JAKE SIEWERT

This is Exchanges at Goldman Sachs where we discuss developments currently shaping markets, industries in the global economy. I'm Jake Siewert, global head of corporate communications here at the firm. Today we'll be talking to Stephen Scherr, CFO of Goldman Sachs. Stephen played a big role in our first ever Investor Day, the first in 150 years, which took place here at our New York headquarters just this week. We're going to be talking about the day, Stephen's time at Goldman Sachs and where the firm goes from here. But, before that, we're here with Jen Roth of our Global Markets division for a quick markets update on the five numbers she's watching right now. Jen, welcome to the program.

JEN ROTH

Thanks so much. Good morning, everyone. As Jake said, my name's Jen Roth. I manage the global currencies and emerging markets sales business in the securities division, and I'm ready to talk about these five numbers.

JAKE SIEWERT

Okay. What's the biggest number you've been looking at?

JEN ROTH

So, in my business, 33 billion is the number that I've been closely watching. That is the number of inflows we've seen into emerging market funds in 2019 and I'm closely watching to see if we're able to replicate that in 2020. Thus far, we've had eight billion of inflow, so clearly a very strong year. But given that you're not going to have the support from core rates that you had last year, we want to see if that can be replicated in this year.

JAKE SIEWERT

Okay. So what's the number that's getting a lot of attention, but doesn't really tell us exactly what we need to know?

JEN ROTH

For the past couple of months, the number everyone's focused on is really the global PMIs. Pretty much, there's a huge focus on growth after last year's monetary policy easing from both the developed market and emerging market central banks. On average, the PMIs have been above 50, which shows we're in expansionary territory, where a number below 50 shows we're in contractionary territory.

But keep in mind, these are more of a gauge of expectations as opposed to hard data and we should be focusing more on expert data and CAIs as opposed to these global PMIs.

JAKE SIEWERT

And CAIs are Current Activity Indicators, right?

JEN ROTH

That's correct.

JAKE SIEWERT

Okay, good. So what's a number that has moved a lot or hasn't moved at all that's caught your eye?

JEN ROTH

For me, one-year euro vol is really what is super surprising to me. We're at all-time lows in euro-dollar volatility vol. We actually hit below five, which, as I said, is all-time lows. And you look at that, and that's the same phenomena across currency pairs. Given all of the uncertainties in market, whether it's the U.S. elections, whether it's the newfound concerns around coronavirus, and the fact that we're at stretch levels across risk assets, I think there should be more vol premium in this curve.

JAKE SIEWERT

So what's your theory on why vol's remain so low?

JEN ROTH

There are a couple reasons. The main two reasons are perceptions that developed markets' central banks really aren't going to be in play this year, and we've had systematic selling of vol which has really depressed the vol curves.

JAKE SIEWERT

So what's a number you're thinking about for the future?

JEN ROTH

I would say that number would be three and those are the number of days until the Iowa caucuses. As we know, the race is incredibly tight between the four leading Democratic candidates. Whoever wins Iowa will most likely get a five to 10 boost into New Hampshire. Currently Senator Sanders is doing quite well in both Iowa and New Hampshire and really a lot of the other Super Tuesday states. So if he wins the first two, the momentum could carry him to the nomination.

The market is pricing very little risk in vol markets around the potential of him being the nominee, with dollar-yen pricing only 30 basis points of gap risk for Iowa, which is only three days away at this point.

JAKE SIEWERT

So Jen, what's another number in the news that's caught your eye?

JEN ROTH

So, something I've been watching very closely is the number of confirmed coronavirus cases in the U.S. as of now. The market has pretty much been paralyzed with uncertainty around the broad base implications of this particular virus on growth, and obviously, there are significant health concerns. So I'm closely watching to see if this number gets larger and has bigger implications for growth within the U.S. as well as outside.

JAKE SIEWERT

All right. Thanks, Jen. Now, over to our next segment with our Goldman Sachs CFO, Stephen Scherr. Stephen, welcome to the program.

