



Federal Financial Analytics, Inc.

THE 2021 FINANCIAL POLICY PLAYBOOK

Democratic Senate control completes a new U.S. political and policy trifecta with far-reaching strategic implications across the financial and fintech sectors via new standards and even new law on issues such as racial equity, economic equality, federal preemption, consumer protection, hedge funds and private-equity firms, digital finance, and who pays for all the new stimulus spending.

The analytics below are based on in-depth reports provided to FedFin clients.
To learn more, contact us at info@fedfin.com

Follow us on



It's too early to tell if the January 6 Capitol riot so shocked Members of Congress that broad consensus for controversial initiatives becomes possible. We're still betting that what Karen Petrou [calls](#) the "moderate middle" will determine legislative outcomes. However, progressives will set the legislative agenda and, even if they don't get all they want, they have many ways to make a major, redirectional change in U.S. monetary and regulatory policy.

Further, budget-reconciliation legislation advances under unique rules that give progressives a big edge on any measure with spending or revenue implications. If the Congress goes for big spending initiatives – and it will – it will curb the cost to at least some extent with new revenue, putting not only corporate taxes in play, but also the interest paid by the Fed to banks on their [reserves](#).

However, Congress isn't the only powerhouse sure to change course in 2021. We forecast significant changes in U.S. financial policy with Janet Yellen heading Treasury's influential Financial Stability Oversight Council. As we've detailed, FSOC's top priorities include advancing new [MMF standards](#), restructuring the Treasury market, settling the [future](#) of Fannie and Freddie, considering designation or regulation for key nonbank sectors (e.g., nonbank servicers, hedge funds, private equity, and principal trading firms), and – a total first – shifting financial policy to increase economic equality. Although few have noticed, FSOC's legal mandate actually requires it to [protect low-income and minority households](#) – now, it will.

Of course, economic equality, racial equity, and consumer protection are not just in FSOC's ambit. Congress will tackle questions such as the need for a federal usury ceiling and the extent to which federal preemption should apply to national banks and their fintech partners. The OCC under a Biden-appointed head will review controversial OCC actions and the Community Reinvestment Act will get a rewrite not just from [regulators](#), but also from a Congress now bent on bringing nonbanks, insurers, and others under a tougher set of community-service standards.

Incoming Banking Chairman Brown (D-OH) also has plans to bring the entire financial sector fully [under the Civil Rights Act](#) and Democrats will also launch an array of initiatives that would open the Fed to individual depositors, expedite payment-system reform, set up new “public banks,” and bring the Postal Service back into retail banking – and that’s just for starters.

We also expect a shift in [big-bank regulation](#), a new approach to [digital finance](#), and a top to bottom rewrite of asset management in addition to all the work targeted at MMFs. The Department of Labor’s controversial ESG [rules](#) will be retracted, climate-change standards will advance apace, and the Fed might even get a [new mandate](#).

To read Karen Petrou’s latest speech, click [here](#)
To read our latest in-depth non-proprietary report, click [here](#)
Karen Petrou’s latest column can be found [here](#)

For more information on access to paywalled reports, please contact us at info@fedfin.com

[Unsubscribe](#)

Federal Financial Analytics, Inc.

2101 L Street, NW – Suite 300

Washington, DC 20037

Phone: 202.589.0880

www.fedfin.com

A proprietary think-tank for its clients, Federal Financial Analytics reviews critical federal and global policy developments in banking, insurance, asset management, and mortgage finance. We analyze strategic actions in great depth. Then, we advise clients on whether what they want can be made to work for them, within the policy environment and for the financial system. The firm’s practice is a unique blend of strategic advice and policy analysis serving as a thought leadership resource for boards of directors and senior management seeking a forward looking assessment of risks, opportunities, governance and other matters critical to success.

© 2021. Federal Financial Analytics, Inc. All rights reserved.