Securities and Exchange Commission Historical Society
Interview with Jill Considine
Conducted on August 1, 2011, by James Stocker

JS: This is an interview with Jill Considine for the SEC Historical Society's virtual museum and archive on the history of financial regulation. Today is August 1, 2011. I'm James Stocker. We're talking at an office in downtown Manhattan. Welcome, Jill.

JC: Good morning, James.

JS: Jill, I like to start at the beginning in these interviews. I understand that you were born in Florida. Did you grow up there?

JC: No, I didn't. I happened to be in Florida. My father was stationed at an Air Force base, and my mother was down there with him. I was born there, and we probably headed back to New York, which was home, after about six months.

JS: You were a military brat.

JC: Yes. Not for a very long time, but yes, I did have that in my history.

JS: Did either of your parents work in finance or anything like that?

JC: Not at all. My father worked for *The Herald Tribune*. My mom was basically a homemaker. She later worked for a doctor. Neither one of them had been involved in finance, nor had any one in my family.

JS: You attended St. Johns University in New York.

JC: Correct.

JS: I understand that you studied biochemistry there.

JC: Yes. I graduated from high school when I was sixteen, and I knew I was going to go to college, and I had to decide what I was going to study. Back at the time, there were really no role models for women. I knew of Clara Barton and Madame Curie, so science seemed to be something that women did, if you didn't want to become a teacher. I enrolled as a biochemistry major.

JS: You knew from the beginning of your college career that you wanted to do sciences.

JC: Yes, I did. When I was in high school, I was in the science club and did a lot of experiments, and had planaria, which were these little organisms that I used to cut in pieces to see if they could regenerate. I guess I had sort of a wonkish bent from very early on.

JS: You did graduate work in biochem also.

JC: I did. I went to Bryn Mawr, and I studied biochemistry there. As a matter of fact, I think the title of the thesis I wrote was *The Uptake of L-arabinose in Tetrahymena Pyriformis*, which is about as wonkish as you can get. I worked there. Then when I left Bryn Mawr, I went to the Blood Center, which was a research arm of the Red Cross. I did research there in nucleic acid – RNA and DNA. This was at a time that no one had ever heard of nucleic acids. It was before all the TV shows about DNA that we know today. We did a lot of work that is used today for DNA typing. Some of the experiments that we did also turned out to have some useful benefits in terms of getting unicellular organisms to produce higher level substances that could be used in drug treatment.

JS: When did you realize that you weren't going to spend the rest of your career in a laboratory?

JC: I guess there were two issues. Number one, whether I was going to complete my PhD thesis. I kept on saying, "Do I really want to do this?" The other thing was when I was working in the laboratory, I was trying to decide whether I wanted to take a trip with a girlfriend and drive across country, or go to Europe for several weeks with some other friends. I went in and talked to the person who ran the lab and said, "I'm fairly flexible. What would work better for your schedule?"

He said, "Well, you really can't do that. I'm planning to take the summer off, and I need you here to run the lab." At that point, I said, "Whoa." My great aunt had died and left me some money, so I decided I was going to do both. I drove across country, and also went to Europe and spent almost a year traveling – that's when the bug bit me.

JS: Then you came back and needed a job.

JC: I came back, and I needed a job. Every time I sent out my resume, I would get an offer to work in a laboratory. I realized that that is not what I wanted to do. I'm much more of a people person. A girlfriend's husband was at Bankers Trust, and said, "Why don't you come in for an interview?" I said, "I don't want to work for a bank. Bankers are boring. I don't want to work there." He set up an interview, and I came in, I think, about 9:30 in the morning. Remember, I was a junior person out of college. I interviewed from 9:30 until 6:30 that night. I saw probably everyone there. They were hiring me as a systems programmer. At the time, I had no idea what systems programming was.

JS: Had you ever done any computer programming?

JC: No. This was the early stages. It was an IBM 360 which was about the size of a room and actually had the computing capacity of maybe a Blackberry (laughter), but probably less than that. I had not done computer programming, but they didn't know about science either. We had this incredible conversation where they tried to explain to me what software and hardware was, and I tried to explain what I had been doing in science.

I wish I had taped that interview because I seem to remember that at one point I told them, "Why not hire me, and I will bring the scientific method into banking and computers?" I started at Bankers Trust. I was in what was called systems programming, and we programmed the computers themselves. We had these little green cards that we walked around with – it was punch cards that were available at the time – and space was a very valuable commodity. You actually instructed the computer to move what was in Field A into Field B, and then take Field B and add it to Field C and store it all in Field D. Very wonkish, very technical, but it gave me a fabulous base in terms of understanding technology.

JS: Were there many other women working at the bank at that time?

JC: In computers, there were probably more than you would see in banking. It was a new field. Probably only 20 percent, but it was a new field. With a new field, you didn't have the pipeline of people who'd been coming through on the loan side or the traditional parts of the bank. I'd say 20 percent were women.

JS: Not too bad. Two years later, you moved to Chase Manhattan.

JC: Right.

JS: Did your position change there, or were you doing sort of the same thing, more or less?

JC: I had been at Bankers Trust, and a friend of mine who worked there had been called by a headhunter about the job over at Chase, and she said, "I think this would be absolutely perfect for you." I said, "I don't really know whether I want to change," and she said, "Well, it's worth going over for an interview." I spoke to them, and I went over. I was going to be working with a group that was in a highly technical area. As things at the time changed, about two weeks later, the department was reorganized and sort of disappeared. They asked me to teach technical programming, and that started me on a very different twist in my career.

I did technical training. There was a whole issue in terms of how do you train people, how do you career path them, how do you know who's got the right skill set? They chose six of us to run various departments. I had 600 systems programmers reporting to me in a way in a matrix organization, and it would be my responsibility to decide where they would go next, what their career should be, what skills they were lacking, assign them to projects. It was a centralized warehouse for systems programmers.

JS: So this was your first big managerial experience.

JC: Yes. It was managerial, but it was managerial in a matrixed staff way, which was a very good management tool, because when you are on the staff side, you don't have all that much control. You have to learn how to work through persuasion and sort of on the sidelines. It's not a command and control environment, which, as the world changed, as management and leadership changed, was probably a very good background for me to have.

JS: Now in this position, you traveled a lot.

JC: When the traveling started – I was in that role, and technology was becoming the driver of everything in banking. A group called SWIFT was getting established then, and the United States was supposed to come on in 1977. It turned out that we were going to be doing money transfers. We were going to take money transfers and send them globally, and we would be receiving in money transfers from all over.

SWIFT initially was set up to replace Telex and mail. Not all the big banks were very interested in having this happen because they all had their own proprietary networks and they asked, "Why do I want to join in this? I have a competitive advantage that I have this global network." SWIFT was automated, and Chase went and looked at purchasing systems that were out there. Chase, at the time, was the largest money transfer bank in the world. It realized that there was no system that was large enough to handle. It was going to be an interface between SWIFT and CHIPS. The messages would come in, the bank would work on them and then settle them through the CHIPS system.

They decided they were going to build their own system. It became almost impossible. It got behind schedule, and they asked me to come in because I had some international background, I had some systems background, and I knew some money transfer issues.

They figured it would cut down on integration matters if I were the integrator. We built the first real-time online system at the time. It was a SWIFT to CHIPS interface.

JS: I saw an article that was written back in the nineties that suggested that you scheduled your wedding date so as not to interfere with its rollout.

JC: (Laughter.) I did. SWIFT and CHIPS were supposed to go live in September, and my husband and I were trying to figure out when we were going to get married. He was working on the mayoral campaign for Ed Koch, so he didn't want to get married in the fall because of the Koch campaign, and I didn't want to get married as it would interfere with what was going on in the early spring and summer. We argued back and forth and finally came up with an August date because it fit in with both of our schedules. (Laughter.)

JS: This is taking a step back just a couple years for just a moment. Were you working on CHIPS during the Bankhaus Herstatt crisis?

JC: No, that was in 1974.

JS: That was before you got involved with that.

JC: That was before I got involved, but Herstatt had a very strong impact on CHIPS and work that was done at the Clearing House and work that was done with payment systems at the time.

JS: Would you say that was one of the drivers behind the creation of the new SWIFT system?

JC: I think what was really behind the integration of the SWIFT system was trying to reduce costs and gain efficiency. You cannot imagine the amount of paper that was in the back rooms of money transfer organizations. Sometimes it would get so high that they would try to sort it and only handle $5 million and up money transfers. Now this was back in the seventies. A very different time.

