

# Bloomberg

## Trump Appointees Can Roll Back Bank Rules, Pence Economist Says

*Mark Calabria says regulatory guidance will be initial target*

*Banking-agency posts will be filled 'in short order,' he says*

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The Trump administration's initial efforts to attack financial regulations will include directing federal agencies to reverse changes that have been made through guidance rather than formal rule-making, a key aide to Vice President Mike Pence said Tuesday.

The White House is trying to fill vacancies at the banking-industry watchdogs "in short order," Mark Calabria, Pence's chief economist, said at a National Association for Business Economics conference in Washington. Once President Donald Trump's people are in place, he said, they can quickly roll back supervisory efforts they think aren't appropriate.

"Since so much of the Obama-era financial regulation was by guidance -- and, I would say, regulation by enforcement -- that part of the Obama era can be easily erased once we have new regulators in place," Calabria said. He specifically referenced the Federal Reserve and other bank regulators, the Securities and Exchange Commission and the Commodity Futures Trading Commission.

Trump recently ordered Treasury Secretary Steven Mnuchin to scrutinize U.S. financial regulations and come back to him in June with a report. Calabria -- one of the few Trump administration policy experts already at work -- said that while the White House waits for that review of the effects of the Dodd-Frank Act, it will consider more executive orders to "improve the functioning of our financial markets."

**Stress Tests**

One example of a key agency action that wasn't based on a formal rule-making was the 2013 guidance from the Fed and Office of the Comptroller of the Currency meant to curtail the risks Wall Street banks could take in leveraged lending. The Fed's annual stress tests of big banks is another practice not entirely based on Dodd-Frank.

The Fed will have three vacancies on its seven-member board after Governor Daniel Tarullo steps down next month. Calabria said that as Trump fills board slots and names a vice chairman of supervision, the new leadership's work would certainly include a reevaluation of the stress tests. The review "will not start with the assumption" that the exams are fine as they are, he said.

The Consumer Financial Protection Bureau will likely survive under Trump, though it will undergo some changes, said Calabria, who was director of financial-regulation studies at the libertarian Cato Institute before taking the job with Pence.

"You're going to have to have a CFPB that actually goes after bad actors, rather than trying to make policy decisions that have nothing to do with bad actors," he said.