

Trump is ‘looking at’ breaking up banks. What would that mean for Charlotte?

By Deon Roberts

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President Donald Trump raised eyebrows of bankers in Charlotte and elsewhere last week with comments that he’s actively considering breaking up large financial firms.

Trump [told Bloomberg News](#) he’s looking at reviving a Depression-era law, Glass-Steagall, that required the separation of consumer and investment banking. Essentially, the 1933 law divided banking into firms that collect deposits backed by taxpayers and mainly make loans to consumers and businesses; and investment banks that underwrite and trade securities.

On the campaign trail, Trump urged a “21st century” version of Glass-Steagall, which was repealed in 1999 under legislation signed by then-President Bill Clinton. Some critics of that repeal have blamed it for fueling the 2008 financial crisis, though there’s much disagreement on the topic.

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Some industry officials view Trump’s comments as just rhetoric intended to appease his core supporters, and the White House has offered few details. Still, it’s fair to say bankers in Charlotte are keeping a close eye on what happens. Separating consumer and investment banking would affect Bank of America, Wells Fargo and possibly other financial institutions.

Here’s a look at the landscape:

What would Bank of America, Wells Fargo and potentially other banks look like under a new Glass-Steagall?

Justine Tobin, owner of Charlotte-based investment banking firm Tobin & Company, said one possibility is financial institutions would become smaller as they shed businesses to comply with the new law.

“What it looks like for Charlotte to me is lines of business get divested,” she said, adding that Charlotte-based Bank of America might have to split from its Merrill Lynch unit. Under such a scenario, today’s Bank of America shareholders could become shareholders of two different companies, Tobin said. In essence, the U.S. would return to an era when Wall Street firms like Merrill and Goldman Sachs stood alone as investment banks that didn’t do any lending, she said.

Bank of America and Wells Fargo declined to comment.

How many Charlotte jobs would be affected?

Bank of America declined to disclose how many corporate and investment banking positions are based in Charlotte. But much of that work gets done in New York.

Wells Fargo says it employs around 2,000 in its capital markets and investment banking unit, Wells Fargo Securities, throughout the Charlotte region – its largest employment hub for that unit. Wells does not break out specific numbers for capital markets and investment banking businesses.

Such jobs represent a fraction of those banks' total employment across the Charlotte area, where Bank of America employs about 15,000 and Wells Fargo employs about 24,100 across a wide range of businesses and functions. But it's also unclear how many of those jobs support both banks' investment banking businesses, such as in areas like legal, compliance, technology, audit and human resources.

How are bank executives responding?

Bank of America CEO Brian Moynihan, speaking at a Bloomberg summit in New York last week, said it would ["be crazy"](#) for Trump to break up large banks and "against America's interests." The CEO noted that Bank of America now provides a backstop to Merrill Lynch's operations: "What's better, to have Merrill Lynch standing alone or tucked inside?" Moynihan said. "We can stabilize it in times of stress. That's a better situation."

Speaking last month before Trump's latest comments, Wells Fargo CEO Tim Sloan [told CNBC](#) he hopes it's "not the case" that banks will be busted up. Wells Fargo's investing banking business is "very integrated" with how it provides products and services to its corporate-banking customers, Sloan said. Investment banking "done right" is beneficial to Wells' customers "as part of an overall relationship," he said.

How likely is this?

In addition to delivering on a campaign promise, if Trump restores a version of Glass-Steagall he would also be embracing a proposal included in the Republican party's 2016 platform. But Trump would also need support from Congress, which would have to approve any legislation to institute Glass-Steagall-style barriers.

Banks big and small would likely pressure lawmakers to oppose such a move. In addition to big banks like Bank of America, JPMorgan Chase & Co., Citigroup and Wells Fargo, smaller banks would have to divest businesses, KBW analysts wrote in a report Friday. The report said many smaller banks would have to split from their brokerage operations, which account for "meaningful amounts" of revenue.

Some analysts think Trump's plans won't go anywhere.

“I think it’s just one more of these sort of off-the-cuff-this-is-what-I’m-thinking-today ... that kind of thing,” said industry analyst Nancy Bush. “He just wants to throw some red meat to the base.”

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