STEPHEN SCHERR

Thank you very much.

JAKE SIEWERT

So we're coming off a landmark event, Goldman's first Investor Day in 150 years. Congratulations on getting through that.

STEPHEN SCHERR

Thank you. Thank you very much.

JAKE SIEWERT

You're still alive. Tell us a little bit about the day, and what do you think the investors and others in the audience picked up about Goldman that they didn’t already know?

STEPHEN SCHERR

So the day was an interesting one. I mean, when we said we opened the firm, we literally opened the firm, and so the front doors were open, and four or five hundred people came marching in, and I think they came away with a view that the firm was quite genuine in its intent to be more transparent and engaging with them, and we were. That was our intention, and I think they came away with a better understanding not just of targets and facts and figures, but I equally think they came away with a more general sense or a better sense of who we are, depth of talent. Who’s running the firm in a broader sense.

Equally, I think they came away with a view about our technology, given what we had on display. I think the firm showed well in the context of opening its doors and letting people in for the first time and giving them a sense of what the firm's about and where it's going.

JAKE SIEWERT

So obviously the idea was to sort of explain the firm to an external audience, but talk about the internal dynamic. What went into preparing it, and what did we learn by going through the process of setting these targets and putting out some goals there?

STEPHEN SCHERR

Well, I first would have to say that I think the Investor Relations team, led by Heather Miner, did an extraordinary job at putting this together

What went into this at the beginning was a view that David, John and I had, which was we wanted to run the firm in a more transparent way, meaning the firm needed to open itself up and explain to people why it was worth of engaging with the firm, either as an investor or, frankly speaking, to engage us in business, and I also would say that I think for many of the 40,000 people who work at the firm, this was an exercise equally at exposing the firm to them in ways we hadn't before.

The foundation to all of this was a three-year model that we started to develop which, frankly, we hadn't had for 150 years either, and so we started to plan, and that's not to say that you can predict what the markets look like a year, two years, three years from now, but you need to start to plan and set up a long, a medium or long-term plan given the investments that we're making, and so that was the foundation of it, was a three-year business plan for the firm, and off of that we looked at targets that we could articulate at the enterprise level and some at certain businesses as to what people should expect and hold us accountable for.

JAKE SIEWERT

So Stephen, you spent time yesterday with investors after the session and beyond that. What was the most interesting piece of feedback you got and what really... what really broke through for you?

STEPHEN SCHERR

Yes. So I did spend quite a bit of time after the event with our investors, and people were fielding a range of different questions, but someone came up to me and, in giving me feedback, gave in a very succinct way what I thought was the most profound thing that I had heard which is, he felt that the firm rendered itself more investable on the back of the Investor Day, meaning we gave the community, the investor community quite a bit to digest and to think about in terms of what the forward proposition was for the firm.

And I think in looking back, putting aside the bill of particulars on the targets, I think what people saw was quite impressive. I mean I think they just go through the segments for a moment. They saw a firm that has an investment bank that is beyond formidable in terms of its position but still strives to achieve evermore notwithstanding its commanding position competitively. It saw a Global Markets division that recognizes where it sits at an inflection point in the market, not particular to Goldman but to the market, and I think rendered a very candid and clear-eyed assessment of what their challenges are but equally the direction they're going to meet them, including building platforms, staying edgy, acknowledging where they fell short and having a very clear view about where they're going, and I think that is quite a formidable sort of picture to be drawn.

They saw an Asset Management business that is bigger, broader, deeper, more durable than they had imagined, and I think opening that lens as you and I talked about I think was a very big deal in the context of the Investor Day.

JAKE SIEWERT

I had no idea it was the most successful at accumulating new long-term fee earning ...

STEPHEN SCHERR

No, correct.

JAKE SIEWERT

... of the asset managers.

STEPHEN SCHERR

Correct, correct. I mean we knew it and assumed others knew it as well but, in point of fact, they didn't, and I think opening that window onto that business gave investors evermore to chew on about the forward proposition of the firm.

