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P R O C E E D I N G S

MODERATOR: Good morning everybody. And welcome to the third and final day of the TCH BPI Annual Conference. Thanks for waking up early and joining us.

We have an exciting panel to start us off. And as everybody knows at this particular point the politics in Washington, D.C., have wandered on a major shift following the Midterm Elections. And we've got a panel here to help explain what that means for the banking world.

So joining us today are two award-winning Journalists, Deborah Solomon and Ben White; and what in (inaudible) is the most insightful and (inaudible) in banking policy, is Isaac Boltansky.

Deborah is the Economics Editor at the *Washington, D.C. Bureau of The New York Times*, where she oversees the teams of reporters covering economic policy issues. Prior to that she was with the *Brunswick Group*, and also covered The Wall Street Journal, and worked for *Bloomberg View, USA Today*, and the *San Francisco Chronicle*.

Ben, is POLITICO Pro's Chief Economic Correspondent, and author of *Morning Money* column covering the nexus of finance and public policy. Prior to joining *POLITICO* Ben reported for *The New York Times*, the *Financial T*imes, and *The Washington Post.*

Isaac is the Director of Policy and Research for the Compass Point Research & Trading, where he coordinates the firm's Washington Policy Analysis. Prior to Compass Point, Isaac was with Troubled Asset Relief Program Congressional Oversight Panel, and previously worked for EJF Capital, a multi-strategy hedge fund.

To facilitate this discussion, we have Mark Oesterle, who is the Senior Vice President and Deputy General Counsel for SunTrust. He oversees their Washington Operations, but prior to that he served on Senate Banking Committee for approximately 10 years, to many such things as the Chief Counsel and Deputy Chief of Staff where he was involved in every key issue that came before the Committee in the Congress on Financial Services Policy.

So, with that, Mark, let me give it to you. Take this away.

MR. OESTERLE: Thank you, Anthony. Good morning everybody. Hopefully, we know it's early, we can burn some energy. I guess with the way things are Washington there's always something interesting to talk about. But let's level set real quick with D.C. It has become exceedingly difficult to find consensus on anything, and that was before you had a divided government.

And now we are looking at a situation where, after the last election with the Democrats taking the House, the control has switched, so consensus is probably going to be an ever rarer bird.

I'll just start with Ben, and we can work back. Just what do you think the prevailing political climate is going to be? Are we in the 2020 Election already? And we can then work that back in how that may or may not affect the Financial Services Policy. But just where are we now that we've just had this election, Ben?

MR. WHITE: You know, deep in hell is where we are right now -- (laughter). You know, thank you for having me, first of all. And I don't generally talk about bank regulatory politics, or politics generally at 4:00 a.m., but I'll make exceptions today from you guys.

Yeah, I mean obviously we're in the 2020 cycle already, unfortunately, for a lot of us who really, you know, like to cover policy, regulation, and all the rest of it so, you know, I didn’t any significant legislation coming out of Capitol Hill in the next Congress where the Democrats will control the House, and the Republicans in control of the Senate.

And obviously President Trump is still in the White House, and the Democrats are mainly only focusing on, you know, organizing and preparing for the 2020 Election, we'll see if after the Senate -- after the Democrats and the Senate Banking Committee running for a President at this point, so they're not going to be especially friendly to all the neighbors in this room. They're not going to want to be seen as, you know, in favor of any more bank deregulation.

We were talking beforehand about what happened to the Senate Democrats who supported the Crapo Bill, and most of them lost, for whatever was the reason they lost, but they are gone. So, there isn't a lot of room for consensus.

All the action will be, you know, at the Fed and at the regulators. What we are going to see Democrats do on that front, you know, they can't repeal anything, they can't roll back any of the stuff that Republicans did in the last Congress, but they can hold up all the various regulators and the hearings, which they will do, and there'll be more oversight on the House side of all of the financial regulators.

And then you'll see Democrats finally figure out exactly how they are going to run in 2020, they are (inaudible) are going to be, how far left they're going to go, and the extent to which, you know, they see the President's developments in being tough on Wall Street, clamping down on Wall Street.

And you're going to go see the Warren arm, and the Booker, and some others really kind of hard on that, and then other Democrats who may take a more sort of the middle-of-the-road approach with focus on the Industrial Midwest, and so that's like Michigan, Pennsylvania, and gain some of those other states that Trump took away from the Democrats. So, it will be mostly positioning for 2020, (inaudible) the regulators, more oversight on The Hill.

MR. OESTERLE: Well, now that we are talking about switching today, (inaudible) have a new Chair, and Ben kind of touched on this. But, Deborah, any thoughts in particular about where Chairman Waters wants to go and, you know, she's got a new position, but obviously with all these other people in the world moving around in the States, it's not her space to navigate alone. Will she'll work with them, won't she? But what do you think about the directions she wants to take the House Financial Services to?

MS. SOLOMON: I will tackle that. And thanks for having me. You know, I think that she is seen as sort of this populist anti-bank Congresswoman, but she's actually more substantive than that I think. Well, she has made clear what her priorities are, and that is bringing big banks before her Committee to hold them accountable, and she has, you know, singled out a couple, Wells Fargo, she seems particularly interested in, obviously, she's from California, and has said that she's going to call them up before her Committee.

