

## J.P. Morgan Treasury Services Surveys Financial Institutions on Cross-Border Payments, Renminbi Clearing Services and Regulatory Concerns

**Toronto, September 19, 2011** - J.P. Morgan (NYSE: JPM) Treasury Services, a full-service provider of cash management, trade finance, and treasury solutions, in partnership with Flmetrix, a leading market research firm focusing on international financial services, have released the results of a "Voice of the Industry" survey examining trends and perspectives in cross-border payments, Renminbi (RMB) clearing services, and current regulatory issues.

During July and August, interviews were conducted with more than 100 senior executives at banks across Africa, Asia Pacific, Europe, Latin America, the Middle East and North America. More than half of the participants in the study represent financial institutions with upwards of \$50 billion USD in assets.

Payments collaboration continues to be a primary area of focus for the world's leading financial institutions. Over the course of the next few years, nearly three in four institutions expect to collaborate to some degree with partner banks in support of their payments business, with those in the Asia Pacific and North America regions most likely to collaborate (83 percent, 80 percent respectively). Only one fifth expect to go it alone, driven largely by banks in Western Europe. Payments are cited most often for offering the greatest opportunities for collaboration, followed by trade services and cash management. In light of regulatory and competitive pressures, banks are making new strategic decisions on collaboration with global partners. Some trends highlighted in the survey:

- o Banks across regions have different areas of focus to meet their corporate customers' needs:
- Latin America and Asia banks are most focused on providing faster and more transparent regional payment processing (73 percent, 62 percent respectively). North America and Western Europe institutions are somewhat less focused on this (50 percent, 39 percent respectively), likely driven by the maturity of the market.
- Central/Eastern Europe and Middle East/Africa are most focused on lower transaction costs (74 percent, 92 percent).
- North America and Western Europe are the most demanding regions for single, multi-bank access (50 percent, 39 percent).
- Middle East/Africa and North America institutions perceive trade services as having the greatest opportunity for collaboration, while Latin American institutions view trade and payment services as providing equal opportunities.

As China continues to emerge as an economic powerhouse, progress in RMB clearing is mixed. The survey revealed:

- o Banks are in very different stages of evolution in responding to the RMB opportunity
- 37 percent of banks currently provide RMB services to their customers.
- In North America, Western Europe and Asia Pacific 60-70 percent of banks are already providing RMB services to their customers.
- 52 percent of those not currently providing RMB service plan to do so in the next 6-12 months. Opportunities exist in Middle East/Africa and Central/Eastern Europe with plans to provide RMB services within 6-12 months (36 percent and 58 percent respectively).
- o RMB transaction volumes have not exceeded expectations. While 56 percent of all existing providers are seeing volumes as expected, 41 percent have recognized lower than expected volumes.
- o Onshore versus Offshore - North American banks see more demand for off-shore services (71 percent), the driver being a combination of investment opportunities and payment settlement. Europe, Middle East/Africa sees more need for on-shore services (57 percent), the main driver being payment settlement. In Asia Pacific it is split between off-shore or no difference (50 percent and 43 percent).

Banks see **regulatory change** having a significant impact on their ability to attract deposits.

- o Basel III liquidity requirements are by far the leading regulatory change cited by bank executives in all regions as impacting the attraction of wholesale deposits.
- o 60 percent of banks have assessed the Basel III rules on their operational versus non-operational deposits so far.
- o 75 percent of banks that have assessed the Basel III impact say increased longer term funding or retail deposits would be considered to mitigate the new requirements.

"Understanding the concerns of our financial institution clients allows us to target investments in our platform and to build strength in key areas," said Christopher Foskett, Managing Director, Global Sales Head Financial Institutions, J.P. Morgan Treasury Services. "J.P. Morgan is the largest clearer of U.S. dollars, handling more than 20 percent combined Fedwire and CHIPS transactions globally, and is a direct clearer in 19 other currencies. Investments in our business continue to extend our

country coverage and deliver new services so that FIs can themselves compete successfully in their target markets, which is a need these survey results confirm. Over the past few years, we've expanded our operations in China, South Africa and Saudi Arabia. This survey is only one of many ways we stay on the pulse of industry trends to ensure we remain the number one provider to financial institutions."

Financial institutions seeking to discuss the survey further may contact [Chris.Foskett@jpmchase.com](mailto:Chris.Foskett@jpmchase.com).

**About J.P. Morgan Treasury Services**

J.P. Morgan's Treasury Services business is a full-service provider of innovative cash management, trade, liquidity, commercial card and escrow services -- specifically developed to meet the challenges treasury professionals face today. More than 135,000 corporations, financial institutions, governments and municipalities in over 180 countries and territories entrust their business to J.P. Morgan. J.P. Morgan Treasury Services is one of the world's largest providers of treasury management services and a division of JPMorgan Chase Bank, N.A., member FDIC. More information can be found at [www.jpmorgan.com/ts](http://www.jpmorgan.com/ts).

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