I think we showed them a Consumer and Wealth Management division that, on one hand, has historically owned a very enviable business in terms of its ultra high net worth, but I think showed considerable promise at being what we want which is an edgy, aggressive, growing, forward-looking, digital consumer bank that spans a range of different wealth strata, and I think that was a very forward and positive view on the firm. Then I think as a general matter, we showed ourselves to carry a kind of forward-engineering prowess to put at the business, which is now organized and very clear-eyed about where it's going and being led by a group of people who come with considerable history and pedigree.

So the person who said to me that, “You showed Goldman to be a more investable proposition,” I think was reflecting on all elements that I went through, businesses that are edgy, commanding market share, very self-aware of where they are or opening up a window onto a profile of the business not known. All of that I think is even more significant than putting out specific targets themselves, because again people are now going to look at us in a different light and think about the forward of the firm which I think holds enormous promise and, importantly, I think they do as well.

JAKE SIEWERT

So one of the targets that you put out there is a minimum 13 percent ROE in the medium term which we defined as three years.

STEPHEN SCHERR

Yes.

JAKE SIEWERT

For those who weren’t necessarily absorbing everything that went on that day or weren't there, what's going to drive those higher returns?

STEPHEN SCHERR

Well, I think the drivers of those returns are going to be several things: One, just in our base core incumbent businesses—businesses that have defined Goldman Sachs for the better part of our history—those businesses have room to grow and areas in which they can expand, and so they will, whether that's Investment Banking or the Securities business or Investment Management or the like. All of them have opportunity for growth, and we'll harvest that growth in the context of building some momentum around an increasing ROE.

I think the second piece are the newer businesses we're in, so think of Marcus and the consumer business or Apple Card or Transaction Banking where over a three-year period they will start to reach a level of maturity where they will start to throw off incremental revenue and do that on a higher marginal margin.

Now the interesting bit about that component of it is that a three-year window for those businesses doesn't, in my mind, really reflect the true potential of what those businesses can produce both to the returns of the firm over the longer term, so call it five years or more, because these are businesses that will still be on the upward slope to get to their maturity level, and we will still be investing heavily in them, and so the returns from those businesses within a three-year period is more muted than I think what they will demonstrate over the longer term, which is why we equally said in addition to setting greater than 13 percent ROE or 14 percent ROTE, is that we would hit at least mid-teens as you look at the longer-term horizon for the firm itself.

JAKE SIEWERT

One of the peculiarities of starting a new lending business is you have to build reserves. For those who aren't super well... super-immersed in bank accounting, explain what that means and why that doesn't get you a full picture of... of the firm's underlying profitability.

STEPHEN SCHERR

Sure, sure. So whenever you extend credit, whether it's to a consumer or otherwise, you take a reserve. There are accounting rules that determine how much that reserve needs to be.

JAKE SIEWERT

And the reserve is...

STEPHEN SCHERR

The reserve is a reserve against the possibility...

JAKE SIEWERT

Potential.

STEPHEN SCHERR

...of potential loss that you will incur as it relates to that loan or a portfolio of loans. So you set aside some amount of money that you hold out for the potential for loss. So it is not economic loss in and of itself.

JAKE SIEWERT

But it’s reflected in your books as a loss upfront.

STEPHEN SCHERR

Correct. It hits the bottom line of the firm. So the challenge in that, the burden that it puts upon the firm particularly as you grow a business... so let’s take the Apple Card business. You start from zero, and as you grow out that portfolio, you are building a reserve in the context of the size and magnitude of the portfolio you’re building. That burdens the business during the growth phase, because when you hit a point of maturity, the easiest way to think about it is you’ve taken a reserve.

Loans leave. Loans come in. When you’re substituting one for the next, it doesn’t change your reserve. So when you hit a fairly steady state, the impact of that reserve is rather muted, but when you’re in a growth phase, this is a... it’s a punishing proposition, and so we’re feeling that, and we were quite open with people yesterday during the Investor Day, but equally I’ve done it on the calls where we’re quite clear that this will have a fairly significant impact, and it's the cost of growing from...

