

Large Commercial Banks: Dodd-Frank Effect Versus Trump Effect

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Abstract

Large commercial banks have been financially impacted by both: (i) the Dodd-Frank Effect, which is the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and (ii) the Trump Effect, which is the presidential election of Donald Trump in 2016. It is well-known that the Dodd-Frank Act targeted large commercial banks with additional regulatory compliance costs such as the Dodd-Frank Act Stress Test (DFAST), the Durbin Amendment, the Volcker Rule, the Lincoln Amendment, and the creation of the Consumer Financial Protection Bureau. While the goal of the Dodd-Frank Act is to prevent another 2008 financial crisis, it imposes huge regulatory compliance costs on large commercial banks. The American Action Forum reported the compliance cost at more than \$36 billion and 73 million paperwork hours. The Government Accountability Office (GAO) originally calculated compliance costs at \$2.9 billion for the first five years, but the estimated cost published in the Federal Register was raised to \$10.4 billion. Consequently, while seeking and securing the presidency, Donald Trump promised large commercial banks there would be regulatory rollbacks of the Obama-era legislation. In addition to examining the Dodd-Frank Effect and Trump Effect separately, we will examine the Combined Effect. This paper will add valuable knowledge to government policy makers on how the regulation and deregulation impacts commercial banks, and in a more general sense, how regulatory changes (and even perceived changes) impact firm value.

I. Introduction

In 2008 the U.S. entered into the Great Recession. According to the U.S. Department of Treasury (2012), from January 2008 to June 2009 American households experienced a \$19 trillion decline in net worth and lost 8.8 million jobs cumulatively. American households saw the stock market decline 57 percent in value from October 2007 to March 2009 and the housing market decline 30 percent from mid-2006 to mid-2009. Corporate America suffered equally. The federal government took over housing giants Fannie Mae and Freddie Mac. The Federal Reserve provided a \$152 billion bailout for the insurance giant AIG while the federal government provided a \$700 billion bailout (TARP – Troubled Asset Relief Program) for large commercial banks.

To prevent a repeat of the 2008 Great Recession as described above, the Congress and President Obama passed the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which included multiple provisions to protect American households and the U.S. economy. The provisions include: (i) Dodd-Frank Act Stress Test (DFAST), (ii) Durbin Amendment, (iii) Volcker Rule, (iv) Lincoln Amendment, and (v) the creation of Consumer Financial Protection Bureau. DFAST determines whether large commercial banks have enough capital to absorb potential losses if there were another downturn in the economy. The Durbin Amendment required the Federal Reserve to regulate debit card transaction fees that retailers pay commercial banks. The Volcker Rule, named after former Federal Reserve Chairman Paul Volcker, restricts large

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commercial banks from engaging in certain kinds of speculative trading. The Lincoln Amendment prevents large FDIC-insured commercial banks from acting as a swap-dealer. The Consumer Financial Protection Bureau, a government agency, helps ensure large commercial banks treat American households fairly. In all, the Dodd-Frank Act contained 2,300 pages of regulations and required 400 rules, estimated at an additional 5,000+ pages, to be written.

The regulatory compliance costs of the Dodd-Frank Act ranged from \$10.4 billion, according to the Government Accountability Office, to \$36 billion according to the American Action Forum. Given the tremendous regulatory compliance costs, Republican presidential nominee, Donald Trump, provided a shining light for large commercial banks as Trump promised regulatory rollbacks of the Dodd-Frank Act.

This research uses an event study methodology to examine the financial impact the Dodd-Frank Effect (Regulatory Compliance Costs) and the Trump Effect (Promised Regulatory Rollback Gains) have on large commercial banks. The two major announcements of the Dodd-Frank Act are expected to show that large banks suffered major financial losses while the election of Trump is expected to show large banks achieving tremendous gains. We also find the Trump Effect outweighs the Dodd-Frank Effect, the sum of which we term the Combined Effect.