Herstatt was there. People were beginning to realize that there was a lot of risk in money transfer, and that it was not just a means of moving money – there was risk inherent in it. People might not get paid on the other side. There was a global environment. We were working in different time zones, had different legal structures and different regulatory structures. I think Herstatt probably set the stage for a lot of things that came, and most certainly gave impetus to speeding up what was going on with SWIFT and how payment systems and all sorts of global processing has been managed since then.

JS: Around this time, something similar was happening in securities – what they call the Back Office or Paperwork Crisis. Were people at this time aware of the parallels between these different fields?

JC: I think not. Don't forget, back then, there was Glass Steagall in place. You had the separation between securities and banking. There was a paper crisis all over the place, but I don't think there was too much integration between it – though I do remember when I was at my interview for Bankers Trust, they were talking about there might be a 10 million share day on the New York Stock Exchange, and how are they ever going to handle something like that. I think we were pretty much siloed in terms of what was going on at the time. DTC was formed out of the paper crisis, and you had the bankers and the securities industry work together on the DTC side of things.

JS: In 1978, you went to business school. Did you leave Chase for a little while, or did you stay with the company?

JC: I stayed with the company. I was in an executive degree program, and I was trying to balance being newly married, going to school, working full-time and traveling in the Middle East. It was quite a juggling act. I look back at some of the courses I had. I wrote a paper on corporate governance. Now remember, this was '78 to '80. Corporate governance. What was that about? People asked me, "Corporate governance? In what course could you possibly have done anything on corporate governance?" I said, "Ethics." "You took an ethics course in the late seventies?" (Laughter.)

JS: Then in 1981, you changed departments within Chase, and you went to the trust department. Right?

JC: Yes. But before we get to that, one of the things we were talking about was globalization and how things were moving. I was in international institutional work. I did a lot of work in Europe, in Asia. We were setting up money transfer regional offices all over the world so that we could be working locally in the local time zone, in the local language, and be able to deal with things when New York might be closed. I was travelling a lot. David Rockefeller had sent out a memo saying that the Rafidain Bank in Iraq was looking for some help in automating their systems.

Not having been in the Army, I never knew you shouldn't volunteer, and I wrote back a response. The next thing I knew, I was in Iraq working with the Rafidain Bank trying to automate some of their DDA systems. At the time, our check systems were not online – they were not real time at all. What you'd do is you'd get a printout, and the next morning the teller would have a long sheet and you'd come in to cash a check, and they'd look to see if you had enough money in your checking account.

When I explained this to those in Baghdad, they didn't really want to automate because they had their own little NCR cards that they could put in, and they updated them real time with a card that they put into a machine. It was a fascinating time. I was there for about three weeks, and dealt with the central bank.

JS: What year was it?

JC: I guess it was ’78 or ’79.

JS: Right before the war broke out then.

JC: Yes. Saddam Hussein and the Ba’ath Party had started coming into power at the time. It was an interesting time to be there as a woman, as an American and in a different part of the world than was normally travelled.

JS: You travelled in the Middle East and in Europe?

JC: And in Asia. So I was in Hong Kong and Singapore, Bahrain – I couldn’t get into Saudi Arabia because I was considered chattel – I was an unescorted woman – and Kuwait.

JS: That must’ve kept you quite busy at the time.

JC: A lot of travel.

JS: Is that what was behind the move to the trust department?

JC: Yes. The opportunity came up. I had been traveling an incredible amount. Things were changing. You had 401(k) accounts being set up, and the trust department was domestic. The area that I got to run was the West Coast.

Interesting story. We had landed on I guess it was a Thursday or Friday, and we were driving to the hotel. I was with a colleague and I looked up and there was a movie playing, and I said, "Great, there's an English language movie." He looked at me, and then I realized the number of times that I'd been in Germany, in Frankfurt over a weekend – finding something that was in the English language is really key.

JS: After spending less than a year there in the trust department, you went back to Bankers Trust.

JC: Yes.

JS: How did that move happen?

JC: Bankers Trust recruited me. They were automating a lot of systems. One of the systems that they were in the process of automating was a loan system. Up until then, loan systems basically dealt with interest rates. Now they were designing a system that had to be able to handle fees, and not just interest calculations. It was doing complete international loans, their domestic loans, their offshore loans.

There had been a problem in the reconcilement of the system, and some of the clerks were told, "Once you work on the system, you don't have to reconcile anything – it's done automatically." They never checked the balances, and the accounts were off by billions of dollars in a gross amount, and they needed someone to come in and get this straightened out. It was quite serious because they weren't certain whether the auditors would sign off, because it was a material change. I went over there. It was a big challenge, but we did straighten out the system.

JS: You had people going back and looking through all the paperwork?

JC: Going back, going through all the paperwork trying to track it. I worked very closely with the internal and the external auditors, as well as the systems people and the operations staff, as well as running a department at the time.

JS: How long did you spend there at Bankers Trust?

JC: I was at Bankers Trust for about two years. Then I got a call from two people who were on the board of First Women's Bank. They said, "We'd really like to take you to lunch and have a conversation about the First Women's Bank and how it's doing and if you have any suggestions. You're in banking. Could you come on over?" I said, "Fine." We had lunch, and they started talking about some of the problems they had. Their operating procedures were weak, at best. They were not doing well with money. They needed to raise more capital.

I sat, and we talked, and I was giving them suggestions, just sort of free form. And I recall, just as the waiter was bringing the bill, one of them turned to me and said, "Would you like to become our president and CEO?" Number one, I hadn't realized that it was an interview. Number two, I hadn't even thought about it. It's a good thing the waiter had disrupted things with the bill so I had a chance to think through.

I thought about it. This was an opportunity to not only run a company, but First Women's Bank was a public company at the time. It had been formed, I guess, in 1975. It was actually an outgrowth of the feminist movement. Prior to 1974, when the Federal Equal Credit Opportunity Act was passed, women could not have their own credit. My sister made more money than her husband. They both went to apply for a loan in probably '73, and her income was discounted because she would, naturally, become pregnant and stay at home. This was legal.

It was the first bank in the country that was run by women for women, and it was trying to cater to the needs of women, as depositors, borrowers and business people.

JS: It had a special legal status as a minority bank, right?

JC: It was a minority bank, which meant that 50 percent of the board and 50 percent of the staff – and I'm not certain if it had to be the lending too – had to be to minorities.

JS: Did they give it any advantages in terms of its business model, tax advantages or anything?

JC: It probably gave it some disadvantages. There were no tax advantages. But Treasury would sometimes leave deposits at the bank. I said it was a disadvantage, because the bank was so caught up in its minority mission status that it was not functioning as a real financial institution. I used to say the best way that you can make a mark is to be the most successful small bank – and P.S., it's run by women. That would really put us in the forefront.

A lot of work had to be done at the time. New operating procedures. New capital to be raised. The income was around zero. I think I got it up to $299,000. I remember that number because 300,000 would've been so wonderful. But it was such a small bank. I had come from a large bank. It was about my second week there, and I called the CFO and I said, "We've got a $250,000 overdraft." She said, "What?" She came running in. Well, it was a $250 overdraft, which they actually sent to the president of the bank. I was so used to the zeros being omitted, I had just added them on.

It was a bank that had its issues. Eventually, while I was the banking superintendent, I closed the bank. I actually recused myself. It didn't have enough capital. It was competing in a New York market. Its original sense of purpose probably didn't matter anymore. Other banks were catering to women and unique market segments. I do remember in 1985 running the annual meeting, and I was pregnant. It was probably the first case of a pregnant CEO running a public company, if you look back in the archives (laughter).

JS: That's pretty impressive. And while you were pregnant, you actually switched jobs.

JC: I did. I was working at the bank, and I got a call from the banking superintendent. We were regulated by New York state. He was moving to another job, and asked if I could see him. When the banking superintendent asks, you don't say, "No, I don't want to see you." I went down and we had a conversation. He said that he would be moving on, that they were looking for a banking superintendent. Would I be interested? I knew my contract would be up in another six months or so. I thought I had gotten the bank on fairly good footing in terms of getting systems in, some procedures in, and having a steady income. I said, "Well, let's talk about it." The next thing I knew – it was a Saturday – I went down to the World Trade Center and walked into a room, and there were about twelve people sitting around the table.

What was even more bizarre was my husband had driven me down, and they had him sit in the room. Try having an interview with your spouse sitting there. Fortunately, he was not in my line of sight. There was some of the political staff from the governor's office, there was his appointment secretary, and there was the banking superintendent. They talked and talked. I went away for the weekend, and came back. A few days later, they asked if I would come up to Albany and meet with the governor.

JS: Who was governor at that time?