You know, the last two years have been fairly, you know, has been very (inaudible) tone on Capitol Hill for the banks. I mean, you didn’t really have hearings where they were getting called up there and interrogated, nor did you have regulators. And I think she's trying to flip that dial in part, because they are gearing up for 2020, and they want to have a villain in the banks really, but the great balance for the Democrats, and you wonder whether that's true or not.

And they left it, you know, to kind of be seen as a protector of the little people, and now, you know, the consumers and I think that you can no longer see a lot of that, you know, the rhetoric, that we haven't really heard the last the last couple of years under (inaudible) Elizabeth Warren. But she's the (inaudible) clear about, you know, looking at the ties between President Trump and Deutsche Bank. So, you know, it's going to take -- she's going to take -- I think she's going to take, you know, a more skeptical view of the banking industry, obviously, definitely moving.

And she also has said she's going to take a pretty hard look at the CFPB, or whatever we are calling it now. And, you know, as I was talking earlier to a reporter, and I said, well, you know, that we are (inaudible) against the bad, and then regulators. And he said, well, you know, she can kind of really cause a lot of political problems for the banking industry so, you know, look at Mr. Powers.

So he thinks that there is a real -- you know, there is a real sea-change in sort of tale to Washington, that the regulators convene their time to get at, you know, a somewhat moderate and even-toned approach too from rolling back to the regulatory domain. And then sort of the rhetoric advancing from the Committee, but I did make it -- you know, there are areas where she's already saying that she's willing to compromise, and she doesn’t really have a problem with that. Although I think she -- you know, she creates (inaudible), et cetera, and people may have some similar -- gives back and need to, and not necessarily being the way to, but they need to deal with their own flood insurance.

And, you know, don't forget about Fannies and Freddies of the world, and we have, you know, persons did not talk about that in a long time. And you're going to see a changeover of FHSA, you know, and lots of tenures that's expiring, and it's sort of a mystery as to why he stayed there that long, but he's sort of the last holdover from Obama administration.

So I think, you know, those are the areas, the ESEs and the flood insurance I think are the two areas maybe, and so that is why, you're not really going to see a lot of (inaudible) -- to pass legislation, I think we are going to see a lot more on hearings and -- you know, and (inaudible).

MR. OESTERLE: Well, I will turn to Isaac and talk about that, that Chairman Crapo has had to navigate a few things, but one of the other responsibilities he has that Chairman Waters does not have is to get nominees through. I think we'll see one probably next week for the CFPB, actually had called on the FBI a week or so, and somebody else who is going to come up with that, and with FHSAs. So, I wish I could break the news, but I'm not allowed to do that.

MS. SOLOMON: Go ahead. (Laughter)

MR. WHITE: Yeah, they tell to go tell (crosstalk) -- well, a little, a little of that actually.

MR. OESTERLE: Well, what do you think about what Chairman Crapo has got to do and how does he handle work with the new environment? And what's his agenda down the pike?

MR. BOLTANSKY: Sure. Also, thank you for having me. My clients are hedge funds who have the attention span of (inaudible) of 88, and so it would be nice to spend two days with folks that actually have a longer-term strategic view. This has been fun for me.

Look, to answer your question I think the deadlock that we are going to see is going to make it difficult to have any significant legislative move. There will be efforts, and I think we'll have a (inaudible) of ill-advised -- another turn with GST component that will not actually result in enactment, and that there's going to be a focus on data policy issues, that's something that Chairman Crapo cares about.

I think that there's also going to be a push within the Republicans Caucus to look into the use of the penal system as a means of implementing social policy, which is something that's been an issue over the past year or so.

But really I think mostly what we're going to have is a whole lot of noise, that could turn into a headline risk for the House, and then slow but steady work at the Senate to continue the confirmations, to hold hearings on areas interests such as FinTech and Cryptocurrency, and other areas, but this Congress I doubt is going to produce anything of consequence for our area.

The only real opportunity in this, Mark, is during these appropriation bills, and so, you know, I often tell clients, the big bills are tough but it's sometimes easier to get something through on page 1078 of the (inaudible) bill, and I think the bills are going to be the moving, real moments of legislating for the next Congress.

In part, because not only we have two Chambers, the (inaudible) role of the different parties, which means you could actually have a negotiation which is structurally different than what we had with the current Congress, where we had both sides controlled by one Party. And so I think in that negotiating process there are small, targeted, narrow bills that I think can be attached to approach packages that must pass and become law. But the big-ticket items, there's just no shot.

MR. OESTERLE: Well, where do we start now, when we see that? Do you -- and anybody, please, but I'll ask start with Isaac, can chime in. Are there any kinds of situations where things could play out where a big bill could pass? And I worry, you know, talking about the cyber issue, or whatever. But with the presidential stuff coming up, it's going to be talked about more. Do you think there are some scenarios where there is a higher risk of major legislation coming down the pike?

MR. BOLTANSKY: So, my experience with Congress is kind of like the dog in the (inaudible), you know, they see a squirrel and they lose their attention from what they were focused on before, and so I think that what we don't know is what the next big story line is going to be. What the next big cyber attack or data breach will be. You're pretty safe from the GSTs, I don't think that they're going to be the next blow up that catalyzes legislation.