Many research papers have used event studies to examine regulatory actions. Moll, Kunkel, Beck, and Niendorf (2018) use an event study to evaluate how investment companies fared under Obama versus Trump with respect to the Fiduciary Rule. They find investment companies suffered under Obama reign, but greatly benefitted with the election of Trump. Kuhlemeyer, Compton, and Kunkel (2014) used an event study to determine how the Durbin Amendment reduced debit card fees from 44 cents to 21 cents per transaction. They found that variety stores and restaurants benefitted tremendously from the new debit card regulation while the credit card companies charging the debit card fees suffered tremendously. Kuhlemeyer and Kunkel (2010) employed an event study to analyze The Credit Card Act of 2009 that better protected consumers. They found large retailers who issue credit cards collectively lost \$9.9 billion with the passing of the Credit Card Act. Hoag (2002) used an event study to analyze the Cable Communications Policy Act of 1984 and found the regulation benefitted cable companies. Cornett and Musumeci (1999) employed an event study to examine how credit card legislation in 1991 impacted commercial banks and found that banks with high credit card exposure suffered from the legislation. This is the first paper to our knowledge that examines large commercial banks with respect to the Dodd-Frank Act of 2010 and the 2016 Presidential election.

II. Data and Research Objective

An event study methodology is used to calculate the immediate financial impact of the Dodd-Frank Effect and Trump Effect on the stock prices of large commercial banks (Brown and Warner, 1985; Peterson, 1989; Schweitzer, 1989; and Wells, 2004). It is possible to isolate the impact of these events because of two unique stock price characteristics. First, a stock price is determined by the forecasted earnings of the company. Second, the stock market is efficient in that stock prices react quickly and efficiently to the announcement of an event that will impact a company's forecasted earnings. Thus, if investors conclude the Dodd-Frank Effect will decrease forecasted earnings of large commercial banks, then their stock prices will decline. Conversely, if

investors perceive the Trump presidential election will roll back regulation and increase forecasted earnings, then their stock prices will increase. In this way, policy makers can gauge the expected economic impact on large commercial banks and American households who were protected by provisions of the Dodd-Frank Effect.

The event study methodology divides a stock return (or price change) into two components. Component one is driven by a general stock market movement. Component two is attributed to an informational event, which in this study is either the Dodd-Frank Act or the Trump Presidential Election. For the purposes of this study we will examine component two of the stock return and to extend the depth of the study we include both standard parametric and non-parametric tests.

A. Event Windows

To extend the breadth of our study, we examine both the Dodd-Frank event, the Trump event, and the combined results. We define the Dodd-Frank Effect event windows as the House vote and the Senate vote as shown in Table 1. We define the Trump Effect as the Presidential Election. These event windows are based on an announcement that provided significant information to the markets. To capture how these events affected stock prices, we will use a two-day event window. Since we want the event window to capture the immediate financial impact on the stock price, it is common to use two days for the event window. Day zero, ($t = 0$), is defined as the announcement date while day plus one, ($t = +1$), is one trading day after day zero.

Table 1: Event Windows for Dodd-Frank Effect and Trump Effect

	Day 0 and Day +1	Activity
Dodd-Frank Effect		
House Vote	July 1, 2010 July 2, 2010	House agrees to conference report on H.R. 4173 (Restoring American Financial Stability Act of 2010) by a vote of 237-192-4 at 6:54 PM on June 30, 2010.
Senate Vote	July 15, 2010 July 16, 2010	Senate agrees to conference report on H.R. 4173 (Restoring American Financial Stability Act of 2010) by a vote of 60-39 at 2:29 PM on July 15, 2010.
Trump Effect		
Presidential Election	Nov. 9, 2016 Nov. 10, 2016	Republican nominee Trump elected President.

Fiscal policy is federal government policies (laws) enacted by the Congress and the President. To become law, a bill must be passed by both the House of Representatives and Senate in identical form and then be signed by the President. Thus, when one party takes control of all three parts of government, it will oftentimes pass regulations that their party favors. Other than a filibuster in the Senate, it can be hard for the minority party to hinder passage of the new regulation. In 2008 the Democrats took control of the House, Senate, and Presidency, while in 2016 Republicans took control of the House, Senate, and Presidency.

