



FedFin Daily Briefing

Wednesday, January 27, 2021

President Biden Demands Agencies Address Environmental Justice

Included in an Executive Order President Biden will sign [today](#) is a requirement that each federal agency make environmental justice part of its mission. The order will direct executive-branch agencies to develop policies and activities addressing “disproportionate health, environmental, economic, and climate impacts on disadvantaged communities.” Although this order does not directly govern independent agencies such as the FRB, FDIC, OCC, SEC, FHFA, CFPB, and CFTC, all of them do as much as possible to comply with Presidential orders. Those independent agencies headed by Biden Administration appointees will likely do still more to reflect the Administration’s climate emphasis. Treasury Secretary Yellen emphasized it [yesterday](#) in her opening note to Department staff and we continue to expect rapid FSOC action prioritizing climate change as a systemic risk for both research and, thereafter, regulation. Environmental justice will surely also figure in forthcoming CRA standards ([see FSM Report CRA30](#)), heightened Fed [research on climate-risk stress-testing](#), and renewed interest in how the agencies define “public-welfare” investments and the regulatory treatment they enjoy.

Powell Non-Committal on 13(3) Facilities, Dividend Restrictions

At his press conference today, FRB Chair Powell sidestepped a question asking whether the 13(3) facilities now set to expire on March 31 would end as planned or be extended, saying only that, if the emergency continues, then the tools will remain. Treasury approval will also be required, but Mr. Powell has not yet talked to Secretary Yellen. Chair Powell also reiterated his confidence in the banking sector, noting that banks subject to CCAR now have higher capital ratios than before the pandemic. However, no decision has been made as to whether dividend and share-repurchase restrictions will be altered for the second quarter.

Recent Files Available for Downloading

The following reports and analyses have been sent to retainer clients recently. Copies are also available to retainer clients on the Archives section of Federal Financial Analytics’ website: www.fedfin.com or clients may obtain the reports/analyses by e-mailing info@fedfin.com giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- [CAPITAL227](#): Although the FRB in its proposal indicated that this rulemaking would also begin consideration of the U.S. large-bank capital framework post-COVID, its final rule largely confines itself to aligning stress-test standards with the 2019 tailoring rule and stress capital buffer (SCB) for Category IV banking organizations.
- [GSE-012221](#): The failure of yet another Administration and Congress to conquer the conservatorships does not augur well for constructive policy action anytime soon.
- [INVESTOR14](#): In this report, we expand on prior forecasts to assess broad financial-regulatory and structure issues under the SEC’s jurisdiction under what seems likely: a Chairman Gensler. His

will be an activist SEC, one sure to throw broker-dealers, asset managers, and investment funds from the relative comfort of the last four years.

- **[GSE-012121](#)**: As forecast following a landmark CFTC-committee [report](#) and the Fed's financial-stability assessment, [FHFA has now](#) turned to the climate risk that worries them the most: residential real estate.
- **[GSE-011521](#)**: Last night, Treasury and FHFA [announced](#) an agreement on the GSEs' conservatorship unsatisfactory to all concerned and highly objectionable to many of those on the Hill with the power to change it.
- **[GSE-011321](#)**: Setting Senate Banking's [agenda yesterday](#), incoming Chairman Brown highlighted refi inequality as a top committee priority.
- **[CRYPTO17](#)**: This interpretive letter (IL) follows an OCC advance notice of proposed rulemaking that suggested a notice-and-comment process before the agency made substantive changes to the digital-currency powers of federally-chartered banks.
- **[AML133](#)**: In a cliff-hanger before the end of the 116th Congress, the National Defense Authorization Act was enacted into law with an array of provisions significantly revising U.S. anti-money laundering (AML) and countering the financing of terrorism (CFT) requirements.
- **[ELECTION25](#)**: It will take considerable time for Congress to absorb the meaning of yesterday's insurrection not only in institutional terms, but also and more immediately with regard to each Member's thinking about his or her own policy and political agenda.
- **[TMARKET](#)**: As we noted earlier ([see Client Report REFORM200](#)), we do not expect U.S. regulators to extend SLR relief ([see FSM Report LEVERAGE23](#)) after its scheduled March expiration.