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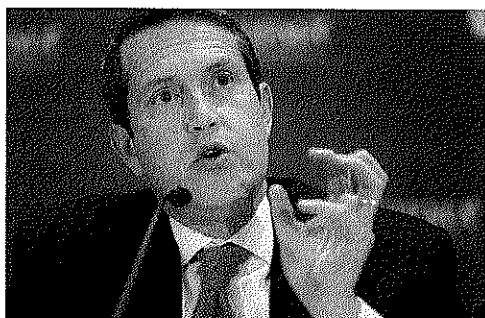
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ECONOMY | CENTRAL BANKS

Trump to Nominate Randal Quarles as Fed Bank Regulator

Former Treasury official would be the first Fed vice chairman of supervision



Randal Quarles spoke in New York in 2008. PHOTO: BLOOMBERG NEWS

By Ryan Tracy, Kate Davidson and Nick Timiraos

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WASHINGTON—President Donald Trump plans to put his first mark on the Federal Reserve by nominating Randal Quarles, an investment-fund manager and former Republican Treasury official, to be the central bank's top official in charge of regulating big banks.

The choice of Mr. Quarles, expected for months and confirmed by a White House official Monday, would put a more industry-friendly voice in perhaps the most powerful U.S. bank-regulatory post: Fed vice chair of supervision.

That job was created by Congress in 2010 and was never filled during the Obama administration, although former Fed governor Daniel Tarullo filled the role de facto. If confirmed by the Senate, Mr. Quarles would take a lead role in carrying out the Trump administration's goal of rethinking many financial regulations adopted during the Obama era.

Mr. Quarles would also weigh in on monetary policy as one of seven members of the Fed's board of governors, now short-staffed with only four members. His views in that sphere could put him at odds with his new colleagues, notably because he has criticized the Fed's policy of keeping interest rates near zero for years following the financial crisis, and advocated for a monetary-policy rule, or formula, to guide rate decisions.

The Fed board has three vacancies, and the White House hopes to offer two more nominees as soon as possible, the official said. The administration has also begun the search for the next Fed chairman, though Mr. Trump hasn't ruled out nominating Chairwoman Janet Yellen to a second term, to begin when her current term expires in February.

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Mr. Quarles has donated to Republican candidates for years and served in the Treasury Department in both Bush administrations, working on both international affairs and as undersecretary for domestic finance, a senior job that involves coordination with the many U.S. agencies that oversee the financial sector.

He left the government in 2006 and was a managing director at the Carlyle Group private-equity firm, investing in troubled banks. He is now managing director at Cynosure Group, a Utah investment firm.

Mr. Quarles, in a March 2016 Wall Street Journal op-ed that he co-wrote, said he didn't support "arbitrarily taking an ax to big banks and irreparably damaging the economy." He endorsed a review of postcrisis regulations but warned that "the consequence of a dramatic increase in bank capital is an increase in the cost of bank credit."

Analysts and government officials have said nominating Mr. Quarles, an establishment Republican, would be a sign that the White House favors more incremental rather than radical changes to the Fed, an institution that has long engendered mistrust among the economic nationalists who backed Mr. Trump during his campaign last year.

RANDAL QUARLES

- Age: 59
- Education: Philosophy and economics degree from Columbia University; law degree from Yale University
- Government Experience: Undersecretary of domestic finance, assistant secretary of international affairs, U.S. Treasury; U.S. executive director, International Monetary Fund (2001-2006)
U.S. Treasury staff, deputy assistant secretary for financial institutions policy (1991-1993)
- Other Experience: Managing director, Cynosure Group (current); partner, Carlyle Group; partner, Davis Polk & Wardwell LLP
- Term: If confirmed, could serve four-year term as vice chairman for supervision and 14-year term as Fed governor

Mr. Trump's team has advocated a rethink of Wall Street rules but has few officials in place at financial regulatory agencies. If confirmed, Mr. Quarles would immediately take over the job of overseeing the Fed's regulatory staff, which supervises some of the largest U.S. financial firms including J.P. Morgan Chase & Co., Bank of America Corp. and Citigroup Inc.

He could push for changes in the way the Fed oversees those firms, but he couldn't change the rules on his own. For that, he would need the support of other members of the Fed's board and other agencies.

The choice of Mr. Quarles "shows that we're looking for a change to the heavy-handed approach to regulation from the prior administration," the White House official said Monday. Mr. Quarles, the official said, "has a track record of working well with others to implement public policy."

Obama administration officials have said stricter curbs on financial risk-taking were warranted in the wake of the financial crisis.

Mr. Quarles would find some familiar faces at the Fed. He has worked before with Fed governor Jerome Powell, who is now the point person on the Fed's regulatory efforts and also served in the George H.W. Bush administration and worked at Carlyle Group.

Mr. Quarles is married to Hope Eccles, who is a relative of Marriner Eccles, the New Deal-era Fed chairman whose name is on the building where Mr. Quarles would have his office.

Ms. Yellen is set to testify on Wednesday and Thursday on Capitol Hill, where she will likely be asked about Mr. Quarles and the Fed's agenda. In the past, she has said she is open to changing some bank rules but not what she regards as core changes adopted after the 2008 financial bailouts.

Ms. Yellen has objected to proposals to require the Fed to use a mathematical monetary-policy rule, an approach popular among some conservatives who argue central banks have too much discretion and should be more accountable to the public.

Mr. Quarles said in the 2016 op-ed that low-interest-rate policies have “led to a rise in speculative positions” across the financial system and that a monetary-policy rule would reduce the incentive for big banks and smaller firms to take dangerous risks.

Mr. Quarles’s path to the nomination illustrates a broader trend in which nominees across the executive branch have faced delays completing the traditional background clearance and screening process.

Top White House officials had identified the vice chair post as a priority weeks after Mr. Trump’s election last year, and after an extended search process, officials identified Mr. Quarles as their top pick in April. At the time, Treasury Secretary Steven Mnuchin had indicated a nominee for the post was imminent.

The White House expected Mr. Quarles’s nomination to receive broad Republican support. He needs a simple majority to be approved by the Senate, where Republicans control 52 out of 100 seats.

The White House has also been considering economist Marvin Goodfriend to fill a second vacancy on the Fed board, according to people familiar with the matter. It isn’t clear when his nomination might be announced and submitted to the Senate.

The White House has been searching for a candidate with experience in small, locally focused community banks for the third opening, as a result of a law requiring that someone on the Fed board have experience in that industry.

But finding a nominee has been difficult in part because of federal ethics rules that require Fed officials to divest of their interest in financial firms. Once a regulatory nominee is selected, the process for security and ethics reviews has been taking about two months.

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