Dodd-Frank Effect

The Dodd-Frank Act was passed when the Democrats controlled the House, Senate, and Presidency in 2009-2010. To analyze the impact of the Act on commercial banks, our event study considers the actions of the House, Senate, and President. We include the House vote and the Senate vote, but we do not include the President signing since it was a foregone conclusion when President Obama made it quite clear that he would sign the bill. This means no new information was provided to the financial markets when on July 21, 2010 President Obama signed House Resolution (H.R.) 4173 into law, which is now known as the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

The House event is when the House of Representatives passed the bill late in the evening of June 30, 2010. Since this event came after the financial markets had closed, day 0 is defined as July 1, 2010 rather than June 30th. The vote in the House was very controversial with 19 Democrats joining the Republicans and three Republicans breaking rank to join the Democrats. After passage in the House, the focus shifted to the Senate and whether the Democrats could convince a handful of Republicans to join the cause and overcome a likely filibuster.

The Senate event is when the Senate passed the bill early in the afternoon of July 15, 2010. Since this event came before the financial markets had closed, day 0 is defined as July 15, 2010. The Senate vote had been delayed until mid-July in a large part due to the death of Senator Bryd, Democrat from West Virginia, and his death is why there were only 99 votes cast versus 100 votes. Democrats were able to pass the bill and avoid a filibuster when three Republican senators joined Democrats earlier in the day.

Trump Effect

The third event window, the Trump Effect, is the election of President Trump. The 2016 presidential election was called well after the financial markets had closed on November 8, 2016, so day 0 is defined as November 9, 2016. The Republicans' sweeping victory in the 2016 election gave them control of the House, the Senate, and the Presidency. This change of leadership led financial markets to expect a rollback of the Dodd-Frank Act and other restrictions on large commercial banks.

Combined Effect

The combined event is the combination of both events: (i) Dodd-Frank Effect and (ii) Trump Effect. The combined effect helps us to identify how the two events impacted large commercial banks.

B. Data

The sample, collected from *Research Insight*, is comprised of large commercial banks that meet all the requirements listed in Table 2 with the calendar year set equal to 2009. Requirement one is that the bank is listed in *Research Insight*'s U.S. company dataset. Requirement two is a SIC code of 6020, which is the commercial bank industry. Requirement 3 is that the bank have total assets of at least \$10 billion, which is our definition of a large commercial bank. Requirement 4 is trading on the NYSE, AMEX, NASDAQ, or a regional stock exchange. Requirement 5 is that the bank have an unqualified auditor's opinion. Requirement 6 is that the bank must also have daily returns available for each event window and have no major news announcements over an event window. The final sample includes sixty-six large commercial banks including forty-two U.S., seven Latin American, and seventeen Rest-of-World commercial banks which are listed in Tables 3 and 4.

Table 2: Commercial Bank Requirements to be Included in the Sample

Requirements	Banks that passed
1. Listing in the U.S. company dataset: \$C+\$R	32,935
2. Primary SIC code of 6020 (commercial banks): SIC=6020	1,124
3. Total assets of at least \$10 billion: AT>=10000	94
4. Listing on NYSE, AMEX, NASDAQ, regional stock exchange: EXCHG<5	77
5. Unqualified auditor's opinion: @OR(AUOP=1,AUOP=4)	77
6. Daily stock returns for all event windows and no major news	66

Research Insight's "Open Screen" is used for requirements 1 through 5.

Table 3: U.S. Commercial Banks and Market Capitalization (MC) in Billions as of 11/08/2016

