



## **“Re”-regulation vs. De-regulation**

By: Paul J. Thompson- President and CEO of Country Club Bank, and MBA Chairman

For obvious and some not-so-obvious reasons, the first week of November was one focused on the political landscape. The most obvious reason was, of course, the historic election of our nation’s first African-American President: Barack Obama.

In the not-so-obvious category was the fact that your MBA Government Relations Committee, chaired by Bank of Bolivar President, Brad Gregory, met to review state and federal election results as well as to discuss no less than 20 state and federal legislative issues that are now projected to be in play during the upcoming legislative sessions.

At the state level, 41 new House members—comprising 25% of the State House—were elected to serve in office. You should be aware and proud of the fact that your PAC contributions, under the stewardship of the various MBA PAC Committees and staff members, enjoyed a **98%** effective rate as measured by accurately identifying and supporting the ultimately successful candidate.

Please note that 1/3<sup>rd</sup> of the State Senators (10/34) will face term limits in 2010, as will 59 of the 163 Representatives of the Missouri House. Accordingly, we bankers need to become very engaged in identifying, and building associations with, their legislative replacements.

It may seem counter-intuitive (having just completed an election cycle) but now may be as an important time as ever to be involved in the MBA Target Banker and the MBA Contact Banker programs. A number of these legislators who will be subject to term limits may have a pretty good idea of who their replacement may be and/or could help us to identify, encourage and/or become more familiar with their successors. Staying in close communication with your legislators will be of vital importance to shepherd legislative issues as well as developing insights into who the future legislative leaders will be.

Finally, let me echo some of the remarks that I made during my Chairman’s address at our Convention last June. My crystal ball probably doesn’t work any better than yours but, but juxtaposed against the evidence of the last 90 days, I think they underscore and reinforce the need for our collective diligence and involvement in protecting our industry from political and regulatory risk:

*“This year—maybe like no other one in recent history—will be about change. And change, as you know, means risk.*

*By year-end, Missouri will have elected a new Treasurer and a new Governor. At the Federal level, we will have elected a new President and a new congress. As Robert Novak mentioned yesterday (June 5<sup>th</sup>), some even speculate that the Executive and Legislative branches of the federal government will be controlled, for the first time in 30 years, by the Democrats.*

*Now consider that potential change against the backdrop of the change we have witnessed from just one year ago. Although there were a number who were concerned about the economy and the potential real estate bubble, few, if any, were talking about the sub-prime meltdown and the kind of accompanying real estate free-fall we’ve witnessed. Few would have predicted the scarce liquidity picture that resulted in freezing the auction rate security market. Financial stocks were the talk of the town...a far different picture from the recently reported \$40 Billion reduction in 2008 1<sup>st</sup> quarter earnings for banks and negative earnings for thrifts.*

*The fact of the matter is that banks are in the risk management business and the changes that I have just alluded to create risks for the banking industry that have to be managed.*

*From my perspective, as a banker who literally grew up learning about the industry around the dinner table and arrived in it professionally just after the “deregulation” of banking occurred (ostensibly, Reg Q passed in 1981), I think our biggest risk this year may be political and/or regulatory risk. “Re”-regulation vs. De-regulation, if you will.*

*[And, in the category of eerily prophetic, considering EESA, TARP, etc...] I quote Mr. Chris Kuehl of Armada Corporate Intelligence from the MSCPA’s March 27, 2008 Daily Intelligence Briefing:*

***Now comes the real long-term threat: Politicians. When economic historians look back on the [economic] period of 2007-2008, they are likely to focus on the wave of new regulations and controls imposed by the government and the Fed in the wake of the crisis.***

The Obama administration and the newly-elected, Democrat-controlled Congress will have their own agenda items that, frankly, will only add to the political/regulatory risk to which I referred in my June remarks.

Because effective risk management requires engagement, we individual bankers have to become more engaged in the political process. Accordingly, in 2009, please make a personal commitment to being involved in the Target Banker and Contact Banker programs.

In the meantime, I'll look forward to seeing and meeting with you as we discuss these and other important issues facing our industry at The MBA Executive Management Conference in Kansas City December 3<sup>rd</sup> to 5<sup>th</sup>!