

PERSPECTIVES: CRISIS AND RECOVERY, FROM 2008-PRESENT

MAY 2021

Featuring:

Rosie Rios, 43rd Treasurer of the United States and CEO of Red River Associates

Robin Vince, Vice Chair of BNY Mellon and CEO of Global Market Infrastructure

Moderated by Tom Hoare, Deputy Chief Communications Officer, BNY Mellon

TOM HOARE: Hey everyone, it's Tom Hoare. Welcome back to the BNY Mellon Perspectives podcast series, where we bring you the conversations that are shaping the financial services industry and the world.

We've got a really great discussion for you today. Today's episode is part one of two parts, and it features a conversation between two amazing leaders. The first is Robin Vince, our very own Vice Chair and CEO of BNY Mellon's Global Market Infrastructure business. Robin has a really fascinating conversation with another great leader, Rosie Rios. For those of you that don't know Rosie, she is fascinating. She was the longest-serving official in the Treasury Department during the administration of Barack Obama, where she served as the Treasurer of the United States, and she's a really dynamic and interesting leader. She's done everything from being at the forefront of the push to place women on our national currency, to more recently serving as a co-panelist alongside Apple co-founder Steve Wozniak in a reality television show that you're going to get to hear about.

What I think you might find most interesting in part one of this two-part series is really their focus on moments of economic challenge and recovery, including the one that we're currently living through. It's particularly interesting because Rosie served on both the 2008 Presidential Transition between the Bush and Obama Administrations, and more recently, the Biden Treasury transition team – and she looks at our current recovery through the lenses of those experiences, and Robin brings his own perspective from service in senior leadership roles at two of the world's largest banks during the same periods. So I think you're going to find this a really interesting and timely conversation between two great leaders.

Now, a quick pitch: Rosie is one of the luminaries at BNY Mellon Pershing's Insite 2021 conference,

and that's coming up in June. INSITE is the largest annual conference hosted by BNY Mellon, and I encourage you to learn more and register at BNYMellonINSITE.com.

So let's get right to part one of our two-part series. As always, listen rate review wherever you listen to your podcasts and thanks as always for being a listener.

ROBIN VINCE: Rosie, this is a real treat. Thanks so much for being here with us today. It's really great to have you.

ROSIE RIOS: Thank you so much, Robin. I'm thrilled to be here. I'm a big fan of BNY Mellon. I've had a chance to speak at your headquarters before, and anytime that I could do something with you, I always will.

ROBIN VINCE: Well, we really appreciate that. So, let me just give a little background for our listeners here. You're the CEO of Red River Associates. And before that, served as the 43rd Treasurer of the United States. Starting with your time on the transition team in November 2008, you were the longest serving Senate-confirmed Treasury official in the Obama Administration. You were also on President Biden's transition team for Treasury. You've been honored with the Treasury Department's Hamilton Award, and as one of USA Today's "Women of the Century." You've been a visiting scholar at the Radcliffe Institute for Advanced Study at Harvard with a focus on millennials and post-millennials. I have three post-millennials by the way, and I know you have some too, so I'm looking forward to your perspective on them. You can give me a little coaching as we go through this. But maybe let's start with something topical. We've just passed President Biden's first 100 days and his first State of the Union. It's clearly been an eventful moment in history for him to take over. And you've had a seat in that transition. Can you give us a little glimpse into that process? Some of the personnel and policy decisions that the team has to grapple with, how that gives us some insight into the future, and how he might govern.

ROSIE RIOS: Absolutely. And thank you so much for that introduction. I should hire you as my PR agent more than anything. Thank you. Yeah, so it was such a privilege to serve in the Administration, any administration in general. But to have a seat at the table, both during the height of the financial crisis of 2008, both terms of the Obama Administration, and now back again for the 2020 Treasury transition team, was really eye-opening. It's two totally different sets of circumstances, two totally different worlds. I would say, as we all know, that the crisis of 2008 originated with the housing bubble. Access to capital and liquidity was a real issue. And the focus of Treasury at that time was implementing the legislation that Congress had passed in October of 2008, the Emergency Economic Stabilization Act, which led to what we know as a Troubled Assets Relief Program. And of course, infusing an enormous amount of capital into financial institutions to free up the markets. On the other hand, this transition, again very, very different. I would say that first one was about housing, mostly.