U.S. Banks (n=42)	MC		MC
Associated Banc-Corp	\$3.5	M & T Bank Corp	\$18.1
BancorpSouth Bank	\$2.4	MB Financial Inc/Md	\$3.1
Bank of America Corp	\$170.3	Northern Trust Corp	\$16.9
Bank of Hawaii Corp	\$3.2	People's United Finl Inc	\$5.8
Bank of New York Mellon Corp	\$43.9	PNC Financial Svcs Group Inc	\$44.9
BB&T Corp	\$30.1	Popular Inc	\$3.8
BOK Financial Corp	\$4.6	PrivateBancorp Inc	\$3.6
Cathay General Bancorp	\$2.4	Regions Financial Corp	\$12.1
Comerica Inc	\$8.9	State Street Corp	\$27.4
Commerce Bancshares Inc	\$4.8	Suntrust Banks Inc	\$21.2
Cullen/Frost Bankers Inc	\$4.8	SVB Financial Group	\$6.6
East West Bancorp Inc	\$5.8	Synovus Financial Corp	\$3.9
Fifth Third Bancorp	\$14.7	TCF Financial Corp	\$2.3
First Bancorp P R	\$1.1	U S Bancorp	\$73.9
First Citizens Bancsh –Cl A	\$3.5	UMB Financial Corp	\$3.1
First Horizon National Corp	\$5.0	Valley National Bancorp	\$3.3
Fulton Financial Corp	\$2.6	Washington Federal Inc	\$2.3
Huntington Bancshares	\$11.3	Webster Financial Corp	\$3.8
Intl Bancshares Corp	\$2.1	Wells Fargo & Co	\$220.8
JPMorgan Chase & Co	\$238.4	Wintrust Financial Corp	\$3.0
Keycorp	\$15.3	<u>Zions Bancorporation</u>	<u>\$6.3</u>
		Mean U.S. Bank Market Cap	\$25.4
		Median U.S. Bank Market Cap	\$4.9

The Latin American banks and the Rest-of-World banks are often listed as American depository receipts (ADR), which were first created in 1927 by financier J.P. Morgan. ADRs allow investors to indirectly own foreign shares of stock without the complexities and costs of direct ownership. Foreign banks transfer shares of stock to a finance company which then creates an ADR that is backed by the corresponding shares and tracks the price of the underlying shares. The Latin American banks are of particular interest given President Trump's promises included dismantling the North American Free Trade Agreement (NAFTA). We note, Mexican exports to the U.S. account for almost 30 percent of Mexico's economy and Mexico is the U.S.'s largest trade partner. Following Trump's victory, the Mexican peso depreciated by over 13%, marking the largest decline in value since 1994 and making \$1 worth more than 20 pesos, something never seen before.

Table 4: Latin American and Rest-of-World Commercial Banks and Market Capitalization (MC) in Billions as November 8, 2016

Latin American (n=7)	Country	MC	Rest-of-World (n=17)	Country	MC
Banco Bradesco SA -ADR	Brazil	\$28.5	Westpac Banking Corp -ADR	Australia	\$81.3
Banco Santander Brasil -ADR	Brazil	\$32.1	Credicorp Ltd	Bermuda	\$13.0
Itau Unibanco Holding SA -ADR	Brazil	\$38.7	Deutsche Bank Ag	Germany	\$29.3
Banco De Chile -ADR	Chile	\$11.6	HDFC Bank Ltd -ADR	India	\$60.7
Banco Santander-Chile -ADR	Chile	\$10.8	ICICI Bank Ltd -ADR	India	\$24.0
Itau CorpBanca -ADR	Chile	\$4.6	Mitsubishi UFJ Finl Gp -ADR	Japan	\$70.5
<u>BanColombia SA -ADR</u>	<u>Columbia</u>	<u>\$4.4</u>	Mizuho Financial Group -ADR	Japan	\$42.0
<i>Mean Latin American Bank</i>		<i>\$18.7</i>	Sumitomo Mitsui Fin Gp -ADR	Japan	\$48.4
<i>Median Latin American Bank</i>		<i>\$11.6</i>	KB Financial Group Inc -ADR	S. Korea	\$15.1
			Shinhan Finl Grp Co Ltd -ADR	S. Korea	\$17.9
			Woori Bank -ADR	S. Korea	\$7.5
			Banco Bilbao Vizcaya -ADR	Spain	\$48.0
			Banco Santander SA -ADR	Spain	\$77.9
			Barclays Plc/England -ADR	UK	\$39.4
			HSBC Holdings Plc -ADR	UK	\$153.2
			Lloyds Banking Gp Plc -ADR	UK	\$50.8
			<u>Royal Bank Of Scotland -ADR</u>	<u>UK</u>	<u>\$28.1</u>
			<i>Mean Rest-of-World Bank</i>		<i>\$47.5</i>
			<i>Median Rest-of-World Bank</i>		<i>\$42.0</i>

C. Research Questions and Hypotheses

The research question is whether large commercial banks experienced a significant stock price change during the Dodd-Frank Effect event windows and Trump Presidential Election event window. To answer this question, the following hypotheses are considered in the alternative form.