JAKE SIEWERT

Starting a business.

STEPHEN SCHERR

...nothing to something. Correct.

JAKE SIEWERT

So one critique that we've heard from analysts and others is that the 13 percent ROE is not exactly aspirational relative to some of our peers. How do you think about our competitive position relative to the other banks and that... and that 13 percent target?

STEPHEN SCHERR

Well, we all have slightly different business models, so what one bank can return will be different than another. Some banks have a bigger—much bigger—consumer business. Other banks have less so, and so the comparisons sometimes can be reflected in the different business models that exist.

I heard the same view. In fact, going into the day, my assumption was we would be criticized to the extent that people felt maybe we were a bit soft and not as aggressive or ambitious in the returns. This is the first time we've put targets out, and I think if we meet them—and I'm confident we will, and it will take the organization to deliver on them—we'll be quite content, as will the investors in terms of what we will have achieved, but there's some element of conservative bias in them. We for the first time did a three-year model, for the first time put out targets, and we didn't leave ourselves sort of right up to the line in the context of what we can deliver, but I think they're ambitious enough. Candidly, as I pointed out to investors yesterday, these are not defining of what our ambition is. Our ambition is to exceed the targets that we have set for ourselves, and I think as David said in response to a question that was asked of him, we're not asking people to go to sleep now for three years and at three years wake up and we'll tell them if we hit or not. This will be a progression and, if and to the extent we start to do better, then there's always the possibility of upping the ante and recalibrating where our objectives sit.

JAKE SIEWERT

So a lot of our Goldman economists have been on the show talking about the prospects for growth, and they're pretty optimistic.

STEPHEN SCHERR

Yes.

JAKE SIEWERT

They're a little bit above consensus both for global growth and for U.S. growth this year. What if they're wrong and how do you think about recession risk as it relates to the goals and in terms of our business planning?

STEPHEN SCHERR

Sure. So I'll kind of answer that question two ways, one as it relates to what we set out. What we set out by way of our targets and our performance we did in a way that almost every other bank does which is we do not try to forecast a meaningful upside or, as is embedded in your question, a meaningful downside, meaning so long as the market and the economy behaves within a fairly narrow range of where we are, these are the results that we think we can produce, and other banks do it exactly the same way.

If there is a material fall-off, so we hit a recession or some other circumstance impacts the economy and, therefore, impacts our performance, I think investors understand that the achievement of our targets will be different than what we have otherwise articulated.

The other way to answer the question which is less about our targets and more about the firm is the firm operates with in a sense a recession playbook, meaning we're not... we're not hoping that nothing happens. We are risk managers and, therefore, need to anticipate what might happen, and in the context of what might happen and in the context of what might happen whether our economists are forecasting it or not, we have plans for how we will manage the firm and what we will do about risk and our overall... overall exposure in the context of an economy that then shifts.

Just one last point on this; I think an important point to make is I said in my remarks in my presentation we are not beholden to lending targets, meaning let's just take our consumer business. It's not a startup outside Goldman Sachs. It's a startup inside Goldman Sachs. It's not playing for its round B or round C funding. It's not looking to achieve lofty objectives if those objectives are inconsistent with where the market is, and so we don't play to a lending target. We have a budget. We know where we will be, but it is based on an assumption about the underlying economy, and if that changes...

JAKE SIEWERT

We can recalibrate it.

STEPHEN SCHERR

... so will we. Correct.

JAKE SIEWERT

Goldman's been around for 150 years. For roughly 140 of those years, it was an investment bank.

STEPHEN SCHERR

Yes.

JAKE SIEWERT

A pure investment bank and trading house at some level. So recently obviously the firm became a bank in the wake of the financial crisis.

STEPHEN SCHERR

Not quite so recent.

JAKE SIEWERT

Yes, 10 years ago now. So you have a phrase in your slide that says "embracing the bank model."

