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5 KEY TAKEAWAYS

The Biden Effect: Changes Banks Should Expect in 2022

Kilpatrick Townsend's Gary Bronstein recently joined other thought leaders in a panel discussion at the Bank Director's Acquire or Be Acquired Conference – widely regarded as the financial industry's premier M&A event for a bank's CEO, board of directors, and key leadership team. The panel, "The Biden Effect: Changes Banks Should Expect in 2022", addressed the administration's promises to change the regulatory landscape, with increased pressure already being seen in some areas.

Key takeaways from the discussion, include;

1. The recent upheaval on the Federal Deposit Insurance Corporation (FDIC) board has created uncertainty about future FDIC policies. There are two vacancies on the board and the future direction of the agency will be controlled by Democratic appointees. The results in much uncertainty related to the processing of bank merger applications especially for larger deals.

2. Environmental, Social, and Governance (ESG) is expected to be a high priority by the bank regulatory agencies and the SEC. The SEC is expected to soon issue ESG disclosure requirements. We can expect climate risk to be a high priority in upcoming regulatory examinations, especially for larger banks.

3. The bank regulators and the Consumer Financial Protection Bureau (CFPB) are expected to ramp up consumer compliance as a priority. We can expect to see a pick up in enforcement actions in these areas. This would delay and possibly result in termination of pending mergers if a buyer or either party in an Merger of Equals (MOE) becomes the target of one of these actions.

4. Financial technology as a delivery channel for banking services will continue to be a priority for banks of all sizes. We should continue to see fintech/bank partnerships, acquisitions of banks by fintechs, and significant investment by banks in technology.

5. Despite the uncertainty that has recently developed around the processing of bank merger applications, we can expect to see a similar volume of deals announced in 2022 that we experienced in 2021.

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