- H_{a1}: The stock returns (cumulative abnormal returns) of the large commercial banks attributed to the Dodd-Frank Effect are different from zero.
- H_{a2}: The percent of positive stock returns (cumulative abnormal returns) of the large commercial banks attributed to the Dodd-Frank Effect are different than fifty percent.
- H_{a3}: The stock returns (cumulative abnormal returns) of the large commercial banks attributed to the Trump Effect are different from zero.
- H_{a4}: The percent of positive stock returns (cumulative abnormal returns) of the large commercial banks attributed to the Trump Effect are different than fifty percent.

H_{a5}: The stock returns (cumulative abnormal returns) of the large commercial banks attributed to the Combined Effect are different from zero.

H_{a6}: The percent of positive stock returns (cumulative abnormal returns) of the large commercial banks attributed to the Combined Effect are different than fifty percent.

To test the odd numbered hypotheses, that the cumulative abnormal returns are different from zero, both a parametric t-test and non-parametric Wilcoxon signed rank test are used. To test the even numbered hypotheses, that the number of positive and negative cumulative abnormal returns are not equal (50%), non-parametric sign tests are used.

III. Methodology

We calculate the predicted (or normal) return for each day in the event window for each large commercial bank. The predicted return is what one would expect if there were no event. Following Schweiter (1989) we will use the daily market return of the S&P 500 Index as the predicted return. The S&P 500 represents America's 500 largest companies and account for approximately 75% of the U.S. stock market's value. Hence, the S&P 500 return is an excellent proxy for the market return.

We then calculate the daily abnormal return for each large commercial bank for each day over the two-day event window. The daily abnormal return represents the return not predicted by the market index and is an estimate of the change in the stock price on that day due to the event. The daily abnormal return, AR_{it} , for each large commercial bank i on day t is defined as:

$$AR_{it} = R_{it} - R_{mt} \quad (1)$$

where R_{it} is the return on the common stock of large commercial bank i on day t and R_{mt} is the return on the market index (S&P 500 Index) on day t . When Brown and Warner (1985) examine random samples and short time-periods, they find the market-adjusted model explained here has similar robustness to the market model that is also often used in event studies.

Next we calculate the cumulative abnormal returns for each large commercial bank over the two-day event window. The cumulative abnormal return, CAR_i , for each large commercial bank i for the two-day event window beginning with day 0 through day +1 is defined as:

$$CAR_i = \sum_{t=0}^{+1} AR_{it} \quad (2)$$

where AR_{it} is the daily abnormal return for large commercial bank i on day t .

Both the mean and median CAR are calculated for the large commercial banks in the sample. The mean CAR can be viewed as a diversified portfolio that eliminates unique individual stock returns by offsetting random positive stock returns with random negative stock returns. Thus, we have a mean CAR, which only captures the characteristics of the Dodd-Frank Act or the Trump Presidential Election. Furthermore, if the event did not impact the future earnings of large commercial banks, then the mean CAR should not be significantly different from zero. Likewise, the median CAR should not be significantly different from zero if the event did not impact future

earnings of large commercial banks. Finally, we examine the percent of CAR that are positive for each event window. If the event did not impact the future earnings of large commercial banks, then the percent of CAR that are positive should not be significantly different from fifty percent.

We employ three separate tests to examine our proposed hypotheses: t-tests, Wilcoxon signed rank tests, and binomial sign tests. The parametric t-tests examine the mean return while the non-parametric Wilcoxon signed rank (WRS) tests, which do not assume normally distributed data, examine the median returns. Non-parametric sign tests are used to determine whether the proportion of positive CAR are significantly greater than 50 percent under the assumption of no reaction to the event. Since the sign test does not require a normally distributed sample or that the sample be symmetric, the sign test is appropriate for small samples with non-normal distributions.