STEPHEN SCHERR

Correct. Yes.

JAKE SIEWERT

So two questions. Why did it take so long for Goldman to kind of embrace its own bankness as it were, and does that mean Goldman is going to evolve to look a lot more like a JPMorgan or a Citi over time?

STEPHEN SCHERR

I don't think we have in mind a model that we're evolving to, other than the one we care to set for ourselves as a bank. So we will be a bank. We are a bank, but we're going to embrace the bank model on our terms, meaning we're not racing to become JPMorgan or another bank.

Why did it take so long? I think for a long time we quite liked the businesses that we were in and didn't feel a particular need to sort of play to what comes of being a bank, meaning capital markets activities, trading activities and the like were where we were living, and I think what we were late to is recognizing the value of funding that comes or the benefits of funding that may come through the embrace of the bank and I think for us most meaningfully and at the early stages of this.

Embrace of the bank model is a lot about embracing a more diversified, less credit-sensitive funding plan for the firm, and as I also said in my remark, in the embrace of the bank and looking to lower our cost of funds because we are a bank, we're not looking to sort of depart from what we know to be our core strength which is a lot of what you described. We remain a formidable investment bank. We remain a formidable trading house and intermediary of capital.

I just want us to do that using lower cost of funding as an input. Being a bank helps us do that, and so that's what we're embracing in the first instance, and I think... I think we came to a later realization of that perhaps than we should have, but here we are, and I think we're at a moment now where we can do this on a different platform than where competitive banks are. We're not going to build branches. We're going to do this on a digital basis, and I think both on the asset and liability side there's opportunity for us to grow and grow the firm.

JAKE SIEWERT

So one of the things that I think caught a lot of people's eye was the story around asset management. People knew we were an investment bank.

STEPHEN SCHERR

Yes.

JAKE SIEWERT

People know we have a big global markets business. What I don't think people appreciated was the size, scale and sort of performance of that asset management business, and in my short tenure here, it's grown from 900 billion up to over $2 trillion in asset management. Talk a little bit about how that part of the firm fits into the broader story around it for investors.

STEPHEN SCHERR

Yes, yes, yes. Well, I heard the same comment. "Where have you been, and why haven't you been talking about this?" and I think there's some validity to that. I mean I think one of the benefits of this push toward transparency in kind of all of its forms is that we will awaken people to sort of strengths in our business, frankly in and outside the firm that nobody had a full appreciation for, and I think asset management is probably not alone, but it may be the most significant of it which is I don't think people had a sense of just the breadth and scope and diversity of the offering that we had, and in the absence of that information drew their own conclusions about perhaps a certain competitive inferiority to the business that, in point of fact, is very different than the reality.

But I think Julian and Tim did a great job yesterday at really opening the aperture on that lens and showing people what we have and equally where our ambition lies in terms of taking that business along a different alternative path and bringing in third-party money and the fee income that has the potential to be derived from it. So I think it was a very good day in that regard.

JAKE SIEWERT

One of the reasons people can see that now is about a month ago ... and this is super wonky, so bear with us here, but we changed the way we report ...

STEPHEN SCHERR

We did.

JAKE SIEWERT

... our business segments.

STEPHEN SCHERR

We had a busy January.

JAKE SIEWERT

We had a busy year. So you said one of the ideas around the whole re-segmentation or changing the way we report was to give more transparency to the business, help people understand it. How do you think that’s played out, and how’s the market reacting to that? What do investors feel about that, the new model?

STEPHEN SCHERR

So I think the re-segmenting actually played to the high side, higher than my own expectations just in terms of market reaction to it. You always come at these things and you think, as I know you think, you try to look for where’s the cynical reaction going to come, and the truth was there was very little cynicism expressed about what we did in early January in terms of the new segments, in part because I think it lays out the business of the firm in kind of very straightforward terms, and it doesn't cause people to have to think and guess what's where.

