



Follow Us In Real Time

REGULATION AND COMPLIANCE

Biden OCC pick cheered by progressives, jeered by industry

By [Brendan Pedersen, Polo Rocha](#) September 23, 2021, 4:41 p.m. EDT 7 Min Read



WASHINGTON — The Biden administration has already picked financial regulatory nominees who are polar opposites from their Trump-appointed predecessors. But the White House's choice to run the Office of the Comptroller of the Currency could be its most left-leaning selection so far.

Cornell University law professor Saule Omarova, who was named as the OCC nominee Thursday, is a noted cryptocurrency skeptic, proposed moving customer deposits to the balance sheet of the Federal Reserve, and even questioned a [recent acquisition spree](#) by JPMorgan Chase.

“Omarova is likely to be Biden’s most polarizing pick for a top financial regulatory job,” Ian Katz, an analyst with Capital Alpha Partners, said in a research note. “That’s saying something in a group that includes SEC Chairman Gary Gensler and still-waiting-for-confirmation [Consumer Financial Protection Bureau] nominee Rohit Chopra.”

As an academic, Omarova has argued for substantial restructurings of the financial system.

AMERICAN BANKER

Follow Us In Real Time

One idea in particular, which she called “[the People’s Ledger](#)” in a 2020 article, would shift banks’ private customer deposits en masse to the balance sheet of the Fed as a way to simplify the banking system and ensure it meets the needs of consumers. In that law article, Omarova acknowledged that the proposal would “effectively ‘end banking’ as we know it,” quoting the title from a 2014 book — “The End of Banking” — by a different author.



AMERICAN BANKER

Follow Us In Real Time

“proven prejudice against the very institutions she’d be responsible for overseeing as the head of the OCC.”

“The goal of ‘ending banking as we know it’ might satisfy the far left, but it will certainly cause consternation among moderate legislators who represent states where banking has created jobs, revitalized cities, and driven economic growth,” the insider said.

She has also weighed in on recent acquisitions by large banks such as JPMorgan Chase, suggesting she is concerned about the growth of the biggest financial services firms. Citing a news article about the bank's more than 30 acquisitions in 2021, Omarova [tweeted](#): "Does the world need JPMorgan to grow bigger or more powerful? Just wondering."

Another [tweet](#) by Omarova suggested criticism of PNC Financial Services Group's deal to buy BBVA USA.

“For bank M&A, Omarova is a clear negative,” Jaret Seiberg, managing director at Cowen Washington Research Group, said in a research note. “She has criticized deals that we would consider modest such as PNC's purchase of BBVA USA. It is hard for us to see how she would approve mergers involving regional banks with national charters.”

Big-bank critics and consumer advocates, meanwhile, cheered reports that the Biden administration was close to naming Omarova as its OCC pick. (Bloomberg News first reported the nomination before it was announced.)

“Saule Omarova would be a superb choice to lead the OCC,” said Gregg Gelzinis, associate director for economic policy at the Center for American Progress. “Banks would be getting a regulator who is highly knowledgeable, fair and dedicated to the agency’s statutory mission.”

AMERICAN BANKER

Follow Us In Real Time

Others say that Omarova's approach to the OCC could usher in a tectonic shift at the agency, long accused by progressives of being too deferential to the financial services industry. Omarova has made clear in her academic writings and on Twitter that she is skeptical of big banks as well as the [cryptocurrency industry](#).

"Saule understands that the comptroller of the currency is a regulator, and that banks are subject to regulation, rather than the view that too many comptrollers have taken in the past — that banks are clients of the comptroller, and that the comptroller's office needs to compete with the other bank chartering agencies," said Adam Levitin, a professor at Georgetown Law. "That's a huge shift, and it's a shift that's long overdue."

Omarova's nomination ends a [long-running saga](#) to select the next comptroller, with the administration appearing to pass over several other potential picks. Michael Hsu is currently the acting comptroller of the currency.

Sen. Sherrod Brown, the Ohio Democrat who chairs the Senate Banking Committee, praised her nomination and called on his colleagues "to support this historic nominee to this position critical to our economy."

"Her experience as a policymaker, in the private sector, and in academia will allow her to work with stakeholders across our financial system to ensure the economy works for everyone, and to protect our economic recovery from the risky activities of Wall Street and other bad actors," Brown said in a statement.

But Sen. Pat Toomey of Pennsylvania, the top Republican on the Senate Banking Committee, said in a statement that he had "serious reservations" about Omarova's candidacy for comptroller.

AMERICAN BANKER

Follow Us In Real Time

Analysts expect Omarova would echo the Biden administration's priorities as comptroller, including a substantial focus on the impact climate change could have on the financial sector and the role banks can play in underserved, low-income communities. As head of the OCC, she would lead the agency's engagement with other regulators on an effort to reform the Community Reinvestment Act.

Mayra Rodríguez Valladares, managing principal of MRV Associates, said Omarova would bring "depth of understanding and expertise" to the job, particularly in emerging technology and international finance.

International experience may be especially helpful now, as regulators increasingly scrutinize U.S. banks' exposure to developments overseas. Just this year, regulators have faced questions on the blowup of Archegos Capital Management and more recent concerns on the Chinese real estate giant Evergrande Group.

"Those are very unique skills that she brings to the table," Rodríguez Valladares said.

She is also a noted skeptic of decentralized finance. While the OCC is not the country's primary regulator of securities and crypto, analysts say that such skepticism could make it that much more difficult for banks to explore involvement in the sector.

"We suspect that will mean national banks seeking to offer custodial or trading services will have a tougher time securing approval. It could effectively be a freeze for national banks in crypto," Seiberg said.

Some argue that Omarova's more extreme views on industry restructuring are irrelevant to the job of comptroller of the currency, which could help subdue any concerns among moderate senators about her confirmation.

AMERICAN BANKER

Follow Us In Real Time

Still, Democrats in the Senate have the thinnest of possible margins to confirm nominees. If Republicans uniformly oppose Omarova's candidacy, it would take just one Democratic dissent to sink the nomination.

"We're skeptical that Saule Omarova can win Senate confirmation," Katz said. "Republicans will cast her as beyond the pale for that job, and we suspect that more quietly, a small number of Democrats will agree."

But other analysts point out that Omarova's resume is more balanced than opponents may suggest. Before working in academia, she served in the George W. Bush-era Treasury Department as a special advisor in domestic finance, working with now-Fed Vice Chair of Supervision Randal Quarles. She also worked as an associate in Davis Polk's financial institutions group until 2006.

Ed Mills, a policy analyst with Raymond James, said in a research note that it was "more likely than not" that Omarova would receive confirmation.

"Although Omarova is likely to see significant Republican opposition based on her regulatory views, she will be harder to oppose given her extensive experience and previous role at the Treasury Department under the Bush administration advising Randy Quarles," Mills said.

Likewise, Seiberg said it was too early for financial institutions to panic. "[W]e also believe it is worth taking a pause before overreacting," he wrote, pointing to her time at Treasury. "To us, practical regulatory experience is always a positive for someone nominated to this type of job."

Brendan Pedersen Reporter, American Banker   

Polo Rocha Staff Writer, American Banker   