The second one, this one, is about our home. So this is really more about Main Street. The pandemic obviously threw us an enormous challenge, in terms of thinking about a path forward. Hopefully, we'll never see something like this again, but it really is unprecedented. And I would say the issues that we tackled that were priority issues in this particular round of a transition team, it's a little bit of a joke on my end that it's everything that starts with a C, basically. So of course COVID-19 was a big issue, but

we also had other issues that we've never really encountered before, whether it was climate, cyber, crypto, computer modernization, our continuing resolution to think about the budget process, communication and social media, culture. And of course, I'm going to cheat on this one: the economy.

But those were really top of the list of the challenges that were faced, not just in Treasury, but in all the agencies, period. So, any transition is difficult, but to go from one administration to the other, when perhaps all we could access were public documents was tough; really, really tough. But I loved it. And I had a chance to work on a couple of other fun issues. I was on the interview team for some of the security positions. I was also part of Secretary Yellen's questions for the record. So there were some things, again, that were above and beyond.

But I would say to anyone who never, like me, in a million years thought you would ever work for the federal government, here I am taking all these tours of duties, if you will. I loved every second, but it is difficult. But it really does something to your perspective, in terms of moving forward.

ROBIN VINCE: So you mentioned it's the second time that you've had a direct window into this process. You talked a little bit about this second one. Can I take you back for a second to the first one? Because that was also, as you pointed out... It's very different than the one today, but the height of the financial crisis, the eyes of the world watching that transition. Just tell us a little bit about that moment, as you were in there, in some of those rooms.

ROSIE RIOS: Yeah, well, probably like most of the viewers here, I was actually in the thick of it. So I was managing director of investments for a \$22 billion firm based in San Francisco. And as we all saw, it didn't start in 2008. It was before that. And obviously, from Wall Street's perspective, it was Bear Stearns, it was Merrill Lynch, it was all these signs, very big signals, that something was wrong. And of course, what happened with Lehman in September, that was a tipping point. And I think we all remember that the scariest part was, it seemed like it happened all at once, but it was building. And so when it finally tipped, the house was on fire. And Congress couldn't pass that legislation the first time. I think we remember that too, that was in September when it didn't pass the first time. And maybe I'm not supposed to say this, but I've got to give Secretary Paulson so much credit here. He was absolutely a big leader in all of this, of course, with Chairman Bernanke. And at the time, Tim Geithner, who was the head of the Federal Reserve, president of the New York Federal Reserve. And together, I really give them all the credit in the world, of course, along with Congress and President Bush to have the foresight to do something.

Even though it took two times to do it, they finally did it. And again, all those components that became known as the Troubled Assets Relief Plan, and the biggest one, the Capital Purchase Program, that again provided the biggest infusion of capital, really provided not just resources, but I think what we really needed was a level of certainty. Because in my firm, it was a real estate investment management firm, and of course, real estate wasn't doing so well.

So again, I felt it. I was living it every day. And fortunately, I think, fortunately in October, the day before the ESA [Economic Stimulus Act] was passed in Congress, I had closed on a \$300 million capital raise when no one was raising money. It was kind of a miracle, mostly European pension funds. And so at that time, I was slated to take a 14-week vacation, and a friend of mine who was in

the Clinton administration, she was the SB [Small Business] Administrator under Clinton, living here in the Bay area, called me and said that they're looking for finance professionals to come on in to the administration, should Obama win in November, to help bridge this team between Secretary Paulson and who would be Secretary Geithner.

And so, again, at that time, what a decision. My daughter was eight. My son was 12. My whole family's here. My mom everyone's here. And again, never in a million years thought I would do that. And what I thought was going to be, first again, my 14 week vacation, then again, taking this tour of duty, it was a wake-up call. It was. It was a big wake-up call across the board. And anyone who feels that call, that personal call, really a call of duty to do something in one of the most consequential times of our economic history, I mean, how could you say no? And again, I didn't realize that I would end up being in DC for 10 years. And I moved back here to the Bay area about three years ago, when my daughter graduated from high school, but I have zero regrets. Zero. And if tomorrow was day one again, in 2008, I would do it all over again in a heartbeat.