IV. Results

Below we discuss the results of the Dodd-Frank Effect, the Trump Effect, and the Combined Effect. We also discuss the Latin American banks versus the Rest of the World banks.

A. Dodd-Frank Effect on U.S. Banks

We evaluate the first two events of the Dodd-Frank Effect cumulatively, and find the U.S. commercial banks suffered tremendous losses. As shown in Table 5 the U.S. commercial banks' mean and median CAR are -5.44% and -4.40%, respectively, while only 2% of the commercial banks (only one of the 42 banks) experience a positive CAR. When we calculate the absolute dollar impact on the commercial banks, we find the mean and median market capitalization losses to be \$848 million and \$146 million, respectively. Cumulatively, the forty-two commercial banks lost nearly \$36 billion in market capitalization. Our results imply that since these commercial banks will incur such significant compliance costs, profits are reduced and the firm is less valuable to investors. All three of our test results, which are both statistically and economically significant, clearly show that commercial banks suffered losses due to the passing of the Dodd-Frank Act.

Table 5: U.S. Commercial Banks - Cumulative Abnormal Returns (CAR) for the Dodd-Frank Effect, Trump Effect, and Combined Effect

U.S. banks (n=42)	Dodd-Frank Effect	Trump Effect	Combined Effect
Mean CAR	-5.44%***	8.05%***	2.62%***
<i>t-statistic</i>	-7.66	18.25	4.12
<i>(p-value)</i>	(<.0001)	(<.0001)	(.0002)
Median CAR	-4.40%***	8.00%***	3.69%***
<i>Wilcoxon signed rank test</i>	-448.5	450.5	290.5
<i>(p-value)</i>	(<.0001)	(<.0001)	(<.0001)
Percent positive CARs	2.4%***	97.6%***	73.8%***
<i>Sign test</i>	-20	20	10
<i>(p-value)</i>	(<.0001)	(<.0001)	(.0029)
Shapiro-Wilk test for normality	Not normal***	Normal	Not normal*
<i>(p-value)</i>	(.0002)	(.2650)	(.0589)

***, **, and * denote one, five, and ten percent significance levels, respectively.

B. Trump Effect on U.S. Banks

When we evaluate the Trump Effect, or the presidential election, we find that commercial banks experience tremendous gains. As shown in Table 5, the commercial banks' mean and median CAR are 8.05% and 8.00%, respectively, while 98% of the commercial banks (all but one of the 42 sample banks) experience a positive CAR. When we calculate the absolute dollar impact on the commercial banks, we find the mean and median market capitalization gains to be almost \$2.1 billion and \$392 million, respectively. Cumulatively, the forty-two commercial banks gained over \$88 billion in market capitalization. It is anticipated these banks will have reduced compliance costs and ultimately, profits will be greater and the banks become more valuable to investors. Again, all three test results, which are both statistically and economically significant, clearly show that commercial banks will benefit financially with President Trump.

C. Combined Effect on U.S. Banks

The Combined Effect is the cumulative result of the Dodd-Frank Effect and Trump Effect. We find the Trump Effect to be more beneficial to commercial banks than the Dodd-Frank Effect is detrimental. With the election of Trump, commercial banks recovered all the losses from the Dodd-Frank Effect and more. In other words, commercial banks expect to benefit not only from the "Dodd-Frank" rollback, but also from rollbacks in other regulations and restrictions.

When the Combined Effect is evaluated, we find the commercial banks experience tremendous gains. As shown in Table 5, the commercial banks' mean and median CAR are 2.62% and 3.69%, respectively, while 74% of the companies experience a positive CAR. When we calculate the absolute dollar impact on the commercial banks, we find the mean and median increase in market capitalization to be \$1.25 billion and \$340 million, respectively. Cumulatively, the forty-two commercial banks gained nearly \$53 billion in market capitalization. The \$53 billion gain is driven in part from the fact that the commercial banks had larger market capitalizations in 2016 than in 2010. The combined market capitalization for the 42 banks on November 8, 2016 was \$1.06 trillion versus \$644 billion on June 30, 2010. Since it is anticipated these banks will experience fewer regulations and restrictions, their future profits are favorable and more valuable to investors. The Combined Effect results clearly show that commercial banks gained with Trump being elected President.