Data security has been one area, where, just by the law of large numbers, and this is something that I took away from the past day, there will be another breach. I mean, if you can continue to build 10-foot walls, and the bad guys will build 11-foot ladders. So there will be another breach, and I think that Congress will get in a tizzy about that, and even that, Mark, I have trouble seeing how we get to the point where we actually have legislative action.

Look at what happens in the most recent times, that didn’t produce anything of consequence, in that space. So, I have trouble seeing anything that catalyzes it. The caveat of course is that Congress tends only acting as a (inaudible). So, let's figure out what the next five years are going to be.

MR. WHITE: Yeah. And I concur with that, and particularly on the GST Reform, and there's just no chance of that happening. You know, I didn’t even know that (inaudible) is to talk about how we are going to move on next to the GST Reform, and come out with new White Papers, and have, you know, a coherent policy. And I don't know whether they're actually going to do that. We'll spend a lot of time on it, given that they have no prospects of getting anything done on The Hill.

And the administrators are not even aware. You would have to see an absolutely massive breach that galvanizes the entire country, and somehow brings the parties together to address it, and these are just really too many areas of disagreement on the specifics and, you know, pushback from your industry, and others that could wind up blocking it in the Senate, even. The House Democrats kind of galvanize behind one approach to it.

So, you know, and the point is well taken that we are in the new cycle, an environment where, you know, everything changes from one moment to the next, you know. I know I have no idea what President Trump is tweeting this morning, that's sending off the (inaudible) for the rest of today, you know, where he said that, you know, Chairman Powell was responsible for the (inaudible) not playing well, and some other things like that.

So, you know, nobody knows how this thing is going to play out, but the Mueller Report is ultimately going to show, and then we get into the impeachment scenario. I doubt it. But, you know, the bottom list is on Manafort, it's really hard to tell, so sitting up here predicting the extent to which Congress can come together on a major piece of legislation on anything is essentially possible.

MR. OESTERLE: The President does make it interesting. I think we can agree with that. But he did have a few things to say. Deborah, what do you think that means for the folks who, the Fed is not full, I don't know if there other people considering going in, but I'm not sure I would put my name on at this point after what we saw. But, Deborah, how do you think the President's kind of constant engagement with Chairman Powell is going to impact, or not impact the Federal Reserve?

MS. SOLOMON: Well, I mean, yeah, he has made that something of a sport sometimes to be beating upon his hand-picked -- his hand-picked Fed Chairman. You know, frankly I think he's putting the Fed in somewhat of a box, you know, I don't get the sense at all that the Fed is going to bend to what he says, but they are, you know, there are some signs as well in the economy, and in real-time to witness that, you know, in the particular spots, and maybe to do a little with housing, obviously the GM said it's a little bit troubling.

And so if and when they do see any slowdown, I think it does put a little bit more pressure on him in terms of actually doing the right policy versus being seen as being political.

That said, I think, you know, the people who have been picked, you know, have been pretty -- have been classified as his picks for the Fed. I mean Randy Quarles is, you know, a very experienced Former Treasury

Official, and Nellie Liang she gets through and, you know, he has not picked -- he has not picked people that would change the trajectory of interest rates.

So, I'm not quite sure if he doesn’t understand that, or if he just wants to find everybody to blame, and in trying to predict what Trump -- what goes through Trump's mind, and what his motivations are is, you know, not something I really want to spend a lot of time doing. You just wandered down that rabbit hole, but he had not done what he could do to change the trajectory of the Fed.

That said, I think he is making it more challenging. You know, if you are a serious economist and you want to be a more serious, you know, regulator, and you want to go into, in fact, to the Fed, I think he would probably think twice. And, you know, on top of those the Treasury would say, you know, we are having a lot of trouble recruiting people. And it's like, well, you know, I don't -- I don't --

MR. WHITE: How could that possibly be --

(Laughter)

MS. SOLOMON: Yes, you know.

MR. WHITE: And it means (inaudible) do so well.

MS. SOLOMON: Yes.

MR. BOLTANSKY: Well, and it is just such a fun process.

MS. SOLOMON: It is. It is a fun process. You know, and I think there is a lot here and, you know, we've seen it, you know, the whole nominee process has been a nightmare for the last few years, and if people do not have a plan that -- you know, it really tells me that (inaudible) nominees were good friends with him, staying in a -- you know, certainly in a holding chamber for months.

And there's no movement there, so it's just -- you know, it's kind of curious, and find that position is worrying but, you know, they're slowly talking to the Fed, and I think disrupting it would be a really problem, and I think that that's actually where, you know, to predict Congress you're going to see a lot more actions, regulatory agencies, and (inaudible) into action as well.

MR. BOLTANSKY: And if I can just throw in there, with the lesson last night, the Senate Republicans have now picked up two more seats, and so it will be slightly easier to move through the confirmation process, because you no longer is beholding to some of these swing votes in the Senate within the Republican Caucus, like Senators Collins, Murkowski or Paul. So it becomes slightly easier to move nominees through with those added two seats in the majority.

