Jamie Dimon

Keith Bedford/Reuters

Jamie Dimon, JPMorgan Chase's chief executive, is one of America's most powerful and outspoken bankers. JPMorgan Chase, the descendant of the House of John Pierpont Morgan, came through the global financial crisis bigger, stronger and healthier than its rivals. Its success, along with that of Goldman Sachs, underscored how the government's attempt to halt a collapse has also set the stage for a narrowing concentration of financial power.

Mr. Dimon knows all too well the dangers of swaggering in the footsteps of former Wall Street kings like Sanford I. Weill, his onetime mentor, who helped build Citigroup into an institution so unwieldy it nearly went bankrupt, or Lloyd C. Blankfein, the Goldman Sachs chief whose crown has been tarnished by accusations of double-dealing under his watch.

But he steadily raised his public profile as other banks struggled, first emerging as President Obama's favorite banker and then as a sharp and persistent critic of new financial regulations, both those adopted in the Dodd-Frank bill in 2010 and by international regulators. He argued that they would hurt the economy by discouraging risk-taking of the kind his bank at least had shown it could manage.

But Mr. Dimon's argument, and his reputation, suffered a major setback in May 2012 when he disclosed that an investment group at JPMorgan Chase had lost billions in a series of bad trades — a loss that Mr. Dimon blamed on "errors, sloppiness and bad judgment." The losses eventually were estimated at roughly $6 billion, and in January 2013 the bank said that it had cut Mr. Dimon's pay in half for 2012 — to $11.5 million from $23 million a year earlier.

Still, Mr. Dimon had already accumulated much wealth in his years at the bank. At that time he owned bank shares valued at $263 million.

Dimon Had Other Fires to Put Out

After the losses were disclosed, many in Wall Street wondered how Mr. Dimon could have missed the brewing trouble. According to a former senior executive, Mr. Dimon had other fires to put out, and the chief investment office wasn't a "problem child" for either top managers or the board of directors, despite its rapid expansion. Gigantic losses were piling up from bad mortgages, and new regulations were threatening the profitability of traditional banking, among other pressing matters.

All of these factors may explain why Mr. Dimon, an executive known for his ability to sense risk who also was familiar with the minutiae of his business, failed to heed the first alarm bells that were sounded in early April.

Sirens had gone off after a series of erratic trading sessions in late March resulted in big gains one day, followed by even bigger losses the next on the London trading desk of the bank's chief investment office. Mr. Dimon was convinced by Ms. Drew and her team that the turbulence was "manageable," executives said. Nor did anyone on the operating committee, of which Ms. Drew is a member, question her conclusion — in fact the full operating committee wasn't told of the scope of the problem till early last week, just days before Mr. Dimon went public.

The alarm bells were silenced in April, but days after first-quarter earnings were reported on April 13, the erratic trading pattern continued, except this time there were few gains to offset the losses, and the red ink was flowing faster by the day.

Mr. Dimon convened a second round of checks, which soon concluded there was a ticking time bomb, but by then it was too late, a situation made worse as traders actually increased their bets instead of shrinking them, resulting in a loss that now totals more than $2 billion and threatens a management team that until now could seemingly do no wrong.

Background

Mr. Dimon grew up in Queens, and both his father and grandfather were stockbrokers. He received an undergraduate degree from Tufts University and has an M.B.A. from Harvard Business School.

Throughout his career, he earned a reputation as a charismatic leader, a bold dealmaker and a strict risk manager.

He made a name for himself as Sanford I. Weill's young operations whiz, helping assemble Citigroup in the late 1990s through a series of flashy mergers. After arriving at Bank One in 2000, he spent the next few years fixing the ailing regional lender. Then, after Bank One's merged with JPMorgan in 2004, he orchestrated a similar turnaround.

Mr. Dimon spent three years stitching together the banks' disparate computer systems and getting a handle on the financial risks lurking on its balance sheet. Every step of the way, he told investors that he was focused not on lifting quarterly profits but on building a strong company for the long haul. Mr. Dimon has refined that formula in recent years, seizing more than a few opportunities to reposition his bank while his rivals were in deep distress.

The company was positioned to move quickly when the investment bank Bear Stearns came face to face with bankruptcy in March 2008. Known as a tough negotiator, Mr. Dimon struck a bargain to buy Bear Stearns for a mere $2 a share, a tenth of its closing price — a price later raised to $10 — together with a Federal Reserve loan for $30 billion secured by Bear Stearns's shaky portfolio.

As Mr. Dimon oversaw the purchase of Bear, he dispatched his fellow executives to Seattle to meet with the management of Washington Mutual, a giant savings and loan that had been hobbled by bad mortgages. Mr. Dimon had eyed WaMu for years. But management balked.

WaMu's problems worsened over the summer as housing prices continued to fall. In September 2008, the company was seized by federal regulators in the largest bank failure in American history.

Regulators brokered an emergency sale of virtually all of WaMu to JPMorgan Chase for $1.9 billion, averting a potentially huge taxpayer bill for the rescue of a failing institution. By taking on all of WaMu's troubled mortgages and credit card loans, JPMorgan Chase would absorb at least $31 billion in losses that would normally have fallen to the Federal Deposit Insurance Corporation. But its prize was WaMu's deposits and bank branches, leaving Chase with a nationwide retail franchise rivaled by only Bank of America.

JPMorgan received money under the federal bailout plan in late 2008. But Mr. Dimon has vocally distanced himself from the government's financial support, calling the $25 billion in taxpayer money the bank received a "scarlet letter."