D. Latin American Banks versus Rest-of-World Banks

We evaluate the Dodd-Frank, Trump, and Combined Effects separately for Latin American banks versus Rest-of-World banks. We find that when the Dodd-Frank Effect is evaluated the Latin American banks experience tremendous gains while the Rest-of-World banks were not significantly impacted. As shown in Table 6, the Latin American banks' mean and median CAR are 4.79% and 3.90%, respectively, versus -0.15% and -0.32%, respectively, for the Rest-of-World banks. Thus, while U.S. commercial banks suffered large losses after the passing of the Dodd-Frank Act, Latin American banks experienced tremendous gains and the Rest-of-World banks were not significantly impacted.

Next, we examine the ways in which the election of President Trump affected foreign banks (e.g. the Trump Effect). As shown in Table 6, Latin American banks experienced tremendous losses upon the news of President Trump's election. Specifically, the mean and median CAR for

Latin American Banks are -10.39% and -11.00%, respectively. Meanwhile, the Rest-of-World banks were not significantly impacted. Again, both samples of foreign banks react differently than U.S. banks to the announcement.

Overall, as shown in Table 6, the Combined Effect for Latin American banks resulted in significant losses with the mean and median CAR being -5.61% and -7.10%, respectively. Thus, while Latin American banks greatly benefitted from the Obama Administration Dodd-Frank Act, all of the gains and then some were reversed upon the election of President Trump and his promise to dismantle the North American Free Trade Agreement (NAFTA). The Rest-of-World banks experienced no significant combined changes.

Table 6: Latin American and Rest-of-World Banks: Cumulative Abnormal Returns (CAR) for the Dodd-Frank Effect, Trump Effect, and Combined Effect

	Dodd-Frank Effect	Trump Effect	Combined Effect
Latin American banks (n=7)			
Mean CAR	4.79%***	-10.39%***	-5.61%**
Median CAR	3.90%**	-11.00%**	-7.10%*
Percent positive CARs	100%**	0%**	28.6%
Shapiro-Wilk test for normality	Normal	Normal	Normal
Rest-of-World banks (n=17)			
Mean CAR	-0.15%	0.88%	0.73%
Median CAR	-0.32%	-0.12%	2.04%
Percent positive CARs	41.2%	41.2%	64.7%
Shapiro-Wilk test for normality	Normal	Normal	Normal

***, **, and * denote one, five, and ten percent significance levels, respectively.
T-test, Wilcoxon signed rank test, and sign test are used to examine mean CAR, median CAR, and percent positive CARs, respectively. Test values and p-values are available from the authors.

V. Conclusions

The Dodd-Frank Act of 2010 with huge regulatory compliance costs was passed in response to the large banks' role in the Great Recession. The Dodd-Frank Act added capital requirements and more consumer protection at great costs to large banks. Donald Trump, while seeking and securing the 2016 Presidency, promised large banks there would be regulatory rollbacks of the Obama-era legislation. We examined both events and found a large Dodd-Frank Effect whereby large U.S. banks experienced a mean and median loss in market capitalization of \$848 million and \$146 million, respectively. This result is not surprising, since the profitability of large commercial banks is greatly reduced with large regulatory changes or even perceived changes. Thus, we find the regulation to be suboptimal and greatly reduces the wealth of the shareholders of large commercial banks. Conversely, we also find the Trump Effect completely reversed those shareholder losses and more. Under the Trump Effect, large U.S. banks experienced an astonishing mean and median increase in market capitalization of \$2.1 billion and \$392 million, respectively. While the U.S. banks cumulatively lost \$36 billion under the Dodd-Frank Effect, they gained \$88 billion under the Trump Effect so the Combined Effect was a gain of \$53 billion in market cap. We also found the shareholders of seven large Latin American banks, cumulatively suffered a \$10 billion decrease in market cap as a result of Trump promising to dismantle NAFTA, thereby signaling big changes for Latin American banks

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