MR. WHITE: If I can just make one point on the (inaudible), and I'm sort of obsessed with this nomination, and might be interested in, and Isaac said something, this and I wish they (inaudible) off the record afterwards -- (laughter). So, I can't figure out, the White House remains super confident that they can get her through, and yet resort to bank industry lobbyist, or some people on the Banking Committee is not in her way, she's not going to going to come (inaudible), she's a Democrat, blah-blah-blah.

But there is this iron-clad belief inside the White House that, you know, she's going to sail through, which is, I guess, the point where this nominating process is, and how people will be able to figure out, so, kind of (inaudible).

MR. OESTERLE: Well, and there's an added feature; if at the rate we're going, if every person who needed to be confirmed goes through the entire process, it will take 11 years. So, there's a lot of people who are not going to get through that process, and we are adding tough ones or easy ones, makes, you know, just adds to --

MR. WHITE: So in the end of Senator -- or President Elizabeth Warren's second term with Obama.

MR. OESTERLE: Well, that's a good segue, and there's one person on the panel here who works for Elizabeth Warren for a little bit.

SPEAKER: (Crosstalk) a little bit.

(Laughter)

MR. OESTERLE: She's probably running, Sherrod Brown is probably running, let's start with the -- with Sherrod Brown, I think the microcosm of the Senate Banking Committee what -- and each of you can chime in the way you just did -- but I'm starting with you, Isaac. What do you think of what that's going to mean where the two of them seem very interested in getting out their money? Are they just going to be in Iowa all the time?

MR. BOLTANSKY: Sure. So I think we are in this phase now that sums all the ideas primary, and it's where we are going to see all of the folks who are running for President which, as Ben said, it's going to be a fair amount of the Senate Democratic Caucus throwing out big ideas that I think are meant to play to the Democratic Presidential Primary voters.

And so what does that mean? Well, I think good examples are Senator Brown's and Booker's overage -- Overdraft Fee Legislation, or Senator Harris' Rent Subsidization Bill, that these are the types of big ideas that aren't meant to be enacted, they are meant to be talking points on a campaign trail.

And so I think if we are going to have a slew of meetings between now and Iowa, which is, by the way, 440 days away, if anyone is counting, and so that's the type of headline that I'm talking about. Within that four-arm industry, I think we should be cognizant it will have some big bank bashing element to it. Whether it's the return of Glass-Steagall, or ATM fees or -- I do think student loan debt is going to be a big talking point on the campaign trail, so you'll see revived proposals there, and other items.

So, those are the types of proposals that we are going to see, because all of them are running, and every one of them is cognizant of the fact that actually legislators will be incredibly good at. So why not throw out messaging that will also help you on the journey?

MS. SOLOMON: And I think, for me, you know, clearly not as many get through to the Senate but, you know, the Democrats proposed that, and I do think that you're going to start to see more discussion around the bank tax, talking about how banks are so profitable. You know, they’ve had great runs lasting years, and then not so great about what -- even Maxine Waters said -- she's not that worried about lending, it's more about what banks are doing with all the capital, and housing, and how that interplays with the (inaudible) on the Tax Cuts and Jobs Act.

And you're already seeing folks in -- you know, in the Senate talking about how, you know, we can take some of this money from the banks and use it to, you know, (inaudible) borrowing along, you know, and you're able to follow, or what not. And so I mean, and the bank tax is always a -- you know, it's a nice approach, but I do think you're going to start hearing more about that, and take the easy way out for them.

MR. WHITE: Yes. I mean, I don't know if I have a whole lot to add to that, other than thinking about whether your, you know, a Senate Democrat thinking of, the President, like Brown, and Booker, and Harris. You know, how much of your time you are going to spend in D.C., versus Iowa or New Hampshire, you know, there's not going to be much happening in D.C. So you pretty much get a free pass, and you have to show up, or else you get beat up, you know, for hurting the campaign, and all the rest of it.

But, you know, they're going to beat the path there and stay there, and all the action will be around like, as Isaac said, that the idea is the primary, he wished these ideas catch on, and even most to give her (inaudible) kind of populist fervor.

It's like the Democratic Party in a way, but also doesn’t add to any -- the voters that they need to put those -- that's the only (inaudible) they’ve got, like, this 2020 really depends on the Democrats at the presidential level, you know, taking back Pennsylvania, Michigan, Wisconsin, you do that and you win the White House.

And if you don't know how important, you know, which each Democrat will try to do although it doesn’t look like (inaudible) was putting his weight through them, Jeff Brown will change that now, a catalyst which somehow means you get a nomination.

And I don't know if it will, but if it's plausible that you could but, you know, if you're in this industry and you are expecting it -- legislation you're not going to get it, and you're expecting, you know, to avoid making it to the headlines, and you're not going to make that either, because it's everything that gets sees in our (inaudible).

MR. OESTERLE: But, you know, throughout the speculation that's Sherrod Brown did, does anybody want to speculate on who they think the nominee will be, actually on both sides? Are we going to see President Trump; now, any ideas? Come on, your turn. And obviously you're also, (inaudible).

MR. WHITE: Yes, Ben? (Laughter) You know, I will start it off because, you know, I predicted the 2016 Elections so perfectly. You know, I was out there saying President Trump is definitely going to win, and on election night, of course I wasn’t -- I was already -- you know, you could tell that at the end of that campaign, talking then at Hillary Clinton's campaign about those good Western States, they had a problem.