JC: Governor Mario Cuomo. At the time, somehow it never dawned on me that I was *the* candidate. I just thought, "Oh, well, go up and meet the governor, why not? That's great." Don't ask me where my head was. I wasn't thinking that the governor wasn't going to meet the top ten contenders for the job. As I was sitting there waiting to go in to see him, I can remember somebody saying, "Who's that?" They said, "That's *the* candidate for the superintendent's slot." That, I think, was the first time I'd ever focused on it. I had no idea of what the salary was, what the real job was, what was going on in the department.

I went in and met with the governor. We had a very good conversation. At the end, he said to me, "Well, you know, you need to make full disclosure." I didn't know that he was talking about financial disclosure. And I said, "Well, if I need to make full disclosure, I'm a Republican." He was a Democrat. "I'm a banker." They'd never had a banker running the banking department; they were afraid of conflicts. "And I'm pregnant." (Laughter.)

JS: Did he know you were pregnant at the time?

JC: No. He said, "I don't want to hear any more." Then he said to me, "Shhhh, be quiet." He picked up the phone, and he called his appointment secretary, and he said, "I just finished speaking to Jill Considine. Did any of you offer her a job?" They all thought, "Uh-oh, he's not happy with her." He said, "No. Nobody offered her a job. No, we just told her to come up." He says, "Well, I'm glad no one made the offer because I want to."

He hung up, and then he offered me the job. Of course, I had to be confirmed by the Senate, and there was a fairly long process. So my unknown pregnancy became more and more known, and I was sworn in when I was about seven months pregnant.

JS: There's a story about you having an assistant bringing documents to the delivery room for you to sign.

JC: Yes. The banking department was started in 1851, and some of the rules were quite arcane. The law had never contemplated computers, let alone faxes or telephones for that matter. The superintendent, if in New York state, needed to sign all the documents. I had given birth. The next day in the hospital, I was signing off on various regulations. (Laughter.)

JS: Did you come into office with any particular priorities?

JC: This was the time of deregulation and international expansion, and as I was being sworn in, you had the S&L crisis in Maryland and in Ohio. There were falling real estate values. We have heard that before. The Tax Reform Act of 1986 had created some havoc. The savings banks had a mismatched book. They were lending long, borrowing short. Interest rates were going up. They had fixed loans. Reg. Q, which had set the standard in terms of what interest rates could be charged, was disappearing.

As a matter of fact, there was a wonderful rule at the time. It was called the 3-6-3 Rule to be a successful banker. You take in deposits at 3 percent, lend them out at 6 percent and be on the golf course by 3 p.m. (Laughter.) That whole world was totally changing.

You had the S&L crisis. The savings banks and the savings and loans were under Garn-St. Germain, and were given new capabilities, new powers that they could use. They did not know how to use them. They were mutuals, so they had no way of getting in new capital. It was a very difficult time.

JS: Was that something that was on your radar from the moment you took office?

JC: No. (Laughter). There was the S&L crisis, but it was the S&L crisis in Maryland and Ohio. Who thought it would ever hit where we were? We had several iconic savings banks fail. I think the first one I had to close was in the fall of 1985. It was the Bowery Savings Bank. The Bowery Savings Bank had been around for probably 150, 160 years. It was just a very sad time.

As a matter of fact, Cipriani on 42nd Street is the old Bowery Bank. Whenever I go to a reception or a dinner there, there are still the teller cages around, and it brings a very sad feeling because it was a very difficult time in banking.

JS: Was there any thought given to rescuing some of these banks at the time?

JC: There were rescues, yes. They were merged with other banks. Then the other banks would take on a bank that had problems and would create a larger bank failure. The FDIC was the insurer of the savings banks. They would be the ones that would work out any of the failing banks. Bill Seidman was the head of the FDIC at the time. I remember I used to say – I guess enough time has passed that it's all right – I used to say, "OK, let's prepare the Dear Bill letter." They would say, "What's that?" We would then hand over the bank, and they would close it down. It would be, "Dear Bill, please kill, Love, Jill." (Some dark humor laughter.) It was very sad to sign; some of those because the institutions had been around for a very long time.

We passed a law that allowed mutual institutions to demutualize and go out into the capital markets.

The other thing that was an advantage is the banking department was very large and we regulated savings banks, savings and loans, commercial banks, international banks, credit unions. I did a shakeup in the department and put those who had formerly run the commercial banks into the savings and savings and loans, because they were getting the powers that the commercial banks had. You didn't want to have a regulator who didn't know what was going on. We moved a lot of the examiners around, which I think helped a lot in terms of trying to stem the flow.

JS: You had this financial crisis going on in the savings and loans. You were also starting these initiatives to deregulate certain aspects of the banking industry.

JC: Correct.

JS: For you, was the financial crisis an argument for deregulation?

JC: Yes, I think so. One of the problems was – let's talk about Glass Steagall in particular, because that has been talked about on and on. You had foreign competition. There was general deregulation going on in the financial markets anyhow. Diversification was an issue. Glass Steagall had been passed in 1933. I think part of it was Reg. Q. I think they also established the FDIC. So Glass Steagall was known, but there was an awful lot of things that happened under it.

JS: Glass Steagall was the federal law. Then there was something similar in the State of New York.

JC: In New York, there was a similar law, which was called mini-Glass Steagall. Bankers Trust and J.P. Morgan were two banks. J.P. Morgan was very much towards the investment side, and Bankers Trust had gotten rid of its retail banking. The two banks came and said, "We're afraid that if Glass Steagall is taken away, we'll be hampered by New York's bank law. Can you do a ruling on that?" We looked, and it all hinged on the term "principally engaged." What does principally engaged mean? I thought about it.

If you're not doing anything, you're not principally engaged. If you're more than 50 percent, you are principally engaged. We wrote the ruling that if it were less than 50 percent, you would not be principally engaged. We did not want the banks to get into this wholesale. First we said 10 percent of revenue, and it could go up to 25 percent of revenue. That was the first hammer against the Glass Steagall wall. That then became the model for what the Fed eventually did. I think that was in 1988.

JS: Glass Steagall was repealed, essentially, eleven years later.

JC: Yes. It allowed baby steps for the banks. I have to say, the securities industry was not happy at all because there was a means for the banks to get into the investment side of business.

JS: The insurance industry was a little upset about some things too, like annuities?

JC: Yes.

JS: What happened there?

JC: The banking law authorized banks to engage in business that was incidental to banking. We thought that fixed and variable annuities were incidental to banking. It made a lot of sense to allow the banks to offer these products. That wound up in many lawsuits with the insurance agents.

JS: It went all the way to the Supreme Court.

JC: It went all the way to the Supreme Court, and it was upheld. At the time, you didn't have interstate banking. The state banks had an incredible amount of authority. We were the primary regulators for international banks. As a matter of fact, I was known as the second largest regulator of Japanese banks after the Bank of Japan. A lot of the rulings that we made actually set the standard for what would happen on a national level. It was considered to be a laboratory of innovation that could be tried out in the local markets to see how it went.

At the time, not only was there no interstate banking, there was no intra-state banking. You couldn't have a branch in a contiguous county. This was to protect the smaller local banks from the large money center banks.

JS: Let's go back to annuities for a second. Was that something that you came up with at the Banking Department, or did the banks come and ask you all to allow them to sell annuities?

JC: There was a lot of conversation going on at the time – can banks get into insurance, can banks get into annuities? There would be always conversations with the bankers, the savings and loans, and the savings banks – with all the different associations – in terms of what was going on. We'd look at things and ask what makes sense, what is safe and sound, and move from there.

Speaking of safe and sound, I think another issue in terms of deregulation that occurred was the Bank of New York-Irving situation. Prior to that, you had never had a hostile takeover of a large bank. I think maybe there might have been some small ones. The Bank of New York made a hostile bid for Irving. Irving thought that they would be protected by the courts and the regulators and so on. As it turned out, we were called to opine on this.

I remember getting over 2,000 letters, mostly from Irving employees. I was called by our senators from New York, by the governor, and by lots of different people because they were being pressured. My view was, if it's safe and sound – and we will opine on that – then it's up for the shareholders to decide. It is not for a banking department to prevent commerce.

I think that was probably startling at the time, at least to Irving. I think they thought we were going to protect them. It went before the banking board, which I chaired, and it was a very difficult vote because we needed to have a quorum – well, a set number of votes. It might have been twelve – I can't remember. Some of the seats were not filled. They were not excluded from the vote at the time.

JS: People they didn't show because they didn't want to vote on it?

JC: No, the seats were not filled. They have to be appointed and approved, so they were open seats. There was a clearing bank member who had to recuse himself, because how could he vote for one clearing bank versus the other clearing bank? There was a savings and loan or savings bank that had an investment from Irving. He had to recuse himself. We went through this.

