



In the Face of Uncertainty, Agility Wins

Financial Institutions Face an Uncertain Landscape

*"Surprises over the past 12 months—principally the UK vote to exit the European Union (EU) and Donald Trump's victory in the US presidential elections—have tipped the balance to make 2017 one of the most difficult years for business' strategic decision making since the end of the Cold War ..."*¹

*"The risk of major shocks to the global economy is increasing. The potential loss to the world's economic output is estimated at \$1.17 trillion in 2017 and rising in the following two years ..."*²

¹ Graham Buck, "'Acute Uncertainty' lies ahead for business in 2017," GT News, December 14, 2016

² Cambridge Centre for Risk Studies at Cambridge Judge Business School

Domestic Regulatory Uncertainty





Domestic Regulatory Uncertainty

Dodd-Frank will be diluted, though which parts of the financial sector may see relief is unclear. Any unfinished Dodd-Frank rules risk infinite delay.¹

Dodd-Frank will not Be Repealed ...

Mr. Trump will be President and Republicans will still have a Congressional majority, but Democratic Senators can derail changes they oppose through filibusters ... As a result, repealing Dodd-Frank entirely or other big ticket items on the Republican wish list, such as dismantling the Consumer Financial Protection Bureau (CFPB) or Financial Stability Oversight Council (FSOC), will have to wait.²

¹ Bloomberg for Enterprise, "Financial policy 2017 outlook," December 1, 2016

² Harvard Law School Forum on Corporate Governance and Financial Regulation, "Ten Key Implications of Donald Trump's Electoral Victory for Financial and Securities Regulation," December 7, 2016

... However, Some Targeted Dodd-Frank Rollback by Congress will Occur

One likely item is the Volcker Rule's limits on proprietary trading because many deem it as overly intrusive on banks' businesses, and moderates have even questioned its utility. Many have also questioned its adverse impact on market liquidity and its wide net that accidentally captures certain asset managers.¹

¹ Harvard Law School Forum on Corporate Governance and Financial Regulation, "Ten Key Implications of Donald Trump's Electoral Victory for Financial and Securities Regulation," December 7, 2016

The DOL's Fiduciary Duty Rule will Remain Intact but Compliance Deadlines Face Delay

The core of the Department of Labor's (DOL) fiduciary duty rule will likely survive the electoral changes. The industry has already made significant progress toward complying with the rule, and despite the rhetoric there is a general recognition of the importance of removing perceived conflicts of interest between financial advisers and retirement investors.¹

Continue to Prepare?

... A Trump administration may delay the rule from taking effect on April 10, 2017, and/or tweak some components but it is unlikely to quash it ... yet. In other words, advisors should continue to prepare for the rule's first enactment in mid-April.²

¹ Harvard Law School Forum on Corporate Governance and Financial Regulation, "Ten Key Implications of Donald Trump's Electoral Victory for Financial and Securities Regulation," December 7, 2016

² ThinkAdvisor, "A Trump Repeal of the DOL Fiduciary Rule? Not So Fast," November 30, 2016

Will AML and Sanctions Regulation Stay the Course?

We do not expect much deregulation related to sanctions, terrorist financing, and anti-money laundering (AML). In fact, many believe President-elect Trump would reverse President Obama's moves toward easing sanctions against Iran and Cuba, but in our view such a reversal is much easier said than done.¹

NYDFS AML and Sanctions Screening Regulations Effective January 1, 2017

The New York Department of Financial Services (DFS) has adopted a risk-based anti-terrorism and anti-money laundering regulation that requires regulated institutions to maintain programs to monitor and filter transactions for potential Bank Secrecy Act (BSA) and anti-money laundering (AML) violations and prevent transactions with sanctioned entities. The final regulation requires regulated institutions annually to submit a board resolution or senior officer compliance finding confirming steps taken to ascertain compliance with the regulation.

¹ Harvard Law School Forum on Corporate Governance and Financial Regulation, "Ten Key Implications of Donald Trump's Electoral Victory for Financial and Securities Regulation," December 7, 2016

International Uncertainty



Brexit questions

Political instability, and as a corollary financial-regulatory uncertainty, is bound to intensify in 2017 as Europe faces a wave of general elections and Brexit negotiations begin. A groundswell in populist sentiment threatens the survival of the EU as a politico-economic union, and could lead to the dismantling of centralized regulation.¹

The Impact of Geopolitics on the Global Economy

Caution prevails because of the lack of political policy clarity from the US and UK and the impacts on the global trading and economic environment, as well as geopolitics. Political sparks will fly as the new presidency places pressure on the economic relationship between the US and China, vital for the stability of the global economy; and the US withdrawal from the Trans-Pacific Partnership (TPP) threatens to redraw trans-Pacific commerce.²

¹ Bloomberg for Enterprise, "Financial policy 2017 outlook," December 1, 2016

² Graham Buck, "'Acute uncertainty' lies ahead for business in 2017," GT News, December 12, 2016

Uncertainty Demands Preparation and Flexibility

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