You know, the numbers weren't moving in the way they needed to, and that's why you saw Obama get deployed late to those states, it was too late to change the momentum away from her and to Trump. So, actually on election night, itself, I was not that surprised that what looked like it was happening in those states wound up happening. But I had no idea I was going to get to the Democratic nomination in 2020, nobody else does either.

I mean, I tend to like, sort of the thing that Biden is the default front runner among Democrats, given that, you know, he's the Former Vice President, he is popular, he is good in the Midwest, he's making that point for the rest (inaudible) the Democrats would like. Certainly not from Sanders nor was (inaudible), but the Democrats decided that the most important thing to them is waiting (inaudible) President Trump, and he's probably the safest nominee, he knows -- you know, an older gentleman, he comes across as equally vigorous, and all the rest of it.

So, you know, I have to put him as the

favorite but, you know, it's essentially he was (inaudible) Trump being the nominee, the Republican Party absolutely 100 percent will be, unless something crazy happens with Mueller, and the impeachment, and all the rest of it.

Will we have any idea? I think if we say it's status quo, or where we are right now is through the (inaudible) days where it is, and the economy softens in 2019, and making it into 2020, and it will be a primary challenge, whether it's Flake, or whether it's John Kasich who is obviously running for President, and has been forever -- (laughter) -- you know, there will be a challenge, so the question is: how seriously they take him, and will the election damage him or strengthen him?

President Trump is (inaudible), he's got foil -- and an opponent he can beat up on him, and make it all about "them" which, you know, with respect to the Midterms he was clearly backing some of the Red States, that it flipped to the Republicans. But, you know, he could engage on the House side, it was foiled, you know, so he could probably beat up on anybody who tries to challenge him for the Republican nomination, and maybe they even (inaudible) when it's general election.

But my guess is he does get to be a part of the challenge, and if the economy is not super strong, and if he's had a run of very bad news out of the Mueller probe, that challenge could be significant, if he doesn’t, you know, get the sense of it pretty quickly.

MS. SOLOMON: I mean, I agree. Although, again, you know, 440 days seems -- it may not be that far away, but a lot of times it will be economy from now and then to wages, I feel like that, you know, we are going to have to watch and see how badly the Midwest sort of fairs, and if the Trump's trade war if that continues. You know, the tariffs on China, it that continues as he gets into, you know, perhaps some kind of truce.

You know, I had dinner with (Inaudible) on Friday night. You know, there are some real signs that the manufacturing sector is hurting from this, you know, and then the (inaudible) is pretty dismal, and I think he's seeing slow wage growth and he (inaudible) why. So, you know, there are really these outliers in the Army that could make it easier for a Trump (inaudible) come out there and talk about, you know, the left-behind, people who have not really been (inaudible) from the recession, and to sort of who never recovered from the recession.

And, you know, and I do think that one of the things he will do is to talk about banks and their profitability, and how, you know, that the riches are not flowing down -- flowing down to the middle and to -- you know, middle class. So, I think it's hard to predict. But yeah, I will agree with Ben that, you know, barring that would mean Trump will be the nominee in 2020 for the Republicans (inaudible). Sorry, we'll pay out that (inaudible).

I mean, I'm prepared -- when you go to these states that have been decimated almost by -- you know, soybean farmers and the corn farmers in Iowa, they still love Trump, they think he's fighting the (inaudible), and they don't see any downsides to what he's doing. Now, that may change, you know, that may change, or he will continue to do this, you know, and if we get in some (inaudible) trade war with China, that could change. But, you know, all signs are pointing towards his popularity, despite what the poll says, continuing.

MR. BOLTANSKY: So, generally, with

everything, just two points I'll add onto it. The number one is, if we go back into the way-back machine to 2006, I don't think many folks would have predicted that Barack Obama would be the nominee let alone the next President. So, I think that's just instructive in thinking about this, both because of the normal timeline, but also because the new cycle is now in dog-years, right, so goodness only knows what will change between now and the Primary.

Point number two is something I've been thinking about a fair amount, it's just, you know, history doesn’t repeat itself, but it often rhymes, and I think just like the Republican Party had its Tea Party moment in 2010, and that battled through the (inaudible) of the Republican Party, I think the Democrats are going to go through something similar within the Urban Tea Party, right -- laughter -- where we are going to have, you know, (inaudible) in the centuries, I feel badly (inaudible) for this whole department.

I mean, here it's just the first numbers that (inaudible), in the next Congress, the two largest ideological-based caucuses, the Congressional Progressive Caucus for Democrats, the Congressional

Progressive Caucus which is part of that, and the New Dems which are seen as the centrists, well each will have over 90 members.

So, each one of them will control over 40 -- about, excuse me, 40 percent of the total Democratic Caucus. And so seeing that battle and how that plays out, I think it's going to be significant in trying to figure out what the autonomy is for the Democrats. And what direction they'll take (inaudible).

MR. OESTERLE: Yes. It's going to be interesting, and it's going to be expensive, those are the two things we know for sure at this point. I'm going to look to the first question coming from the audience. You guys will like this. It's gotten the most votes: notes that big banks are heavily blue, small banks are heavily red, and just among them because they're businesses. But then here's the interesting question, "How do we convince the Democrats not to make us the villain?" So, I assume that's coming from a banker.

