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Trump 2.0 Could Mean a More Bank- and Fintech-Friendly Environment

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Key Points

- New leadership at the financial regulatory agencies is likely to reverse some Biden-era rules and policy statements.
- President-elect Trump's picks are expected to make industry-friendly changes in a number of areas, including supervision, capital and liquidity requirements, and digital assets.
- Banks and fintechs are entering the most favorable regulatory environment in years. Time is of the essence for institutions to understand the implications of key changes and ensure that they are positioned to act opportunistically, particularly for M&A and bank chartering.

Banking and financial issues did not have a central role in the 2024 election, but they are set to come into focus in the first quarter of 2025 as new leadership takes over in the White House, both chambers of Congress and the federal financial regulatory agencies.

The changes will prompt new supervisory and enforcement priorities and could usher in a regulatory environment more open to bank mergers and innovation in financial technology and digital assets.

Personnel as Policy

Republican control of the Senate will likely bring swift approval to many, if not most, of President-elect Donald Trump's nominees that require Senate consent. Even prior to formal confirmation, Trump will be able to rely on "acting" heads to immediately control certain federal agencies.

Because of the relative paucity of federal banking legislation in recent years, the selection of key personnel itself will mean a change in policy. New leadership can issue new interpretations and rescind Biden-era rules and policy statements.

In a number of areas, which we highlight below, these "Trump 2.0" regulators are expected to usher in a new deregulatory environment. Financial institutions should carefully assess and communicate the implications of key regulatory changes to their boards, investors and other relevant stakeholders.

Policy and Priority Shifts Signal a New Deregulatory Environment

As financial institutions adjust to an altered legislative and regulatory landscape in Washington, several areas are particularly important to keep an eye on in 2025:

- **Reversal of Biden-era rules and policies.** It is widely anticipated that President-elect Trump will revoke a number of Biden-era executive orders, and that his appointees will rescind policies or guidance on various topics, including on climate and environmental, social, and governance (ESG) matters. (See "A Significant Shift Away From ESG and Toward Crypto Is Expected at the SEC.") In addition, certain prior rules (such as those under the Community Reinvestment Act and the Consumer Financial Protection Bureau's (CFPB) recently finalized rules on "open banking" and supervising large nonbank payment providers) and proposed rules (such as the Federal Deposit Insurance Corporation's (FDIC) changes regarding brokered deposits) could be revisited, although it is not clear how the new agency heads will approach rules that adversely impact the largest banks and fintech companies.
- **Examination and enforcement.** The banking agencies, market regulators and CFPB will likely have a different approach to examination and enforcement than under the Biden

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administration: more sensitivity to "regulation by enforcement" complaints and a greater focus on transparency, both in the examination process and in the specific remediation steps needed to close out enforcement actions. There also could be pressure for supervisory and enforcement actions to be linked to specific violations of statute or regulation. And more emphasis may be placed on risk-based supervision that prioritizes key safety and soundness issues over areas that have been criticized as "check the box" compliance and management issues. Nevertheless, we expect regulators to continue ordinary-course examination and enforcement in areas of bipartisan interest, such as anti-money laundering and sanctions, cybersecurity and data protection. In addition, we do not foresee the current regulatory scrutiny of bank-fintech partnerships abating. (See "Political Changes Are Unlikely To Fundamentally Alter Key Sanctions.")

- **Digital assets.** As a candidate, President-elect Trump vowed to make the U.S. the "crypto capital" and to end the "persecution" of the crypto industry. He has promised to appoint an advisory council on crypto issues and to advance rules "written by people who love" the industry. Nominees for the Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission will provide the earliest indication of the White House's priorities for digital assets and crypto policy. (See "Approach to Corporate Enforcement May Become More Business-Friendly.") In addition, whether and how the two agencies cooperate on novel issues of policy and market structure will be critical. The industry also will look to whether the SEC reverses Staff Accounting Bulletin No. 121, which effectively bars banks from engaging in a wide range of cryptoasset-related banking activities, such as custody services. (See "Cryptocurrencies Stand To Gain From New Regulators and a Receptive Congress.")

- **Capital and liquidity requirements.** Efforts under the Biden administration to advance heightened capital requirements under the so-called "Basel III endgame" proposal stalled in 2024. Under the Trump administration, it is likely that the proposal will be scrapped or revised substantially to be capital-neutral. In addition, the prospects for the surcharge proposal for global systemically important banks and potential rules on long-term debt and liquidity requirements are uncertain.

- **Artificial intelligence.** AI is certain to be of interest to financial regulators over the next four years, particularly as new applications emerge. President-elect Trump has said he will revoke President Joe Biden's 2023 executive order, which outlines AI policy broadly and promotes the development of safeguards against algorithmic discrimination and personal data abuses, as well as of reporting of foreign involvement with certain domestic AI activities. (See "US Federal Regulation of AI Is Likely To Be Lighter, but States May Fill the Void.")

- **Federal housing policy.** Since 2008, the nation's government-sponsored housing finance enterprises, Fannie Mae and Freddie Mac, have been in federal conservatorship. President-elect Trump's Federal Housing Finance Agency selection and statements on privatization will be closely watched.

New Prospects for Bank M&A and Financial Innovation

In recent years, uncertainty on bank regulatory approvals, as well as concerns about unrealized losses on banks' balance sheets, dampened merger activity. In addition, antitrust scrutiny stymied the broader appetite for bank M&A and certain fintech investments. Following the 2024 election, we expect M&A activity will be back on the table for many banks. (See "Resilient Economy and Promises of Lessened Regulation, Lower Taxes Raise Hopes for a Surge in M&A.")

Fintechs are also likely to find a more supportive regulatory environment if they pursue banking charters, including nonconventional ones such as for industrial loan companies.

In the coming months, it will be important to monitor whether and how regulators streamline the process for reviewing bank mergers and new charter applications. Policy statements issued by the Office of the Comptroller of the Currency and FDIC in September 2024 may also be adjusted to reflect greater receptivity to approving deals. In addition, the Department of Justice, which recently withdrew from the 1995 Bank Merger Guidelines, could provide new clarity about how it will review deals for anticompetitive effects. (See "Keep Your Seatbelts Fastened: The Wild Antitrust Ride May Not Be Over.")

Monitoring developments is not the only task. Banks and fintechs pursuing growth strategies should assess their internal readiness to do deals, both from a capital adequacy and risk management perspective, and engage with key stakeholders and advisers.