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## Boehner's Exit a Mixed Bag for Bankers

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House Speaker John Boehner's surprising announcement that he will resign from Congress reduces the odds of an imminent government shutdown, but raises fresh questions about several key banking priorities.

Boehner announced Friday morning that he would step down as speaker and leave the House at the end of October, the result of his ongoing battle with more conservative members of his party. Most recently, he'd been facing a standoff over the funding of Planned Parenthood, with the end of the fiscal year on Sept. 30 and no budget or continuing resolution in sight.

"The timing of this seems kind of sudden, but obviously we all thought this was coming at some point," said Mark Calabria, director of financial regulation studies at the Cato Institute. "And certainly the timing seems connected to his willingness to get something done budgetwise before he goes."

The move follows the Pope's historic visit to the Capitol on Thursday, a longtime goal for the Ohio congressman, which is said to have helped tip the scales on his decision.

"It was my plan to only serve as speaker until the end of last year, but I stayed on to provide continuity to the Republican Conference and the House," Boehner said in a statement Friday. "It is my view, however, that prolonged leadership turmoil would do irreparable damage to the institution."

Observers said that the decision should help avert a government shutdown next week, because Boehner can craft a deal without fear of a political backlash from the Tea Party wing of the caucus. But once the Speaker is gone, the Republican-controlled Congress and the White House could find themselves in an even more intense standoff.

"We believe that Speaker Boehner's resignation materially increases the likelihood of a volatile fiscal fight in late November which will foster both political uncertainty and market volatility," said Isaac Boltansky, an analyst at Compass Point Research & Trading, in a note to clients

Friday. "Markets have grown comfortable with fiscal cliffs due to the repetitive nature of the debates and the known cast of characters. Speaker Boehner's resignation removes a known quantity from the market's debt ceiling calculus which is a concerning development."

Increased tensions could also jeopardize dealmaking behind the scenes around Sen. Richard Shelby's regulatory relief package. Shelby, chairman of the Banking Committee and a senior appropriator, added the legislation to the Senate's financial services spending bill over the summer in an effort to potentially push the proposal through as part of an omnibus, yearend spending deal. The Alabama Republican's bill includes a closely watched provision to lift a \$50 billion Dodd-Frank Act threshold for systemically important financial institutions.

"The way for a higher SIFI level to proceed is as part of a bipartisan deal. If Democrats and Republicans are fighting over core social issues like Planned Parenthood or Obama legacy issues like his healthcare plan then we have trouble seeing how there will be enough bipartisanship left to cut a deal," said Jaret Seiberg, an analyst at Guggenheim Securities, in a research note. "Such fighting - especially if done as part of the debt ceiling or in a spending bill - further empowers the Elizabeth Warren wing on the Democratic party. And anything that further empowers Warren is a negative for regulatory relief and a higher SIFI level."

Meanwhile, House Republicans will soon have to select a successor for Boehner. Majority Leader Kevin McCarthy of California is an early contender, but some have suggested that Rep. Jeb Hensarling, R-Texas, chairman of the Financial Services Committee, could throw his hat in the ring. Similar speculation cropped up last year when Majority Leader Eric Cantor was ousted in the Virginia primary, though Hensarling did not ultimately seek the job.

A spokeswoman for the chairman said Friday afternoon that he is "considering his options and I expect he will have a decision by early next week."

Calabria added that, regardless of whether Hensarling makes the jump to leadership, having more conservative members of the party in control of the House could spur renewed debate over Dodd-Frank.

"I think a lot more Tea Party folks are focused not just on health care but also Dodd-Frank. It opens up the possibility," he said. "The next speaker is going to be someone willing to challenge both the president and Democrats a little more vocally — I think that's the only thing we know with certainty."