MR. WHITE: Yes. Well, let me be the first to answer that question. It's like: don't have any scandals between now and the primaries. You know, don't get themselves in trouble. You know, it's going to be very difficult because there will be (inaudible) to, in both parties, frankly. I mean, President Trump, you know, shared this at the end of the campaign, and he was tackling all the tax, and the defenders of Wall Street.

And they always defend the populist messages in part are based on that, the idea that, you know, the powerful interests controlled Washington, and drain the swamp, and so, you know, that will tell you to some degree, on the right, as it's becoming quite popular on the right. And on the left it's, you know, been going for quite all the time, and you will continued to be -- and so I'm going to be gracious on how to convince either side to, say, kind of drop that approach, because it works, and leads -- kind of popular.

So, you know, don't mess up, don't get in trouble, don't have scandals, don't -- try to roll back, well, capital standards across the board, and I think it's like, you cannot obviously make any part of this said, you know, they were smart, she has submitted both the stress tests, and in the G-SIB surcharge nevertheless in any of the campaigns that are big usually, and how they get out of this is probably not the greatest idea in the world.

And then, you know, be it, when they give you both small businesses and talking about that, and he said we should talk about that, and a (inaudible).

MR. BOLTANSKY: So, let me throw on here just two points, the first (inaudible) obtains is that in D.C. stories are better than spreadsheets. And so I think this is something that we heard about yesterday on the CEO Panel, which is explaining to folks at D.C. that banks are the engine for economic growth. And I think that's still lost though on some of members, and the 26-year-old staffers who actually run D.C., and so explaining that story to those folks is important.

And the second is, and I agree with what Ben said, and he's staying under the radar, I would agree. And this is something that I've been thinking about at the House Financial Services Committee, they are panoply of issues that they can look at. They're going to have to prioritize, and I think that they are going to prioritize based on issues that are accessible to the public.

Whether that is the next big scandal, or it's consumer-facing issues from the Bureau about hating lending or debt collection. So, really it's saying under the radar and explaining the importance of banking to growing the economy of jobs. Those two things together will blunt the ultimate impact of (inaudible).

MS. SOLOMON: Yeah. I mean, you know, you're already seeing people question -- people, the Democrats questioning what the banks have done with the Tax Cut, right. If the answer is, they just bought back shares, it might actually not be the best selling point, but if you have an offer that's (inaudible) business paying more big banks, it's going to --

SPEAKER: (Inaudible)?

MS. SOLOMON: -- but on how to improve their image on the banks, you know, if banks can show that they have taken a tax cut and rewarded workers, and increased wages and, you know, starting helping, you know, lower-income communities, you know, those are obviously the areas. But again, you know, you just don't know what's going to happen. I mean, who would have predicted the Wells Fargo situation. I mean, Wells Fargo has been sort of the darlings of Capitol Hill for so long.

So, it's kind of predicted as impossible but, you know, I'm throwing it out there, and chanting, you know, more transparency, and (inaudible) in having lower capital rates is of course is not going to be a winning argument in discipline at the Congress.

MR. OESTERLE: Well, one of the things that the industry is considering very closely has to do with, California has had their own privacy, Europe has had their own privacy, and the industry is now considering, what can we do to get ahead of things, probably anticipating the appointment for this (inaudible) another issue.

There is also a very wide variance in the privacy standards across industries, that defines the services industry, at least (inaudible) years ago, has had some standards for part of the loans, as other folks stepped into them. But what are your views on threading the needle, or maybe it just becomes an issue for now? But the privacy stuff would be put out there by the industry itself, and I think folks understand that they're going to have to give some to get some as, well, it's not going to be an easy thing.

But Isaac, any thoughts on that, where the privacy legislation will go?

MR. BOLTANSKY: Sure. I have trouble seeing, moving on the Federal side. But I want to highlight what I think will be a trend over the next few years, which is more actually that I want to say about it. And let's just throw out a couple numbers. In the most recent election Democrats won seven more governorships, they won four more AGs, and we know what AGs stand for, Aspiring Governor -- (laughter) -- and they have now six different states where they have -- six additional states where they will they have trifecta, where you have the governorship and both Houses of the Legislature.

And so, I think as we see the Fed, the Federal Government, you know, in a lot of ways standing still on certain issues from a legislative perspective, moving slowly on regulatory side. I think some of these states are going to become much more aggressive. We're already seeing that in California, but I think we're going to seeing it in other states. New York with their regulation, that's an interest, however, how are they with payday lending, a valid issue.

So, I think we will continue to see states moving, which ultimately is going to pressure the election. I just don't see it in this Congress.

MS. SOLOMON: And I'll agree. I mean I think that actually involved with the age-level, especially, you know, you're seeing that with student lending and, you know, they're sort of -- if they don't get -- the CFPB it continues it continues to be, you know, the paper tiger, but that has become more the actual view of it.

Being engaged at the (inaudible) that they're going to pick up where the CFPB left off. And obviously it's not as -- you know, it may not be as onerous as having the Federal agency, but it's really pretty damning. And I think, you know, it's the same thing with privacy, and California has been leading on that, antitrust issues. You know, I really do take that, and if you don't have pretty strong lobbying team in California and New York, (inaudible) is much lower.