It is a very good blueprint for the forward direction that this firm is taking, and I think it was a very sort of clear manifestation of what David, John and I had been talking about for the better part of a year, which is we want to grow Investment Banking. We want Global Markets to take life. We look at Asset Management in the broad spectrum of our offering, and we look at Consumer and Wealth Management as a dedicated set of businesses toward the individual as a client of the firm, and I think that resonated with people, the notion that we took I&L and disassembled it and took those businesses and put lending and other activities in the businesses and in the segments that bear responsibility for it was a very good sort of formal step to do it.

And I think equally the orchestration of all of this and the choreography of it played really well, meaning we came back out of the new year and first, about a week to 10 days ahead of earnings, gave people the new segments, the description of them. It gave people time to digest it. Then we did earnings and then two weeks later did the Investor Day all on the basis of the new segments and the kind of new window into the firm.

JAKE SIEWERT

Beyond Investor Day, Stephen, David's announced a lot of new initiatives since becoming CEO. He has a big target, $750 billion on the sustainability front and financing. He announced last week at Davos an initiative around diversity in the boardroom and IPOs. A lot of changes, some cultural ones, changing the dress code or at least formalizing a more informal dress code. How is the firm adapting?

STEPHEN SCHERR

I'm not wearing a tie today.

JAKE SIEWERT

Yes, me neither. So (Laughs) how do you think the firm's dealing with all those changes?

STEPHEN SCHERR

Well, I think the firm's dealing with it quite well. I mean it bears understanding that the firm had a very big change come upon it a year and a half ago which is David came in as the new CEO and, by the way, it's not typical that the entire C suite changes, but it did with both John and I joining David, and so that brings about change, and change can sometimes be quite refreshing inside an organization. It gives lift to a new energy and a new direction, and I think some of what David is doing is putting his own imprint on the organization.

But I would say—notwithstanding the initiatives you mentioned: different dress, et cetera, et cetera—I think that David is equally quite attuned to the core elements and principles that have driven this organization for 150 years. So I don't think we should lose sight of the fact that there are some deep foundational elements to this firm including focus on clients and customers that's not leaving the house, notwithstanding the fact that we may have different elements and sort of cultural winds that are blowing through. I think the firm is still quite core to the principles that's made it successful for as long as it's been.

JAKE SIEWERT

You've been here 27 years?

STEPHEN SCHERR

Yes.

JAKE SIEWERT

Now CFO. How did you get here?

STEPHEN SCHERR

Actually almost 27 years.

JAKE SIEWERT

Almost 27 years. How did you get here, and how did you end up as CFO?

STEPHEN SCHERR

Well, both were a little random. How did I get here. So I practiced law for about a year and a half before coming to Goldman in 1993.

JAKE SIEWERT

Not as a lawyer though.

STEPHEN SCHERR

As a lawyer. I didn’t come to Goldman as a lawyer.

JAKE SIEWERT

No, that’s what I mean.

STEPHEN SCHERR

Yes, correct, and so I got bored as a lawyer, quick as...

JAKE SIEWERT

You lasted a year and a half longer than I did.

STEPHEN SCHERR

Quick as that was and actually applied first to Goldman and got rejected.

JAKE SIEWERT

That seems to be a common theme.

STEPHEN SCHERR

Seems to be a common theme, then had to let it go in a different way and came in and was a first-year associate in FIG, and then my career has taken a pretty winding path from investment banking into the securities business in through capital markets into our financing group through strategy and consumer and then finding myself in the seat of the CFO.

I suspect that I come to this latest position as the CFO being the beneficiary, though it wasn't necessarily intended that way, of having seen a lot of this firm from different perspectives and not just one, and it helps in the context of thinking about how to partner with David and John in running the organization and all that comes with being the CFO of the firm. So it came through a wandering path, and I think it was... it's been a fun 26 years, and the 27th year is proving to be...

JAKE SIEWERT

A busy one. (Laughs)

STEPHEN SCHERR

... evermore interesting. Exactly.