When it came time for the vote, we had had a private conversation, and then we were going to have the public meeting. I wasn't certain if we had the votes. I remember saying to the people on the banking board, I said, "You know, you'd better be prepared to explain to the press why you defeated this. We have put in a couple of thousand hours looking at the safety and soundness. What it is that you feel you know better as to why it shouldn't go to a shareholder vote?"

Some of the members were actually union members, and some of them represented political groups. It was a very difficult time, but we did allow the takeover to happen. During that time, there was incredible deregulation that was going on, interstate banking occurred, and the S&L crisis. FDICIA got passed at the tail end of it. We ruled on Glass Steagall, and on annuities being banking products.

I had a very close relationship with the Japanese banks, because there were tons of Japanese banks in the U.S. at the time. I became a fellow of the Japan Society, and spent I guess about three months in Japan working with the Ministry of Finance and the Bank of Japan, running my office from Japan (laughter) and finding out more about the Japanese banks.

JS: This was at a time when some people were very concerned about the Japanese taking over.

JC: They were very concerned.

JS: Not the global economy, but surpassing the United States –

JC: Yes. As a matter of fact, I'm trying to remember. I think IBJ bought Schroder. Schroder was a primary dealer in U.S. securities. I had to approve that transaction.

JS: Was there much pushback against that because people were worried about foreign banks?

JC: Oh, my gosh. Pushback. I had the Fed calling me, Corrigan screaming at me, Schumer screaming at me. Everybody was yelling at me because they did not want a foreign institution being a primary dealer in U.S. securities. People weren't getting that the world was changing – it was globalizing, and there was competition out there. We had to make certain that things were safe and sound. But if we didn't move, the U.S. could have been marginalized.

JS: At this time, there are a lot of interesting things happening with credit cards, too.

JC: Yes. As a matter of fact, a lot of the states had usury laws and ceilings set on how much a credit card could offer. There was some talk about repealing that in New York State. The feeling up in Albany was, "Well, why do we need to repeal anything? The banks are here. They are brick and mortar. They can't move anywhere." Then Citibank moved to South Dakota, which had no usury laws, and issued their credit cards from there. It became a competitive issue. It became a jobs issue. You had deregulation coming on one side. On the other side, I needed to protect the consumer.

We did a series of public service announcements where I would get up and talk about credit cards, about there being variable rates, and that you should shop around. I used to come on just before the 10:00 news every night. I was on TV, and I was known as the Shop-Around Girl. Sometimes I'd be shopping, and someone would say, "Oh, there's the Shop-Around Girl."

I was actually the New York State banking superintendent, but part of our job was not just trying to manage deregulation safety and soundness, but also dealing with the consumers. We established a consumer hotline and tried to educate the consumers as much as possible, as well as started financial education in the high schools.

JS: Did your daughter see you on TV as the shop-around girl?

JC: She probably did, but she was so little at the time that it probably didn't make any difference to her. I should see if I can find one of those old tapes (laughter).

JS: In 1991, after five years as the chief banking regulator in the state of New York, you decided to leave.

JC: Right. It was time. It's an appointed position. Things had gone well. I think we were in a steady state environment.

I was concerned about going to any bank that I had regulated.

JS: Was there a law that would have prohibited that?

JC: There would have been a law if I had been a lawyer, but not as a non-lawyer. I just thought, I could never go to Bank of New York. I could never go to J.P. Morgan.

JS: You would have seen that as a conflict of interest.

JC: I would have seen that as a conflict. Although Bankers Trust was interested in hiring me back, and that was sort of my home base, I just felt it just wouldn't look right.

JS: You ended up at American Express Bank.

JC: American Express Bank. American Express Bank was chartered in Connecticut, I think, in 1919. It could only do banking outside of the United States. It was sort of an odd duck. It provided services to financial institutions, high net-worth individuals and affluent customers all over the world. It was in seventy-two locations in I think forty-five different countries, so it had quite a presence, particularly in Asia and in the subcontinent. I did a lot of traveling at the time.

JS: What was your position there?

JC: I was the chief administrative officer of the bank. I also sat on the board of American Express Bank International. Two interesting stories. First, we actually handled the bank accounts for the Vatican in Rome. We went to Rome to meet with some cardinals, who were the financial experts there. When we were finished with our financial meetings, we were given a tour of the Sistine Chapel. It was just two of us and the head of the Swiss Guard.

Now if you've ever been to the Sistine Chapel, you get through in about thirty-seven seconds and there are 3,000 people standing behind you. We were in there for two hours, and pointing out who this one was, and which of Borgias that one was. It was fascinating. I thought, this has got to be the high point of my trip to the Vatican. We walked outside and were standing on the plaza there. Someone said something and I laughed. One of the guards came running over and said to me, "Shhhh. Papa dorme," and he pointed up. It meant the pope is sleeping, and I was standing under his window. I think that probably was my high point at the Vatican – I was so close that my laugh could have awakened the pope (laughter).

Then the other one. Eastern Europe was going through incredible changes. Czechoslovakia was splitting into the Czech Republic and Slovakia, and you had tremendous changes. There was freedom all over. New banking systems were coming about. They had been socialized, and they were now trying to establish stock exchanges and open up private banks. We went to meet with the head of the central bank in the Czech Republic in Prague. I was told for two weeks before we get there, “Remember, this is the Czech Republic located in Central Europe. They will be very insulted if you say Czechoslovakia or Eastern Europe.”

I practiced this because I was so afraid that I would insult someone. We got there and I said, “Thank you so much for inviting us here. We’re here to see if there’s anything we can do to help you with banking services,” and the head of the central bank – his name was Josef Tosovsky and I still see him and he and I chuckle over this. I said, “Thank you very much.” He said, “Well, we here in Czechoslovakia in Eastern Europe,” and I burst out laughing. Everyone turned to look at me and I said, “I have to tell you that I have been practicing for weeks now to say ‘The Czech Republic in Central Europe.’” He said, “Yes, but after all these years, I still think about it as Czechoslovakia in Eastern Europe.”

JS: Around this time, there was also a very interesting op-ed published in the *New York Times* by yourself in which you suggested making New York an autonomous city state, like Hong Kong or Singapore.

JS: Yes. (Laughter.) I had forgotten about that, yes.

JS: Was this just an idea that had come to you, and you thought it was worth writing a piece about?

JC: Yes. I had totally forgotten about that. I'm going to have to ask you to send me that article. New York is pretty much a city-state like Hong Kong or Shanghai. It seemed to be the appropriate thing to do at the time. Another idea I had – I spoke to some people in Washington when we still had the issue of Glass Steagall. My idea was to have banks set up on Indian reservations, because they weren't under federal law for Glass Steagall (laughter). I spoke to someone who was on the Fed who had once been at the department of the interior. We played with that idea for a while.

JS: You stayed at American Express less than two years. Then you moved on to the New York Clearing House Association. How did you end up in that position?

JC: A head hunter called me. It was a sort of – I don't want to say a coming home. The New York Clearing House is such an icon in New York. It had been founded in 1853. It was the oldest payments company in the United States. The members were the clearing banks in New York. It was established before you had the Fed and before you had the FDIC. It was actually established so that if one bank had a problem, it couldn't spill over to all the other banks. Prior to the Fed, it would go in and it would audit the member banks. If a member bank had a shortfall, they could make loans so that there would not be a lack of money for the depositors to take. It did check clearing and set up all sorts of banking services. Then, of course, when the Fed came, it no longer had to take care of some of these issues. But it was there during several financial panics. There are paintings of, I think, the 1907 panic. J.P. Morgan was a person who was very involved in working some of that out. It was a fascinating organization. It had a building stone that had been moved from its original building, and I used to call it the "begat stone" because there was the Chemical and the Corn Exchange, and the Chase and the Manhattan and the Morgan and the Guaranty. I used to say, "And they begat J.P. Morgan Chase." You could just see all of the banks in New York that had merged in that stone from about 1897.

At the time I was there, the New York Clearing House was running cash payment and clearance systems. One was called CHIPS, which did about $2 trillion a day. These were large value payments that were the result of banking transactions and a lot of foreign exchange. They came through the Clearing House. There was also an association that was made up of the chairmen of the clearing banks. So once a month, the Chairman of Chase, J.P. Morgan, Bank of New York, and Chemical and Manufacturers Hanover would all meet in the Clearing House.

JS: This was kind of an informal place where they could talk about problems.

JC: Talk about issues that were germane to banking, that were of common interest. We would file amicus briefs. We would write comment letters. It was a wonderful place. If you looked at it, the walls were all mahogany and hung with the pictures of those who had led the Clearing House before.