MR. WHITE: And I wouldn't disagree with any of that. The only additional point I would make is that some degree on the privacy fronts, the banking industry is protected a little by the fact that, you know, people are more angry and upset about Facebook and social media.

So, you know, yes, you could make yourselves that they could be able to focus on that for a while, and should be given all the daily breaches, and the issues we've seen with the entire (inaudible) that are going on, on Facebook, and the Russian influence, and all the rest of it.

So, we are focused on the items and making sure (inaudible) working on the problems and bringing them to The Hill. And so if we get a break from the headlines a little bit as well as Capitol Hill focuses on social media, Facebook, but again, there's lots of action besides that (inaudible) not need to worry about.

MR. OESTERLE: So, just to confirm this thing, a (inaudible) her preemption; and then part of the national (inaudible) is that -- it will be broader? Or, you'll get like a multi-python exercise of the banking industry?

MR. WHITE: Yes.

MR. OESTERLE: Yes? So, that's a yes. I'm getting more questions here. One specifically goes, "Do you think Kathy Granger is going to be confirmed?"

And I'll sort of answer that. I believe this time next week she will be confirmed. But for you, the panel, how do you believe her confirmation may or may not change the CFPB's direction going forward?

MS. SOLOMON: That's a great question. I mean, I think she was -- she worked with Megan O'Malley fairly closely on (inaudible). She's been described as a (inaudible) who shares his views. I don't think she's quite as, say, (inaudible) scenes and, you know, she's not -- I don't think she's going to be sending scathing smiles to the CFPB staff in a way that Senator Keaveny has been. But I don't see any great change in the way that that Agency is operating.

And I think, you know, the industry has made a fairly good wages case I think to, you know, those in the industry, and that there's overreach and you put, you know, duplication regulation, and that was, you know, really hurting your industry.

My concern is that it gives me an issue with, you know, the military lending, or a variance, if one scandal is just going to break by the -- you know, break wide open, you know, the roll back, because those are the areas where, for a while there was still protection, and there was, you know, still a focus on war spending.

But that would have been more me reported than others. There's been less focus on the military lending, scans and protecting variance, and I think that you have to be really careful of that. You know, I don't know what she's going to do, and I mean so far (inaudible) and there's very little that they're doing now.

I mean there's, you know, they don't do much, and I would assume that she's going to take over and (inaudible), you know, some power. But I don't would expect her to put out rules payday lending, or anything that would really change the course, you know, significantly. But (inaudible) disagree.

MR. BOLTANSKY: So, after all that, I think all that's fair. But I have just a couple items. What are the issues related to dramatically cut the budget? I think that's something if you watch -- and if you're watching and hearing that point was made and it was a question of Senator Warren. And what does that really mean? I think that it's going to continue to dramatically diminish the (inaudible) for a while.

And then for bankers, there are two things that I would be watching, one is the Payday Rule, which there will be a dramatic suffrage, and that's where they

-- they have to come out with something to pull the backbone out of the rule, which is the inability to replacing it.

I think that matters to bankers because I truly believe that small-dollar lending can return to the banking system, much like U.S. Bank's new product. And I think that's where the trends in the city, with the change in the Payday Rule that's going to come early next year.

And the other is debt collection. There's going to be a proposal that update the Fair Debt Collections Practices Act, and it will also (inaudible) entities, that hadn't really been updated since then. It literally references sending telegrams in the law, but it doesn’t -- we need an update for, you know, email, and cell phones, and those things.

So, that's something that there's actually agreement for those at the consumer side, and industry on updating that. So, really it's exactly what we expected, it's just now you'll have a Director in place.

MR. WHITE: That is absolutely right, and her agenda and budget priority, and the rest of us we'll see it as the (inaudible), and it's the reason why she's nominated and they were close, I mean, and similarly aligned. I think the question for her will be, you know: how good is she in testifying before the House and Financial Services Staff, because once they do this step on Payday Lending, and that all the rest of this, she's immediately going to be called upon to testify, and to talk about it and say, well, it's a good idea, or a bad idea, and the President sure, points against her, and against Republicans in general, banks, and all these things.

And then she -- the argument is that, you know, we're trying to get, more lending to more people, and all the rest of it. And I employ the (inaudible) nowhere -- but she was going to testify before, but she's going to get a lot of opportunities to go up there and (inaudible).

SPEAKER: (Crosstalk) --

MR. OESTERLE: Switching back to another question: I know we've done all the setup on this, and I think we talked a little bit about, about something I think and it's relevant, the investigation of President Trump. And I'll add a comment. I used to have to tell the House staffers that the Senate is the place where all their hopes and dreams are going to die, and I was the one who would kill them.

But folks want to know if there are any prospects for any obvious -- any reform legislation, which I've already teed up, probably not, but.

MR. BOLTANSKY: It's going to be tough, and I think there's been a lot of good work done in explaining the issue why it's not updated. It's just hard to see that getting much air. It feels like it's really been crowded out next year. It's going to -- it's worth the try, it's great, and the need with the continuing educating staffers and law makers, and the importance of it, but it just feels like there are too many other banking legislatures I think.