JAKE SIEWERT

So being CFO at Goldman is a little different than other banks, and you run, in addition to the sort of classic core CFO function, you run what Goldman calls “the federation.”

STEPHEN SCHERR

Yes.

JAKE SIEWERT

How do you spend your time between the CFO job and what is a pretty big administrative job?

STEPHEN SCHERR

I mean there’s inevitably one week every quarter which has earnings intensity to it, and so I needless to say spend quite a bit of time on that. There are a number of functions, engagement around liquidity and capital and sort of conventional CFO stuff that I spend probably a third to a half of my time on, and then I spend a good deal of time in partnership with our Technology area, with our Compliance people, with Legal on a variety of issues, needless to say with Treasury and Services and so forth, and so there's a wide sort of array of parts of the organization that I spend a good deal of time with, and I think it all feeds into the way in which we manage the firm which is there's a certain partnership and a collection and a village that it takes to sort of run and manage the firm. I think it's part of the genius of the place, and it's probably reflected most in the seat of the CFO just in terms of the scope and range of engagements that I have over the course of a day or a week.

JAKE SIEWERT

So you mentioned earlier that it's not typical for the entire C suite to turn over all at once, but it did happen in your case...

STEPHEN SCHERR

It did.

JAKE SIEWERT

... with David taking over the chairman and CEO job, Waldron taking over the president and COO job and you taking on the CFO job. Now you've known each other for a long time, but what surprised you about how that's come together, and how have you managed to allocate your time?

STEPHEN SCHERR

So we have known each other probably for the better part of 20 years, going all the way back to our investment-banking days. In fact, I remember interviewing John Waldron when he came in as a lateral, and he and I were in the same MD class and the same partner class, and so there are some pictures floating around that age us all. I would say there's been very little surprise honestly in the way the three of us have engaged and worked.

I mean I think it's playing in much the way the three of us thought it would. We have a lot to do. We started off, John and I, kind of double-teaming more than we probably needed to but came to the fast realization that that wasn't necessary, and I think we now have kind of an informal division of labor, and I think it's working well, and we speak to each other frequently and engage with each other, and so I think it's working as we had hoped it would.

JAKE SIEWERT

So we spent a lot of time talking about what's next for Goldman Sachs. Now with Investor Day behind you, what's next for Stephen Scherr?

STEPHEN SCHERR

We're going to go to the playground. It's just...

JAKE SIEWERT

Nothing to do.

STEPHEN SCHERR

There's nothing left to do now.

JAKE SIEWERT

Maybe the bar.

STEPHEN SCHERR

Yes, maybe the bar. Well, look. I think in some sense, though, this is always the adage: The work begins now. I mean we can have a day and sort of celebrate the fact that we undertook something that was a very big and momentous event for the firm, but the sort of afterglow of that is going to burn out pretty quickly, and now we need to deliver.

We've set targets for ourselves, and it's not just I've set the target or David or John, but the firm has set objectives for itself and goals, and now we need to collectively live up to them. It means that the organization is going to have to march to the rhythm of a revenue budget that it has set. It's going to have to mind its manners on cost. We're going to have to be as agile a steward of capital as we laid claim to be yesterday, and so I think the work begins, but the work is the work of the firm. I think 40,000 of us now hold the obligation to deliver on what we said we would, and I have every confidence that we can and we will, but I think the work begins now.

JAKE SIEWERT

All right, well, Stephen, no beach today. Thanks for joining us today.

STEPHEN SCHERR

Good. Thanks a lot.

JAKE SIEWERT

That concludes this episode of *Exchanges at Goldman Sachs*. Thanks for listening, and if you enjoyed the show, we hope you subscribe on Apple Podcasts and leave a rating or a comment, and for more from Goldman Sachs experts as well as influential policymakers, academics and investors on market-moving topics, be sure to check out our other podcast, *Top of Mind at Goldman Sachs* hosted by Allison Nathan, a senior strategist in the firm's Research division. Thanks for listening.

This transcript has been edited for clarity.