JS: Just to take a step back, while you were a banking regulator, did you have much contact with the Clearing House Association?

JC: Yes, a lot. A lot of times, they would come in talking about various banking issues, interstate banking, so I knew of the Clearing House from my days as the banking regulator.

JS: Did you actually regulate the Clearing House association?

JC: No. I also knew of it when I was at Chase. I did the SWIFT to CHIPS interface. So I had a relationship there. It was sort of, "Oh, it's all coming back home again." It was quite interesting to me.

JS: Was there an interview process for the job, or did they just offer it to you?

JC: There was an interview process. I had to meet with some of the chairmen of the various clearing banks. I was probably at an advantage over my competitors in that I had regulated some of those chairmen, so I was not as overwhelmed by their presence. But I must say, when you got twelve of the chairmen and CEOs of the major clearing banks gathered together in a room, the amount of brain power and knowledge about banking that was available was just quite extraordinary.

By the time I got there, David Rockefeller and John McGillicuddy had already retired. But I used to meet with Rockefeller and McGillicuddy because they would talk about their days at the Clearing House and the things that went on and the discussions that happened.

JS: While you were there, the organization underwent a number of structural changes. Did you go into your job with a plan to change the organization?

JC: No, but I get in there, and I see things, and I want to make them right. Once again, we were now doing interstate banking. There were a lot of changes that were going on. It was the New York Clearing House. But the world was no longer New York. You had international banks – I guess Marine Midland had been bought by HSBC, and Deutsche Bank bought Bankers Trust. Suddenly, you didn't have the New York banks sitting at the table. It became an issue of how do we move forward? Do we expand ourselves domestically and let in a Bank of America, or do we look internationally because there are an awful lot of international users on the CHIPS side?

There were issues in terms of who used what services, and where the risk was. Although the association, CHIPS, the ACH and CHECCS had all been one organization, we talked about it a lot and decided to spin off into three separate companies. One would be CHIPS, one would be CHECCS – now it's called SVPCO, and it does image exchange of the checks, and the other one was the Electronic Payments Network, which did ACH.

The reason for the spinoffs was that you isolated the risk, and you also allowed people to join the various associations based on what products they were using. Then the members at the Clearing House Association started having more and more of the foreign bankers sitting at the table.

One of the suggestions I made was to make the Clearing House Association a global association, or allow the Goldman Sachses and the Morgan Stanleys and the Merrills to become part of it and talk about New York and what we wanted to do as a financial center. There were all sorts of opportunities there.

JS: There were different ideas being thrown around. Was there any push back to this idea of spinning off the companies and looking abroad more?

JC: Yes (laughter). There was always pushback. Some of the banks really liked the idea of bringing in a Goldman Sachs and a Morgan Stanley because Deutsche Bank and Bankers Trust and J.P. Morgan at the time would have been people that they would have liked to associate with. The Citibanks at the time would really like to discuss more of the retail banking sides of things. Which way we were going to go was a lot of argument back and forth. Also, there was the argument that we've been around since 1853 – are we going to be changing how we do things? But it made a lot of sense. Each of the organizations was able to grow. I think probably we cleared and settled $2 trillion a day, and had a lot of paper coming through CHECCS and ACH, but the dollar volume was coming through CHIPS, and we wanted to have that really isolated.

JS: Did you have to negotiate these plans with regulators at all? Were they interested in it, or did you feel like you had a free hand?

JC: We weren't a regulated entity. However, since we did final settlement through the Federal Reserve Bank of New York, we talked a lot with the Federal Reserve in terms of how things were going.

There was also a big concern about what was going on in large value payment systems, as they were called, and what risks would be brought to the system if a bank would fail or if a country would fail. We ran lots of models to find out could we cover if any individual bank failed. We could cover any individual bank failure, we could cover a lot of country failures, and we could cover multiple country failures, but we could not cover if the United States failed, if the U.K. failed, if Switzerland failed, and I think if Germany failed. Then we started working on what to do, and came up with all sorts of schemes that had to do with prepayment and making the system absolutely secure and robust.

JS: A lot of your work dealt with the systems side and the technical side, making sure that everything –

JC: Systems, technical side, but on the other hand, dealing with what the issues were in banking. Once again, it was my SWIFT and CHIPS technical background coming together, but there was also the New York State Banking Department experience with issues and deregulation, filing amicus briefs, thought leadership.

The Clearing House functioned with a series of committees. Some of the committees would deal with money transfers. Some of them would deal with deregulation. Some of them would deal with Federal Reserve issues, and we would write papers and have groups come together and discuss the best way to have these things taken care of.

JS While you were working at the Clearing House, you were also serving on the board of directors of the Depository Trust Company.

JC Correct. Since its founding, DTC had a seat for the Clearing House, and I was serving as the Clearing House director. I attended the board meetings from 1991 when I first went over to the Clearing House. So I was quite familiar with DTC and the different issues that they were facing at the time.

In 1998, Bill Jaenike was retiring and we were going to be looking for a successor. I went on the search committee. (Laughter.)

JS: How convenient.

JC: As co-chair. Actually, I thought my co-chair would make a wonderful head of DTC. I spoke to him about it, and he was very interested. I won't mention the company he was with, but they would not let him go because of Y2K, and he would have left too much in options, etcetera, on the table. Because he was going to be a potential candidate, I gave most of the presentations to the board on the search and how it was going. Ed Goldberg was on the committee – he was the head of operations at Merrill Lynch – John Thain from Goldman Sachs, and maybe Steve Elliott from Mellon? We had quite a crew.

We did the interviews over at the New York Clearing House so that you would not see candidates walking in and out of DTC. We had interviewed probably twenty candidates in person. At one point, I said, "I just don't get it. They don't seem to understand what's happening out there, they don't understand globalization, they don't understand how critical technology is, and the competition that's really out there," and I just went into a little bit of a tirade.

I can't remember who it was that turned and said, "Well, why don't you interview for the position?" I thought they were being sarcastic. I said, "OK. I'm sorry. I shouldn't have said that, but I'm a little frustrated in terms of what we're finding." They said, "No. We really mean it." I said, "Oh. Let me think about that." I went home and I thought about it for the weekend, and I came back and I said, "OK. But I'm going to have to recuse myself from anything now." When the interview came, I actually switched seats and moved to the interview seat, and I was hired. (Laughter).

Now at the time, what was going on, everybody was exorcised about Y2K. We thought that might be the end of the world as we knew it.

JS: People were taking it very seriously.

JC: Taking it incredibly seriously. Hiring programmers, rewriting systems, making certain that we had the right dates in place, and testing, testing, testing.

JS: It was a real threat?

JC: Yes, it was a real threat. A big concern. If you were a retail store and someone went and bought a shirt and it came out with the wrong date on the receipt, well – but if we could not get our infrastructure to function, we would have a real problem. I had completed the Y2K work at CHIPS, so I was quite familiar with what was going on. A lot of it was underway at DTC, and we were at the point that we were testing with our members. Another issue that was there was how we could integrate DTC and NSCC. You had the depository and the clearing corporation.

JS: That was already under discussion.

JC: It was under discussion mainly because a lot of the senior people in the industry were frustrated that you had two organizations that had duplicative human resources, financial matters, etc.

JS: Tell me a little bit about the relationship between the two. You guys were next door neighbors.

JC: We were next door neighbors.

JS: Competitors?

JC: Think about the things at the time. We still had Glass Steagall in place. The DTC was more on the bank side. Custodian banks. There were broker-dealers, but it was more on a banking side. Whereas when you got to the NSCC, it was broker dealers. They had very different corporate cultures. No one wanted to give up their prevalence. The board members did not want to be subsumed. You had a board member from Goldman on one, a board member from Goldman on the other – who was going to be the board member. Plus they were very concerned with Y2K coming.

The last thing they wanted to do was disrupt the infrastructure. This had been talked about for a really long time. Neither one of the organizations had actually made much headway in trying to be global. Each one would start something and it would sort of fall apart.

JS: There had been a few efforts?

JC: There had been efforts, and they'd all sputtered and failed. It's just natural competition, and nobody likes a merger.

JS: All right. So is it fair to say that pressure from the participants is what finely led to the merger, or –

JC: I think the pressure from the participants. They'd been talking about it for a long time. I came on board and I was a new kid on the block. You were going to be having both of the sitting CEOs who were getting near to retirement age, so that would take care of an issue in terms of who is going to be running the combined companies, because of personalities and personnel issues. I was the new kid on the block, so I didn't have any history in terms of animosities that might have existed at the time.

JS: When was the ink signed on the merger? Did it happen before you took over in January 1999 or afterwards?

