

# The Pendulum Swings: Financial Supervision Under President Trump

**2025 Bank President's Seminar**  
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# Summary

- Potential policy changes/Macro environment - DOGE
- Governance and risk management
- Enforcement philosophy and compliance
- AI and technology issues
- Capital/credit risk/stress tests/other
- Novel bank activities
- Financial crime: AML/CFT (Anti-Money Laundering/Countering the financing of terrorism) challenges
- Questions

# 2025: Potential Policy Changes/Macro Environment/DOGE

- President, U.S. Senate, U.S House of Representatives, U.S. Supreme Court – GOP
  - Trump won both popular vote (Trump 49.8% and Harris 48.2%) and Electoral College (Trump 312, Harris 266)
  - President Trump – First nonconsecutive U.S. President to be reelected since Grover Cleveland (1885 - 1889 and 1893 - 1897)
  - Change election
  - Role of the states vs. Federal government
- Macro economy – Fed and rate cuts; federal government spending and hiring
- Technology, capital markets and energy
- Taxes – deadline – action needed
- DOGE - Governmental efficiency – effect on bank and other regulatory agencies and examinations
- Crypto and Artificial Intelligence (AI)
  - BSA requirements, sanctions, TPRM, other

# 2025 – Potential Policy Changes

- Bank mergers/De novos
- Fair Access Rule
- Bank fees
- Community Reinvestment Act (CRA)
- Community banking: small business lending, job creation and the middle class – remember who the Trump voter was in swing states/populism
- Dual banking system
  - Blue and red states
  - State regulators, Attorneys General
  - Federal preemption
  - Importance of Sacramento
- Congressional Review Act
- “Chevron” Decision – Litigation?

# 2025 – Governance and Risk Management

- SVB effect: Risk profile, risk appetite, corporate governance, board composition, ERM/CROs, strategic plans, financial resiliency
- Fed report on LFI's - 2/3 of the 31 LFI's have unsatisfactory ratings for some reason (not disclosed publicly) - November 2024
- BSA & Sanctions, Cyber, financial resiliency, TPRM - what if bank cannot open? Synapse.
- Regulatory relief - AML/CFT, CRA, CFPB, UDAAAP, concentrations
- Asset thresholds

# 2025 – Enforcement Philosophy and Compliance

- DOJ and bank regulators issuing orders? TD Bank, Binance, others
- AML/CFT and sanctions – Note pending AML/CFT regulations – Risk Assessment and likely increase use of sanctions
- OCC Enforcement Manual – Actions against banks with persistent weaknesses (May 2023)
- CFPB – Unfair and deceptive practices, bank fees, others/policy changes

# 2025 – AI and Technology Issues

- Trump administration: “Hands off” regarding AI
- AI – use in banks, effect of AI regulation on banks
- Heritage Foundation report on AI
- House of Representatives report on AI
- Crypto – stable coin legislation, licensing, novel activities, proper risk management and supervision, blockchain – expect focus on crypto
- Cybersecurity
- TPRM – Fintech relationships and outsourcing

# 2025 – Capital/Credit Risk/Other

- CRE concentrations/risk management – regulatory vs. market
- Stress tests
- Nonbanks/hedge funds
- Fannie and Freddie reform
- FHLB “reform”
- Bank capital/Basel III end game – unintended consequences, credit availability, small business impact
- Living Wills

