

## Democrats get campaign cash from banks ahead of deregulation vote (Financial Times)

A number of key Democrats in the US Senate are finding pockets of financial support for re-election races this year from a cluster of banks that have stepped up campaign contributions ahead of a vote on industry deregulation.

A bipartisan bill which could proceed to a full vote in coming weeks would lift the threshold for “systemically important” banks from \$50bn in assets to \$250bn, cutting from 38 to 12 the number of institutions subject to more intense oversight by the Federal Reserve. The bill has attracted support from banks approaching the \$50bn mark, which have most to gain from the deregulation and have blanched at the cost of complying with tougher requirements on capital and liquidity, as well as stress tests and so-called living wills.

Individuals connected to one lender just beneath the threshold, Signature Bank, have donated \$112,000 to Democratic senators so far in the 2017-2018 election cycle, according to Federal Election Commission data tallied by the Center for Responsive Politics. That is about eight times as much as people affiliated with the New York-based bank gave to Democrats in the entire 2015-2016 cycle.

While Democrats tend to be united in opposing measures that might hand advantages to bigger banks such as Wells Fargo or Goldman Sachs, the new bill has opened up a rift within the party, as moderates tout its benefits for regional banks and rural economies. Other banks that have increased contributions to Democrats in the 2017-2018 cycle include several within sight of \$50bn in assets, such as Associated Banc Corp of Green Bay, Wisconsin (which has \$30bn of assets), Hancock Holding Company of Gulfport, Mississippi (\$27bn), and Dallas-based Texas Capital Bancshares (\$25bn).

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The Signature-linked donations have been split between Joe Donnelly of Indiana and Heidi Heitkamp of North Dakota, moderate members of the Senate banking committee who are up for re-election in states won by Donald Trump in 2016. Both are among a dozen Democrat defectors who have co-sponsored the bill, which was led by Mike Crapo, the Republican senator from Idaho.

Scott Shay, chairman of Signature, which had \$43bn in assets at the end of last year, said that he admired Ms Heitkamp and Mr Donnelly for their stances on immigration and the government shutdown — and also for their backing of the Crapo bill. “We find it ridiculous and unacceptable that by virtue of . . . growing one day past \$50bn, we will be burdened with rules intended for the mega ‘too big to fail’ banks,” he said. “We strongly believe that we are not even in the same zip code as being systemically important to the US, to New York or even to midtown Manhattan.”

A spokesperson for Mr Donnelly said the “carefully-written bipartisan package” would make it easier for small businesses and families to get loans, and that the senator had been working on the issue since 2013. Ms Heitkamp, who represents a predominantly rural state where smaller

banks are integral to the economy, said she has also been pushing for legislation to help such lenders since she joined the Senate.

In the 2016 election cycle, the list of the top recipients of contributions from commercial banks was dominated by Republicans such as Pat Toomey of Pennsylvania and Marco Rubio of Florida. So far in the 2018 cycle, Ms Heitkamp and Mr Donnelly are well out in front. Another five Democratic senators who supported the Crapo bill also appear in the top 20: Claire McCaskill (Missouri), Tim Kaine (Virginia), Jon Tester (Montana), Doug Jones (Alabama) and Mark Warner (Virginia), of which the latter three are members of the Senate banking committee.

"This bill lets larger banks get even bigger by acquiring smaller banks without triggering any increased regulatory scrutiny," said Marcus Stanley, policy director at Americans for Financial Reform. "That's precisely the wrong direction to go."

Recommended Wall Street welcomes Trump's shift on regulation. The Crapo bill was approved by the Senate banking committee in December and has become banks' best bet for regulatory relief, although it is unclear how much appetite Republican leaders have to put it to a vote given more pressing matters such as immigration. Signature, a specialist in lending to small and mid-sized companies, has enjoyed rapid organic growth since its founding in 2001 by Mr Shay, a former Salomon Brothers banker. Its board includes Barney Frank, the former congressman and co-architect of the Dodd-Frank bill, and Al D'Amato, former New York senator. Ivanka Trump, the daughter of the president, was also a director between 2011 and 2013.

A spokesperson for Associated Banc Corp stressed that contributions associated with the bank came from "individuals, at their own discretion and based on their own political beliefs." Hancock and Texas Capital could not immediately be reached for comment. Analysts said a lifting of the \$50bn threshold could spur merger activity, as banks no longer feared the costs of much heavier supervision.

"There's no doubt in my mind . . . that [if this bill passes] some of the banks at \$40bn right now would double very quickly," said Doug Landy, a partner at Milbank in Washington.