MR. WHITE: Just to confer with that. I mean it's for a while I should probably disclose that I'm not (inaudible).

MR. OESTERLE: Fortunately I've tried to push this for years. There has never been a closed hearing in the Banking Committee and the House Financial Services Committee on the use of all the stuff that the banks are generating. I would love for them to go behind closed doors and actually hear from folks to get a better understanding. Here's the good stuff, here's the wasteful stuff.

So, that hasn’t even happened. And there are a lot of things led to it that need to happen for it to get further along. Well, we've been asking for a lot of answers, this is kind of go from here, and we'd like to hear from each of you as we're getting close to the end.

What do you think are the big questions for this group, our industry, the roll down for where -- or what should we be looking at besides hitting other scandals, doing nice loans that people will be (inaudible)? What else are we missing? What should we be thinking now?

MS. SOLOMON: I mean, one thing that I will talk about is Community Reinvestment Act, you know, it's everybody's favorite, and it's CRA, you know, and the thought about doing that, it's the Congressional --

SPEAKER: Review.

MS. SOLOMON: -- Review, but there seems to be -- you can tell a little bit that there's -- you know, what had initially been seen as a fairly, you know, kind of a -- it's not that it's not a really aggressive approach by Treasury, and, you know, sort of respective by the idea, you know, the idea of how to reform CRA, had sort of morphed into, well, into a -- you know, into quite an issue.

The Democrats were saying that it's basically going to help banks avoid making investments in loans to communities, and I think that narrative is going to start to take off, to speak to the news, and it's welcome and, I mean, every lawmaker knows what CRA is. And CRA is incredibly important to the banks in terms of what they can do, you know, with the workers in that Division.

So, I do think that is an area to pay attention to. I mean it's happening at the regulatory level but, you know, never underestimate the power of connecting borrowers and lenders to really call attention to -- you know, it just varies as how banks are utilizing it.

MR. BOLTANSKY: So, I'll throw in, that's absolutely right, that's a big name that will take when we think about these things. But here is one I've been thinking about. We will be having a new Head of the FHFA, the Federal Housing Finance Agency, over the next few months. And I think that incredibly important for a couple reasons.

Number one, housing is 20 percent of GDP, so who is in that seat will oversee Fannie and Freddie, that's meaningful. Now, the number two is, there's this sort of yin and yang, push and pull, on the one hand, there's classic GOP orthodoxy on Fannie and Freddie, which is the trigger for banks.

And on the other hand, we have the Trump administration's growth agenda. And you can't have both of those things at the same time. You can't lower loan limits, increase fees, while still expecting economic growth.

And so, but I think that's going to be an interesting thing to watch with the FHFA Grant denomination, with the Treasury plan, if there is such a plan that will come with the legislative efforts that are indeed forthcoming. So, that's what I wanted to add.

MS. SOLOMON: Mark, as we've had the time to talk through that (inaudible).

MR. WHITE: Yes. I don't think I have anything more to add to what we've already talked about. I mean, I'm mostly focused now on drawing the macroeconomic picture, and the (inaudible) DRC, and I mean the CapEx story is a big one, that I think there is very close watching. You know, whether that's slow down in the third quarter in capital expenditures, it's a real one that gets repeated, or if it's -- you know, it's like (inaudible) suggests kind of a one-off based on the number of factors then that this boom in capital expenditures will continue into the fourth quarter and into next year.

Because, you know, if it doesn’t, well, we've got more problems, and the economic slowdown is already it's real, if it comes back and the tax cut, you know, better and it's really being reinvesting in plants, and equipments, and workers and wages, and then hearing that you’ve read the growth stories and still pouring into next year, and even if some of the stimulus fades.

You know, add on top of that, the trade concerns and, you know, this meeting machine is incredibly important, the extent to which, you know, Isaac gave, so for three scenarios in the call this morning, talking about, you know, the big yield hoping to actually, you know, have something where the Chinese gives some ground on IP for technology transfer, and the (inaudible) for natural gas.

I don't think that will happen. I also would think that the -- you know, the disastrous meeting in which the two didn’t get along, and it turns out to nothing. Trump comes out of the anguished meeting that's (inaudible) the markets, and hanging on, on Monday and Tuesday. And probably it's at the middle where there's agreement, or are having talks, and the Chinese maybe offer one or two things that Trump can boast about.

And we're already getting to 45 percent tariffs on everything that China exports to the United States next year, because if we do get that, you know, that's a real trade war, that's a real cost for consumers, and the tax (inaudible), and the inflation picture. And there's just a lot of uncertainty on capital expenditure, and on trade, that will really impact where the economy goes next year, what the political landscape looks like based on that.

So, you know, we've covered all the nitty-gritty of some of the thin (inaudible) stuff, and with the bank legislation coming up early next year, with me, the real question is, you know: is this economy ticking towards recession, or do we have more of the -- you know, the Trump boom and in 2019?. And that will decide, you know, whether he gets reelected, or whether the Democrats get (inaudible) with this.

MR. OESTERLE: Well, I guess that's the last word. Thank you for coming out early, and a lot of bankers' hours. And I believe the group can understand; a very muddled mess in Washington. I appreciate it. (Applause)

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