ROBIN VINCE: By the way, 14-week vacation. That sounds like a lot of fun. Just out of curiosity, what were you going to be doing?

ROSIE RIOS: Absolutely nothing, probably, or just spending time with my kids. I actually hadn't planned on going anywhere. Just again, the sky was falling everywhere around us, including in my firm, including in Silicon Valley, including what was happening in general with Wall Street. So, I just needed a break, and it's interesting to think I needed a break and then jumping on the transition team where we never had a break, ever. It was nonstop. And there were two dozen of us on this transition team. And it was basically, all of us in this war room. It was the conference room on the west side of Treasury on the first floor, basically just this little narrow driveway that separates Treasury from the White House. And it was that entrance, the Bell entrance, where President Bush was coming over constantly.

And so we were in that first conference room on the right, as you enter. Literally, this room full of laptops. And every day we would get a stack of documents to review, sometimes individually, sometimes as teams. So I was also on the International Affairs team. And so, we would have to turn this stuff around. Sometimes we'd have a week, sometimes we'd have a day, sometimes we'd have an hour. And so that level of stress and urgency; your brain just has to rise up. You have no choice, but to rise up as these tests come to you over and over and over again, in some different capacity. And again, that was unprecedented, too, what was happening in that transition, similar to, again, what was unprecedented in this transition. And I don't remember a lot of details other than I didn't eat, I didn't sleep. And it was constant, constant, constant on-call for the next round.

ROBIN VINCE: So, I'd love to come to that theme of the constant, constant for a second. Because just reflecting back on that history and the crises that you were just talking about, those two, I think that gives us an opportunity to explore another of your interests. You call yourself something of an accidental historian, and of course, we're all living through history in real time, and you've just been talking about it, Rosie. But the millennials and Gen Z have had to come of age in a time of crisis after crisis, as you were talking about it. Beginning with 9/11, then 2008, and now COVID-19. And clearly, this has a pretty profound effect on them and shapes them. And I know you've done quite a lot of

work on that. I'd love to get your perspective on that.

ROSIE RIOS: Yeah. So, now you're speaking my language here. I am obsessed... Basically, anyone born in the mid '90s on. And the reason why I think those generations, which are technically millennials, and I'm calling them post-millennials, they have seen more in their short, little lives than most of us will ever see. So yes, you mentioned 9/11. My son was born in 1996. He was five years old at that time. And I remember one of his initial memories was as it was happening. Here we are in California, and he runs into our bedroom in the morning, and it was just as the second tower was falling down. And he runs in, looks at the TV and he says, "Rewind," like he thought we were watching some movie, right? Just the saddest thing. So yes, their reality is unfortunate in many ways. And so yes, there were these series of milestones. Let's talk about the good, the bad, and the ugly. So what they've seen in terms of crisis after crisis. So there we are with 9/11, and then of course, what happened with the financial crisis. Of course, my kids lived that with me, right? Literally take them out of the only school they ever knew, the only bed they ever knew, the only house they ever knew, and then take them to this foreign land of DC.

And then of course, what they're living now with the pandemic, I don't think we will understand the social, political and economic impacts of this pandemic fully for a while. And especially the emotional impacts on what these kids have experienced, both in not having the interaction, the social interaction, the physical interaction of being in school itself, but also what it means, the fear of the unknown that no one can control, right? 9/11, it's not like we really controlled that either. That's a different type of fear.

But let's not forget one other constant threat that has come through these kids' lives unfortunately, which is school shootings. All too many, too many, way too many to name. And it's not like I want to go into the details of this, but the one takeaway that I would say in my two years that I studied millennials and post-millennials is that their anxiety is real. It is very, very real. You add into that thread, what happened in 2007 and 2008 wasn't just the crisis or leading up to the crisis, there was also the advent of the mass scale use of social media.

So again, the good, the bad, and the ugly. Our kids are exposed opposed to a very visual world, an uncontrolled world that has a lot of great promise and a lot of great educational components, but there's also, again, this threat to our kids in terms of what we can and can't do to protect them. Let me make something very clear to all the parents who are watching out there. Our kids have seen everything and as much as we want to deny, it's true. I mean, the world has become very, very flat for them geographically by having access to the internet. But at the same time, there are too many things that we don't like to think about that they have been exposed to.

