

THE WALL STREET JOURNAL.

Senate Banking Committee Chief Richard Shelby Wins Alabama Primary

Donna Borack

March 2, 2016

WASHINGTON—Five-term Alabama Republican Sen. Richard Shelby easily beat back primary challenges Tuesday to advance his re-election bid, raising hopes that the moratorium on financial regulatory nominations will be lifted soon.

Overcoming four challengers, Mr. Shelby won his state's primary with about 65% of the vote, avoiding a runoff election. Mr. Shelby, chairman of the Senate Banking Committee, had postponed consideration of nominees for the U.S. Federal Reserve, Securities and Exchange Commission and other financial regulators until after his primary.

The Alabama race has been closely watched as a gauge of whether incumbent lawmakers would be clobbered this primary season by the antiestablishment fervor that has fueled the rise of Republican presidential front-runner Donald Trump, who won Alabama and six other states voting on Super Tuesday.

“He’s been a good senator,” said Joe Carrington, a 52-year-old tractor-trailer driver, who emerged from a polling station at Hunter Street Baptist Church in Hoover, Ala. with his wife, Rhonda Carrington.

Though some Republicans in Alabama have said Mr. Shelby has grown too comfortable in Washington, Ms. Carrington said she valued his experience. “He’s got a lot of pull,” she said. “If it’s not broke, don’t fix it.”

Ashley Anderton, a 42-year-old stay-at-home mother who also voted for Mr. Shelby, expressed a similar sentiment. She said his seniority in the Senate, including his banking committee chairmanship, is “good for the state.” She said she considered some of Mr. Shelby’s opponents in the primary, but ended up sticking with him. “I think consistency helps,” she said.

Mr. Shelby, 81 years old, didn't appear to take anything for granted and spent \$5.5 million in advertising on broadcast television networks, more than any other Senate candidate.

“Shelby did not get caught off guard,” said Brian Gardner, a policy analyst with investment bank Keefe, Bruyette & Woods Inc. “He was well-funded, well-prepared.”

Hoping to avoid a fuss that might dissuade voters, the senior Alabama senator also stalled the work of the banking committee by using the old, familiar tactic of holding up presidential nominations.

Last year, the White House sent the Banking Committee 13 nominees, none of whom have received a confirmation vote. A spokeswoman for Mr. Shelby didn't return a request for comment.

On the list are two spots each on the governing boards of the Fed and the SEC, along with several Treasury Department positions overseeing areas such as financial institutions and terrorism finance.

“Our base assumption is that some of these seats have to be filled,” said Jaret Seiberg, an analyst with Guggenheim Securities. “There’s historical precedence. You cede deals for these positions on a commission.”

In 2011, the White House struck a deal with Republicans to nominate Thomas Hoenig, the former chairman of the Federal Reserve Bank of Kansas City, to a key post at the Federal Deposit Insurance Corp. The package deal included Martin Gruenberg as FDIC chairman and Thomas Curry as Comptroller of the Currency, both of whom were supported by Democrats.

Such precedence bodes well for a potential deal to be struck for the two nominees to the SEC; the five-member commission is down to just three members—the bare minimum for a quorum—after two left late last year. With only three members, a dissenting commissioner can block a vote to pass a regulation or file a civil lawsuit simply by refusing to show up to a vote.

At the Fed, the outcome for nominees is murkier. Mr. Shelby has made clear he is holding up the two Fed nominations because the White House has ignored a directive from Congress in the wake of the financial crisis to create a new czar for financial regulation at the Fed.

“Regardless of today’s results, he’s unlikely to move on the Fed nominees until the White House has nominated someone for that position,” said Mark Calabria, a former aide to Mr. Shelby and the director of financial regulation studies at the Cato Institute, a libertarian think tank.

And it is a political fight the Obama administration has had little appetite to engage in, given that Daniel Tarullo has served in that role on a de facto basis since the passage of the Dodd-Frank Act.

The fact that the nominations have lagged behind for this long suggest Mr. Shelby will soon be holding confirmation hearings. But the window of opportunity won't stay open for too long, with both parties holding earlier-than-usual presidential nominating conventions in July.