JC: No, it happened after I came on board. Probably in the spring of '99. Dave Kelly announced his retirement in October of '99. We wanted to get through Y2K, but we started combining finance and human resources and corporate communications.

JS: You came into your position in January 1999. I understand you had a hundred-day plan.

JC: Yes. I had a hundred-day plan. There was a lot of reasons for the hundred-day plan. Part of it was that when you do a merger, people are just hanging out at the water cooler, trying to figure out who has got what political advantage, and no one is really concentrating. Plus, I think both organizations, being a monopoly in their own right, had no clue as to the competition that was out there. Our competition was international. Our competition was the fact that we had a utility mentality. We were slow to market on things. Our competition was that some of our members, board members and shareholders could come up with systems that might have been good for them, it might have been not best for the common good. I used to say to my board, "We have a natural conflict. My goal is to drive inefficiency out of the system. Your goal is to make profit on the inefficiencies in the system."

That is the nature of an organization such as that. We needed to really change our mindset. We held a series of town hall meetings, and I talked about the changes that were going on in the world, the globalization, how technology was moving, that our competition was now on a global basis. I actually spoke to every single employee in the company with town hall meetings. At the time, not every employee had a computer, but we had kiosks.

Think back. I see you raising your eyebrows. Yes, not every employee had a computer, but we had kiosks with email. I said, "Email me any comments, and I will get back to you." I remember one of the staff sent me an email and said, "Ms. Considine, I understand what you've said; we either change or we die." I took that email and I said, "He gets it. Do you?" A lot of my staff didn't. They weren't happy about the merger. They were used to where they were.

I remember them saying to me, "Well, what do you want us to be? Do you want us to be safe and reliable, or do you want us to be innovating?" I said, "I want you to do both." It was a matter of getting people focused. The hundred-day plan was a means of focusing everyone's attention, changing the culture, changing the mindset. It was a call to action. It was being very aggressive. It was drawing a line in the sand. We set out ten objectives, I think there were.

There was strategic vision, global straight through processing – how we were going to handle that. Taking a look at our technology infrastructure to see whether or not our technology would be able to support what our vision was. Looking at other products. Putting our products on a P&L basis. Having a plan for each of the products, where they were going to do – putting us into a cost focus mode, a for-profit mode, even though we functioned at cost.

JS: Were you also talking to regulators at this time, like the SEC or anyone else, about the plans for the merger?

JC: Yes, because we were regulated by the SEC, the Fed and New York State Banking Department.

JS: What were their attitudes towards the merger? Were they behind it 100 percent, or did they have hesitations?

JC: They asked a lot of good questions about it. They did not want to destroy the infrastructure for the American financial system.

JS: Understandable.

JC: On the other hand, they understood that we needed to get on with it and respond to the needs of our customers. Our customers were now moving globally. They were offering more products. There was risk out there that had not been accounted for. There was risk in the system that could not be contained by just one individual banking member. The other thing, we had a sort of buy vs. build mentality – we would always build it. That just did not make sense where you could buy and be to market a lot faster.

JS: Maybe one example of that was DTC's partnership with Thomson Global.

JC: Yes.

JS: Tell me a little bit about how that came about, because this was sort of an innovative idea for DTCC.

JC: At the time we settled T+3, and everyone was talking about T+1. If we were going to speed up settlement, we needed to have much more straight-through processing. We were working on it at DTCC, but it had to be done on a global basis. There was a group called the Global Straight Through Processing Association, which got started and got a lot of funding. I think it was a hundred million euros or something to get this thing going.

JS: So it was a European association.

JC: It was global, but it was a European association. We had came in with a bid thinking that we had some ways of making this work, but I think we were probably too American for them. So the Global Straight Through Processing Association went ahead, but it just never got off the ground. The markets were not so good. When it was ready, people weren't available. They spent all their time on technology without looking at the business, without looking at marketing, and they just never got started.

While we were looking at this, we and Thomson started talking. Thomson and DTCC had competing products out in the marketplace. Actually, I think we used to write nasty letters about one another to the Justice Department (laughter).

JS: I talked to Bill Jaenike about this, and he said that at some point, this changed and DTCC decided to start supporting that.

JC: What happened was people changed. I came onboard as a CEO, and the part of Thomson that dealt with this had a new CEO. P.S., we were both women, and maybe there was not as much testosterone in the room. We started talking about how could we make things better, and we came up with the joint venture.

First, joint ventures usually are not terribly successful. Second, we had an at-cost organization that was not public, doing a joint venture with a public company that had been fighting one another for at least ten years. We said, “This is what we want to do. We want to be able to take the innovation, and the competitiveness of the public sector, and the safety and soundness that DTC brings. We’ve got the customers and we have the global footprint.” Suddenly, we’re alive with 6,000 customers in forty different countries. That’s a business model. Omgeo just celebrated its tenth anniversary, and it’s growing and going strong.

JS: This partnership with private business shows that DTC was willing to look at a lot of different experimental ideas. Was there any thought given to changing the structure of the company to a profit-seeking company? Or did you always want to keep it the way it is in the sense of returning the extra profits?

JC: Always wanted to keep it the way it was because the amount of money that we could save the industry by investing and innovating was much more than they could ever get from stock returns. I know it looks like, "Wow, they're making a billion-three, they're making a billion-four," but after the costs, that money would be returned to the shareholders. There are some things that you have to do that would be difficult for a for-profit company. Business continuity planning – the kind of robustness and capacity planning that we would do. It would not have worked. I know it was very tempting to people. They would look at it. We always would have investment bankers saying, "My gosh, look what you're processing, and look what you could do."

One of the things that we did to bring us more into a competitive realm – and this was very key – was to get the AAA rating from S&P for DTCC subsidiaries. This was crucial in a lot of ways, not the least of which was to say, "We're out there, we can compete, we're respected outside of the wonk world of clearance and settlement."

JS: That was something you wanted to do from an early date?

JC: Yes. It also made our borrowing costs cheaper. But it also was part of saying, "We've changed. We're no longer sort of your sleepy utility. We're out there and now we're AAA rated."

JS: During this period, DTCC was expanding into many different areas, creating many new subsidiaries, and I want to ask you about some of them in a minute. But first, I want to ask you about DTCC's experience and your experience of 9/11.

JC: 9/11. That was such a horrendous event. We could see everything from our windows. We were in a staff meeting at a quarter to nine that morning planning for an Employee Appreciation Day. As a matter of fact, one of our staff members was supposed to have been at the World Trade Center at a conference, and I wouldn't let him go because he had to be there for Employee Appreciation Day. I told him he could go in the afternoon.

One of the staff came in and said, "A plane just flew into the World Trade Center." We were certain that it was a little Cessna and someone had had a heart attack. Then a few minutes later, the plane came right around our building and hit the second tower.

We didn't know what was going on. We were in the midst of everything. There was paper blowing all over downtown Manhattan. We were open, and we were processing, because of T+3. So it was Tuesday – we were clearing Thursday's trades. The markets didn't open that day. We continued to clear and settle, and did, I think $280 billion that day and about 1.8 trillion for the week. We made the decision that we were going to stay open. We dealt with a lot of our institutions, thirteen of which were left homeless. They had been involved in the World Trade Center, and we provided space so that they could do processing.

Some of our staff members – it was really a case of ordinary people doing extraordinary things – drove out to New Jersey with modems that they could give to various bankers. We worked with Cantor Fitzgerald, who had been really wiped out. They processed their transactions for the U.S. from the U.K. with help from our U.K. staff, who understood the U.S. market.

JS: Were you in touch with other people on Wall Street, the New York Stock Exchange, etc.?

JC: We were in touch with the New York Stock Exchange, we were in touch with the White House, we were in touch with the Fed, we were in touch with the New York State Banking Department, we were in touch with the SEC, we were in touch with everyone.

I do remember that since clearance and settlement is not something that is on the front burner, it probably was about a day or two later that the White House finally called. They said, "How are you doing?" I stayed down in DTCC and I slept there for a couple of days. They said, "Well, are you going to be able to open?" I said, "We've never closed. We're open. What we do need, though, is transportation. How are we going to get people down here? Especially on Saturday because we're going to have to deal with some of the paperwork. We have vaults with lots of securities in them."

"We'll send over the National Guard." I said, "That's the last thing I need." They said, "Well, what can we do for you?" I said, "Clean underwear and some bagels would be very nice." (Laughter.) We continued to run. We continued to operate. We went to our backup site and continued to operate from there, so we were never down.

JS: You already did have backup systems in place.