I couldn't believe, there are dedicated to the jumpers of 9/11 God forbid, or any other kind of exposure. I call it almost like free PTSD. It's like when your brain is that young and hasn't formed yet, all the brain synapses are not formed completely, and you're seeing something that could very well be traumatic to anyone, but for an untrained or un-mature mind to see something that for anyone else would be that traumatic, again, we haven't really understood what the long-term impacts of that's going to be.

But at the same time, I don't want to be Debbie Downer here, at the same time, the internet has also provided so many amazing opportunities for these kids where they know so much more than my generation ever will just by the push of a button. Again, in many cases, the good stuff. So as long as we realize that there's a lot that we, not just as parents, but as a community, as a nation and as a world need to do to really think about how to find balance for that next generation, because this isn't just about our kids. This is about a future leadership issue, right? And so I think there's a lot more work that needs to be done.

ROBIN VINCE: OK. I'd love to sort of mix it up a little bit. And just with a brief interlude, if I can, I mean, I have to ask, I've been wanting to ask this since I first met you. I mean, you were in charge of the Bureau of Engraving and Printing and the U.S. Mint and Fort Knox. By the way, how cool is that to have that on your resume? Your kids must have thought you were a rock star when you went home and told them that. But favorite child of those three? Piles of cash, stacks of coins or bars of gold, which one did you have the most fun with?

ROSIE RIOS: You know, I have never been asked that question and all those three entities are very unique for different reasons. So for folks who don't know, the Bureau of Engraving and Printing is where we literally design and print our paper currency. The U.S. Mint is where we produce our coins and metals and commemorative numismatic collectibles. And then Fort Knox, yes, is where we keep a good portion of our U.S. gold reserves. Not all of it, only about 60 percent is in Fort Knox and then another 20 percent in deep storage in Denver and the other 20 percent in New York.

But I've got to say, let me just talk about Fort Knox for a second, which is technically part of the U.S. Mint. So yes, I was there. Yes, I've seen the gold and people probably wouldn't know this, but the US reserves is about 268 million ounces of gold. That's a lot of gold. And so when you go through Fort Knox, and very few people are ever allowed in there, it's a secure fort, literally. And I'm old enough to remember the TV series *Get Smart*, how he has to go through all those doors to access this little area. That's what it's like. You have to go through all these strange little fun doors, and then ready for this, they actually weigh you before you go in, so that you're not running out with a 28-pound brick of gold. But they weigh you before you go in so that you weigh the same when you go out.

And the gold is stored in these kind of metal lockers, they actually look like metal closets, and there's a little window on the bottom and the locks are audited every year for security purposes, but you can look through that little window. And when you turn on the light, I swear to God, it's like that last scene in *Raiders of the Lost Ark* when they take the top of the Ark of the covenant, and it's this brilliant shine. That's exactly what it is. It is unreal. And actually, if you ever really want to see our gold reserves, the New York Fed has a public tour. They'll take you down to deep storage for a lot of that is our gold, where we store some of our gold. And then I think the New York Fed also has one of our bricks on display, and the Denver Mint also has a brick on display. But very, very cool.

But I do have an affinity, a very close affinity for the Bureau of Engraving and Printing, just because that for me is where I would take my breaks during the crisis, the financial crisis. And there's this area in there called the Historical Resource Center. And at the HRC, people wouldn't realize that Treasury didn't just make money, Treasury produced all the financial products of the entire federal government. So that included postage stamps, savings bonds, military payment certificates, they still produce the

security page of your passport and all those renderings, all that artistry, those concepts, which many of them have never been seen by anyone living today, they're literally in the Historical Resource Center.

And so to have access to that when I needed that break and I would go in there and I'd just kind of go through and look at all these fabulous, fabulous works of art. I mean, I came across a series of sketches of the world's fair postage stamp, I think from the late 1930s. And it was the early iterations, and there was some pencil chicken scratch in one of the margins that said, it was a three-cent stamp, it said the three is too large. And then there's another iteration that said still too large, interferes with the water feature. And then the last iteration, ready for this? Said, OK. Ready? FDR. I mean, it was his chicken scratch that I'm coming across on approving a postage stamp design. Crazy.

ROBIN VINCE: That's awesome.

ROSIE RIOS: Amazing, all kinds of great things in there. It was fun. I loved it.