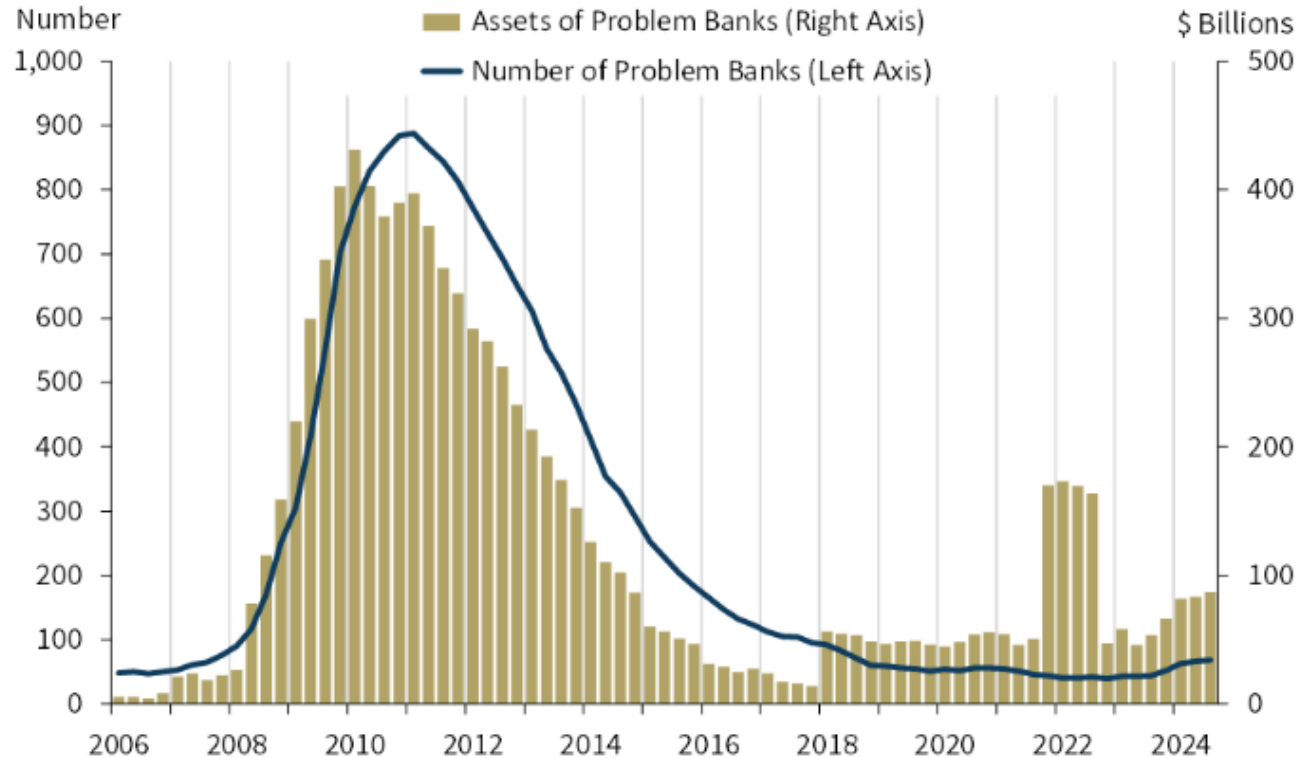


# 2024 – CRE Share of Bank Total Assets

Bank Category	Share of Bank Total Assets			
	Multifamily CRE Loans	Commercial CRE Loans	Funded CRE Construction Loans	Total Direct CRE Exposure
Fed "Large" Banks (25 banks, >\$160B total assets)	1.4%	2.1%	0.8%	4.4%
Regional Banks (133 banks, \$19-160B total assets)	4.8%	8.9%	4.0%	17.8%
Community Banks (849 banks, \$1-10B total assets)	6.0%	14.0%	5.8%	25.7%
Small Banks (2,890 banks, \$100mm-1B total assets)	3.1%	10.3%	5.3%	18.7%
Small Banks (726 banks, <\$100mm total assets)	0.9%	3.9%	2.5%	7.3%

Source: Moody's CRE Regulatory Landscape Report, Oct 2024

## Number and Assets of Banks on the "Problem Bank List"



Source: FDIC.

Note: The asset values of insured financial institutions on the problem bank list are what were on record as of the last day of the quarter.

This chart shows the number and total assets of banks on the FDIC's "Problem Bank List." Banks on this list have a CAMELS composite rating of "4" or "5" due to financial, operational, or managerial weaknesses, or a combination of such issues. The number of banks on the list increased by two in the third quarter to 68 banks, while total assets held by problem banks increased \$3.9 billion to \$87.3 billion. The number of problem banks represent 1.5 percent of total banks, which is within the normal range for non-crisis periods of 1 to 2 percent of all banks.

No banks failed during the third quarter.

# Novel Bank Activities

- Baas
- Novel Bank charters – Fintech’s / Crypto – digital assets – access to banks
- Third – Party Risk Management (TPRM) - Final Interagency Guidance
  - Manage risks with third parties
  - Sound risk management principles – size, complexity, risk profile, risk focused and tailoring
  - Due diligence, contracts, governance, bank oversight of third-party contractors, frequency, expertise, controls, independence
  - Concentration risk
  - Back to basics!
- AML/CFT – FinCrime

# Financial Crime: AML/CFT Challenges

- Increasing cost to operate BSA/AML programs
- People, processes and technology
- Staffing, program, audit, training, UBO, risk assessment/data driven
- Three lines of defense
- Sustainable program
- Technology/AI
- Sanctions
- AMLA Implementation
- Digital Assets/crypto
- Cyber/privacy

# Questions

