

# AMERICAN BANKER

## Four Senators to Watch for Banking Committee Chair

By: Victoria Finkle – March 27, 2013

---

The retirement of Senate Banking Committee Chairman Tim Johnson ▼ at the end of next year has already prompted an elaborate guessing game about who will succeed him at the helm of the panel.

But perhaps the biggest question is who among the potential successors actually wants the position. If the Democrats hold the Senate in 2014, the next member of the committee behind Johnson in line for the gavel is Jack Reed of Rhode Island. ▼ But Reed is widely expected to prefer the top spot on the Armed Services Committee, which will also open up after the midterm elections. And the next two members behind Reed - New York's Charles Schumer and New Jersey's Robert Menendez - are also said to be considering different promotions than ascending to the top spot on the banking panel.

That has already shifted the spotlight to the fourth most senior member: Sherrod Brown of Ohio. Among the chamber's more liberal members, Brown is one of the most outspoken senators on the issue of "too big to fail", and his rising to become chairman would bring even more attention to legislation to break up the big banks.

Spokespeople for all four lawmakers declined to comment.

Sen. Jack Reed, D-R.I.

Reed will have a tough decision ahead of him next year as the second in command on two powerful committees with leaders expected to retire at the end of 2014.

With the expected retirement of Sen. Carl Levin, D-Mich., Reed is also eyeing a likely vacancy atop the Armed Services Committee.

Many say Reed's background as a former Army Ranger and paratrooper, along with Rhode Island's naval presence, is likely pushing him in the direction of the defense panel. Yet observers pointed out that Reed's interest in housing and mortgage finance issues, which are expected to stay on the agenda, could keep him in the running for the Banking Committee slot.

Mark Calabria, director of financial regulation studies at the Cato Institute, said Reed may be able to do stints atop both committees.

"He's a relatively young senator. He could do six years" as chairman of the Banking Committee "and then go over to Armed Services," said Calabria. "He's long taken a deep interest in financial services and the "\xA6 [government-sponsored enterprises]. "\xA6

It's hard for me to believe he just walks away from banking given the amount of energy he's put in."

Calabria added that Reed, despite being known as relatively liberal, also has a reputation for pragmatism among members of both parties.

"Reed is a known quality, he's a trusted character," Calabria said, calling the lawmaker "a safe bet" for Democrats. "Reed is liberal, but well-liked on both sides of the aisle."

Sen. Charles Schumer, D-N.Y.

If Reed turns down the chairmanship of the banking panel, the next logical choice is Schumer, who is next in seniority on the committee and hails from a state with significant ties to the industry.

"The race truly is between Reed and Schumer. The choice is probably up to Reed. If he wants Armed Services, then it would be Schumer," said Edward Mills, a financial policy analyst at FBR Capital Markets and former Capitol Hill aide. "Schumer is a more natural fit for Senate Banking, given his long service on the House Financial Services Committee and his long service on Senate Banking, and given how important banking is to the state of New York."

Mills added that although Schumer has a record of supporting consumer protection causes, he may be more flexible on other regulatory issues compared to his colleagues in the running.

"He would still be a strong and fierce defender of the" Consumer Financial Protection Bureau, "but may be more willing to work on capital standards, the Volcker rule and" derivatives regulation, Mills said.

But that is only if Schumer wants the job. Several analysts noted that Schumer has shown interest in reaching higher leadership positions, such as majority leader, which would be difficult as head of the banking panel.

"Chairing the banking committee "\xA6 could derail those dreams as he would have to pull back on his leadership duties," said Jaret Seiberg, a policy analyst at Guggenheim Securities, in a research note Tuesday. "By contrast, letting Brown become chairman could bolster Schumer's standing with the liberal wing of the party and help him in any eventual contest to replace Harry Reid as majority leader."

Seiberg added, however, that "the committee could be a lot of fun under Schumer," should he take the gavel.

"It is true he could be a strong advocate for the financial system, but it would be dangerous to assume that he would be positive for banks. Schumer has an independent streak and he likes to be a crusader. So he could be an unpredictable ally," Seiberg said. "On the plus side, we have always found Schumer to be the type of person who could get a deal done."

Others argued Schumer's ties to financial companies in his home state could make the Democratic caucus concerned about giving him the Banking Committee gavel. Johnson

has faced similar questions representing South Dakota, a state where a high proportion of the nation's credit card business is based.

"It's obvious that Schumer has a close connection to Wall Street. The question would be how comfortable would the Democratic caucus be with that," said Calabria. "Certainly there were questions about Johnson, and there are going to be questions about Schumer. Those things don't go away."

Sen. Robert Menendez, D-N.J.

Although he would be next in line after Schumer, many analysts agreed that Menendez is extremely unlikely to take the post after assuming chairmanship of the Senate Foreign Relations Committee when former Sen. John Kerry was confirmed as secretary of state.

"We do not believe he would give up that post to be banking chairman," Seiberg said.

Yet there could still be pressure on Menendez to consider becoming Johnson's successor. His state is a popular home for some in the financial services industry who may prefer the New Jersey Democrat over the more liberal Brown.

Sen. Sherrod Brown, D-Ohio

Brown's ascendancy to become chairman of the Banking Committee in 2015 would represent a sharp rise in his seniority. (He was first elected in 2006.)

Indeed, a fifth-ranked senator skipping numerous spots to become chairman is unusual. His ascendancy would likely signal a desire in Congress to move away from a focus on banking issues more than five years after the crisis.

"The potential for such a significant leapfrogging of seniority would be dramatically lessened if there were significant pieces of legislation on the horizon for the Senate Banking Committee. But at this point there simply aren't," said Isaac Boltansky, a policy analyst at Compass Point Research & Trading.

If Brown did become chairman, the liberal Democrat would likely continue his push to break up the big banks, an issue he has focused on since the debate over the Dodd-Frank Act. Brown has introduced prior legislation to impose size limits on the largest institutions, and is expected to introduce a similar bill with Louisiana Republican David Vitter in the coming weeks.

Analysts say Brown is likely interested in the top job.

"We have often questioned whether there is a legislative path forward for a measure to force the mega banks to get smaller. The elevation of Sen. Brown to chairman would create such a path, as he has supported legislation in the past limiting the size of mega banks," said Seiberg. "He also has worked closely with conservatives on the issue such as Sen. Vitter. This does not solve the hurdle of getting legislation passed in the House. But it is a step forward."

Nevertheless, Brown may still need to overcome concern about his liberal views.

There would be "reluctance to want Brown in that seat," said Calabria, noting, for example, that Brown was the only member of the banking panel to vote against Mary Jo White, a private attorney who has represented financial institutions, to be confirmed as chair of the Securities and Exchange Commission. Brown argued that the agency needs someone from outside of Wall Street to police the industry.