JC: We already had backup systems. As a matter of fact, the problem that we had was that the telephone service within New York didn't work, but we could get out. We would call out to people in New Jersey or Long Island, and ask them to call back into New York to convey messages. I called Brussels and had the people at SWIFT send out messages on the SWIFT network to keep everybody posted in terms of what was going on.

JS: How did 9/11 impact DTCC's security and backup planning over the next few years?

JC: It changed us completely. I looked and realized we had the backup systems, but the backup system was located in Brooklyn. We were just lucky that it was across the water. I looked at some institutions who had their backup system located in the World Trade Center and their primary system in the World Trade Center, and realized that we needed to have geographic separation. We were critical. It's not that we were too big to fail – we were something that could not fail.

Out of that came a business continuity plan, including a remote data center. Not only a backup data center that would be nearby in case we had to spill over, but a remote data center that would be located on a different power grid, thousands of miles away.

JS: So you looked around for a location and found Tampa?

JC: No, we have a secret location where the data center is located. That was put up, and it was quite technologically innovative, because there was a distance – it has to do with the speed of light in terms of how you could transact and backup. We got it down to such a point that if we were to lose both our primary and our backup data center, the third one would still be functioning. They all functioned live. We were always constantly mirroring what was going on. We would only lose, at most, five transactions. So we could lose the whole East Coast. As we were looking at this, we said, "OK, how do we backup on systems? How do we backup on people?" That became very critical, and we started looking for a backup location.

I presented a plan, I think by the next board meeting, to the board in terms of business continuity, what are we going to be doing. The plan for having a third data center that would be very remote, for having people moved out, all of the elements of that were in there. We finally located Tampa. Part of it had to do with the August blackout of 2003, when we realized we couldn't be in the same grid if we were to continue to process. We actually selected Tampa.

We selected Tampa because there was a good available workforce, it was on a different grid, and it was a good cost environment. The headline when we moved down there – and we brought 500 jobs, which was 500 technical, high-paying jobs – was, "Florida girl comes home." (Laughter.) We did that. But the other thing that we did, and I remember talking to the Fed and the Bank of England and a lot of the central banks, is to make certain that not all of our senior officers were in the office at the same time.

JS: It was sort of like the vice president.

JC: Exactly. We had it, and no one could be south of 14th Street. We had another office where someone could work, and we rotated, so that for senior officers, one would always be out. Then we did desktop planning. There's nothing, James, that focuses your attention when you're the night shift supervisor, just sort of being happy, and you say – "You know what? You're the person in charge. What would you do?" We would run scenarios in terms of business continuity planning. As a matter of fact, Treasury pointed to us as a model for how to do it. It focused our attention in terms of business continuity planning.

JS: Do you think the events caused a delay or had any impact on DTCC's larger plans for business development, creating the subsidiaries during this period?

JC: Absolutely. We had just gotten approval for the EuroCCP, which was going to support NASDAQ.

JS: Tell me a little bit about EuroCCP. We want to talk about that some.

JC: OK. EuroCCP was to bring clearance and settlement using the netting model, the robust U.S. model for securities to Europe. NASDAQ had spoken with us about doing it. We got it up in about nine months' period of time, and got FSA – the Financial Services Authority in the U.K. – approval. They said, "When do you need it by?" My husband's birthday was September 15th, and I said, "September 15th." It was approved September 13th, 2001, but the world had changed. We did not proceed with the EuroCCP, we put it on the back burner. Then when Turquoise came about, we took EuroCCP and brought it back up. Now it's functioning and running quite well. But the original didn't take off. After 2001, the markets had changed, things slowed down, people were not willing to make such investments, and we had to put that on the back shelf.

JS: Another big initiative was the creation of FICC, the Fixed Income Clearing Corporation.

JC: Right. When everyone saw how well the merger had worked and that we had not only gotten through the merger, but were able to innovate, get a AAA rating, set up Omgeo, and come up with new products, they said we should be bringing more under this umbrella – number one to have the kind of oversight that was necessary. We brought in the MBSCC and the GSCC –government securities – in individually, then we combined the two of them under one umbrella as the FICC. So then you had DTC, FICC and NSCC, all of which were AAA rated by S&P under the umbrella of DTCC.

JS: You also created a clearing system for derivatives, Deriv/SERV?

JC: Yes. Deriv/SERV. You talk about the paper crisis that was there in the sixties and seventies. Well, we had a paper crisis. This time, it was in derivatives. Instead of having clerks, you had MBAs taking faxes and trying to match derivative transactions.

JS: Lawyers too, right?

JC: Lots of lawyers. I think that the derivatives transactions were not confirmed for about two weeks, and sometimes months. The industry came and said, “We’ve got a problem. How are we going to handle this? How are we going to go about fixing this?” I think the confirmation rate was about 15 percent when they came to us. We said, “Well, you know, we’ve got matching engines here, we’ve got confirmation – let’s see what we can do.” We talked about it, and we started building this. Some of the technology – the hundred day plan, how can we change our architecture? How can we be more responsive? We built something to do credit default swap matching. We had it up in nine months. Well, no one thought we were going to have it ready in nine months, so we were ready, and our clients weren’t that fast (laughter).

JS: Was it based, in part, on existing software with modifications to it?

JC: Yes, with modifications to it. But we had something like 200 programmers working on it. We went full bore at this because we saw this as a real risk in financial services. We did the credit default swaps. Then we did the equity derivatives and then interest rate derivatives. At the same time, we were working with ISDA. Part of automating was not so much the technical part of it – it was how do you get the standards? Everyone wants to standardize so long as it is their standard. We worked with ISDA in terms of getting the fields that could be automated.

JS: ISDA had already done a lot of work in terms of standardizing the derivatives.

JC: Absolutely. But now we needed to standardize it so that it could be automated, if you want. People started really buying into it. Then we came up with the Trade Warehouse, which would hold what we call the golden copy of the contract, and that would be the legally-binding copy. This would be the one that would be considered, and that was kept in the trade warehouse.

JS: Regulators had access to that too?

JC: Yes. Eventually, we had the regulators see that, and that was very helpful during the 2008 financial crisis.

JS: We'll talk about that in just a minute. We might come back to the derivatives stuff. First of all, I'd like to ask you about another regulatory issue – that was Regulation SHO, which had to do with an issue called naked short selling. What was that exactly?

JC: Short selling is a trading strategy where a broker dealer or investor believes that the stock is overvalued, and that it's likely to decline. So what they do is they borrow stock that they don't own, they sell the stock on the open market, and then they buy it back at a later date, hopefully at a lower price. As a result, you make a profit.

Now naked short selling occurs when the seller has made no arrangement to borrow the stock he is selling. It's a trading activity. As far as DTCC is concerned, we have no clue as to whether or not it's a short, and if so, whether it's a naked short. I think lawyers looking at the size of DTCC – we had about 1.3 billion in revenue at the time, and we also process $1.53 trillion a day thought that this was a really good deep pocket to go after.

We had about twelve lawsuits that were filed against us. All of them were dismissed outright in the courts or withdrawn. I think they've all been resolved. We worked with the SEC. The SEC went and filed amicus briefs to say, "This does not make sense. DTCC is not what is accounting for the fails."

There are a number of reasons why fails occur, most of them inadvertent. For example, there are still physical stock certificates outstanding whose loss may not be discovered by an investor until after he has placed a sell order with his broker.

But the SEC was very much in our corner. Reg SHO actually allows for naked short selling, but we report all fails if they're greater than 10,000 shares. We report to the marketplace and report to SEC. We don't do a global announcement because that would give away people's positioning and their strategies. Then it goes on a threshold list. If there's more than, I think, one half of one percent of the outstanding shares of a security, then it gets triggered and you have thirteen days to cure it.

It's been taken care of. It became a very big issue I think because people didn't quite understand the wonkishness of what goes on in clearance and settlement. Plus, I think there were some very opportunistic lawyers who had made a lot of money in the tobacco settlements.

JS: Now did DTC's participants get involved in this issue? Were they very vocal about it, or was it something that was abstract for them?

JC: Other than those firms that were part of some of these lawsuits, I think it was more abstract for them. I think they would have probably been involved if there was going to be any regulation that would prohibit doing a short sale, which is a legitimate trading activity. But they were also aware of why fails occur. Fails occur because people make mistakes. No matter how automated you are, there's always a person involved somewhere, and we still do have a lot of paper certificates around.

JS: You mentioned that DTCC processed $1.5 quadrillion – tough to even get that out – annually in securities transactions. How much is that?

