bank's risk committee. All of the committee's current members are qualified, he said, before adding that in terms of the committee's composition, "stay tuned."