JC: If you just go back to my biochemistry days when I was counting unicellular organisms, we got into the high numbers. We used to walk around with a slide rule and I knew logarithms. I knew that we were doing 900 million billion, and that soon we would cross the line, and it would be on a yearly basis over a quadrillion. Quadrillion is one with fifteen zeros. If you try to figure out what does that mean, if you were to take a mile of beach, dig a foot deep and a hundred feet wide, and then count the grains of sand, that would be a quadrillion. We were doing $1.53 quadrillion worth of transactions a year. We even had an annual report whose title was *What's a Quadrillion?*

JS: That really makes you think. In August 2006, you turned over your duties to Don Donahue.

JC: I was chairman and CEO. I turned over the CEO duties to Don Donahue, and then I became executive chairman. Part of good corporate governance – and this also goes back to writing a paper on corporate governance – has to do with succession planning. I started talking to the board very early on about succession planning, who were the potential candidates, how we could start testing them, what we wanted to do, how we could have a smooth transition, and how you would make it work. I would be there and then I would move onto executive chair, Don would become CEO, and then I would stay on as executive chair, and then I became an advisor. It was a very smooth transition, which is something that you need.

We also had our Hit By The Bus plan (laughter) for everyone around the complex. But that was succession planning, and Don took over. I had been working with Don since 1991 when I first went on the board.

JS: You felt like you were leaving it in good hands.

JC: I knew it was in good hands, and the board was very used to Don. He had been president of the company and they were familiar with him. He was at all our board meetings.

JS: Since you have left DTCC, you have done a number of interesting things. There's just one I want to talk with you about today because we're running out of time. You served as one of the trustees for the American Insurance Group after its troubles. I believe you started up with that in January 2009.

JC: It was late September, early October of 2008. Think about what was going on. Lehman had failed. Merrill was in trouble. There was a loss of confidence in the marketplace. Housing prices were falling. The credit markets were frozen.

When it first began, I had visions of the S&L crisis but this was a heck of a lot worse. In the end of September, October, I got a call from someone at the Fed who asked if I would consider becoming a trustee for AIG. I said, "Oh, I'm doing a lot of other things. I don't know whether I have the time." Then again, I thought, "You know what? If I can contribute, this is such a dark time in financial services." My whole career has been in financial services – I've had the regulatory background, I've had the public service, I've had the private side of things.

Two things: number one was a very selfish, "Boy, do I want to be where the action is." The other one was altruistic. If I can help with the United States markets, I would do it. We had lots of discussions about what the role of the trustee would be, how the trustees would function. In January of 2009, we were formally appointed as trustees.

JS: How did you see your role? Did you see yourself as accountable to the government, or to investors more generally? Or did you see yourself as an independent?

JC: Totally independent. We were there to protect the government and the taxpayers. The Fed had taken a 79.9 percent interest in AIG in exchange for the loan. Now the loan that they made initially was $85 billion. It was collateralized. They were doing this to stabilize AIG.

AIG was in 140 different countries and had tentacles wherever you could name it. They had counterparties all over the world. They had pension funds. They had 76 million customers.

JS: There was a learning phase in this assignment where you had to understand their business.

JC: Understand their business, understand what was going on there, and understand what was going on in the greater environment, because the success or failure of AIG not only had to do with AIG, it had to do with the markets, it had to do with the economy, and it had to do with the way the world was going to move forward. It was probably the most challenging thing that I ever took on.

JS: You were an overseer. Is that correct?

JC: We were the shareholders. This was something that was very difficult for Congress to understand, very difficult for a lot of people to understand. We held the shares on behalf of the U.S. Treasury. It was not the U.S. Treasury Department – it was the U.S. Treasury – in other words, the taxpayers. We were to make certain that we voted the shares at the annual meetings, that there was good governance in place, and that we were able to come up with a plan to dispose of these shares in a value-maximizing manner.

JS: Was your primary contact at the company the board, or did you also deal with the administration?

JC: We dealt with the Fed, we dealt with Treasury, we dealt with the board, we dealt with the company. We met once a week for several hours, and then once a month we would meet for a full day. We met with the external auditors. We met with the internal auditors. We met with the compensation people. We met with the pay czar. We met with Treasury. We met with the Fed. We met with the investment bankers. You name it. We met with the lawyers. There was probably no large financial support institution in terms of audit, investment banker and lawyers that we did not meet with at any given time.

As a matter of fact, it was a little difficult for us at times to find someone who was not already compromised by working for somebody along the way. If you remember back to March of 2009, the just-appointed CEO had to testify before Congress and he was beaten up unmercifully. This was a man who had come in and taken a dollar a year and had volunteered. At that point, we saw that AIG was losing all credibility in the eyes of the public and in the eyes of the Congress, and decided as shareholders we were going to replace the board.

We did a wholesale replacement of the board. Some of the board members were just exhausted and whipped. Others were like deer caught in the headlights. Plus, we needed people who had a skill set, who had been involved in a different kind of market – those who had financial services background, those who had been in workouts, those who had revived failing corporations. We brought on a brand new board. The board hired a new CEO.

We were not the board and we were not management. We were a shareholder. Of course, when you own 79.9 percent, you are a pretty big shareholder. But Congress didn't quite understand why we were not sitting in a sub-basement somewhere approving chits for expenses. That was a difficult time, testifying to Congress and trying to explain our role, the role of the board, and the role of management.

JS: Did the trustees have to intervene much with the business plan, or were you looking at it and asking questions?

JC: We were looking at it and asking questions. We were bringing our collective wisdom – there were three of us – the vast experience that we had and asking the questions. How do you do this? How do you do that? What happens if this fails? What happens if that doesn't go? If you remember, AIA was going to be sold initially to Prudential in the U.K. The laws hadn't changed. They needed a 66 2/3 percentage to make that transaction happen. They couldn't get that. Then they decided to do a public offering in Hong Kong. ALICO was sold to MetLife. There were a million pieces moving. We were trying to get the company into a much more stable mode, selling off parts that should be sold off.

Initially, the plan was to start selling everything. That was a bad plan. As I pointed out to some members of Congress, we own this – you are trashing an asset that you own by saying these terrible things about AIG. You, collectively, are driving down the price of the asset that we own. So cool it, guys. They didn't quite get it.

I still remember talking to one member of Congress who was from Brooklyn, and I said, "You don't trash talk something that you own." I think he got it at that moment. We worked for two years with the auditors, talking about their risk management, their internal controls, and setting up a new board.

JS: One of the big issues that Congress was upset about was bonuses to employees.

JC: Bonuses. That was such a red herring. Granted, everybody was outraged with what they were seeing and so on. However, there were some issues out there, which I don't want to dwell on too much, but some of the bonuses were contractually paid. For Congress to come in and abrogate contracts that were made in a private sector was pretty horrendous.

The other thing was that people were working in the trenches. It was horrible to be working at AIG. There were bus tours, there were hangman's nooses that they had for some of the people there. How are you going to attract and retain the best and the brightest?

We asked the AIG management team to come up with a plan on how they were going to institute pay for performance – that they would benchmark to what was going on, that it would not be short-term risk rewarded, that it would take the longer-term view on things. We asked them to report to us on a quarterly basis.

We had a lot of conversations with the pay czar who was put in at the time. I think the issue that we had was that people wanted to make a political statement. On the other hand, you had people that needed to be compensated. Why work at AIG if you could go to MetLife, make the same thing, and not have your children and your family excoriated? It was a very difficult time. I don't think that Congress, or the public as a whole, realized that with such a mega-institution as AIG, the largest insurance company in the world at the time, a lot of it is not captured in computer. A lot of it is in the minds of people, and you need those people there to bring the company back.

I'm happy to say that on January 14th, 2011 – we were appointed officially on January 16th of 2009 – the Fed was paid back in full with interest, and the trust was dissolved. There was a successful transition, but people didn't understand.

Before TARP was set up, the Fed had made that loan, because it was exigent circumstances, to AIG. There was no regulator. There were fifty state regulators, 140 different country regulators. There was no primary regulator, there was no one to have saved the situation. I think an incredible job was done by the Fed, the Treasury, and I have to say the trust, by coming in, because all of this was before TARP. This was all – how do you be creative in the middle of a crisis.

JS: Jill, looking back over your long career, did you have any final thoughts before we wrap up?

JC: Well, it just seems that I like people. I like to deal with people. I seem to like crises, or at least I'm attracted to them, and I like to make things happen, I like to see change occur. I think we're living in an environment now where we're going to be seeing more and more change coming about.

JS: Hopefully, change for the good.

JC: Hopefully, change for the good. Some of the things that got set into motion many years ago when I first started getting into financial services – technology and globalization – are the forces that are at work now. We just better learn to understand them and be able to harness them and use them for the good.

JS: Jill Considine, I thank you very much for talking to me today.

JC: Thank you, James.

[End of Interview]