



FedFin Daily Briefing

Wednesday, February 24, 2021

HFSC Considering New FinCEN Powers to Combat Domestic Terrorism

Tomorrow morning, HFSC's National Security, International Development, and Monetary Policy Subcommittee will consider four draft bills taking on what has become a key policy concern: domestic terrorist financing. Three of the draft bills are aimed at FinCEN, establishing a classified group within the FinCEN exchange to facilitate terrorism-related discussions, enabling FinCEN to freeze assets of those charged with domestic-terrorism related crimes, and requiring FinCEN to publish educational materials in this arena. The subcommittee will also examine draft legislation to require a GAO study of domestic extremist fundraising.

Dems Renew Demand for Political Disclosures, Add Climate-Risk Provisions

HFSC's Investor Protection, Entrepreneurship, and Capital Markets Subcommittee will meet tomorrow afternoon to consider seven draft bills on climate change and social responsibility and H.R. 1087, which revives longstanding Democratic demands for corporate political-expense transparency. Several of the draft bills are aimed at increasing climate-related disclosures; these would require disclosure of ESG metrics, financial and business risks associated with climate change, and steps on Paris Climate Agreement compliance. Draft bills would also require disclosures related to executive pay, board and executive diversity, and taxes paid versus pre-tax profits. Draft legislation directing the SEC to reissue its 2016 final rule on disclosures by resource extraction issuers will also be examined. Notably absent so far is legislation demanding financial-industry specific disclosures or stress testing, but these are sure to come despite Chairman Powell's statements that binding testing and even standardized disclosure cannot yet be mandated due to data challenges.

SEC Responds to Pressure, Ups Climate-Risk Disclosure Assessment

Reflecting pressure sure to be heard at tomorrow's HFSC Capital Markets Subcommittee hearing, the SEC's acting chair today [directed staff](#) to re-evaluate climate-related disclosures in public securities filings. Climate-risk disclosures from 2010 will now be reviewed to determine how they have been met and what may need to be changed. Although the announcement focuses on future action, staff inquiry could also lead to near-term action against companies found not to adhere to the 2010 guidance, with the Acting Chair noting the materiality of climate disclosures in light of events over the past decade. Chairman Powell yesterday ([see Client Report FEDERALRESERVE60](#)) supported general climate-risk disclosures, but warned against immediate standardization due to ongoing data challenges.

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](#).

- **FEDERALRESERVE61**: At today's HFSC hearing, Chairman Powell not only delivered the same testimony, but faced many of the same questions to which he provided the same answers. He would not, for example, commit to ending the SLR exemption ([see FSM Report LEVERAGE23](#)) or to condition any continuing exemption on capital-distribution restrictions.
- **GSE-022421**: As anticipated in an earlier FedFin [report](#), we confirm that U.S. banking agencies plan to turn quickly to U.S. implementation of the 2017 "Basel IV" package.
- **FEDERALRESERVE60**: As usual, Senate Banking's hearing today with Chairman Powell strayed from monetary policy and post-pandemic prospects to a range of financial-policy critical questions.
- **REALESTATE24**: Continuing the OCC's recent actions to expand national-bank powers into unprecedented arenas, the OCC has now proposed major liberalization of the ways in which federally-chartered organizations may use commercial real estate owned as bank premises.
- **GSE-020121**: While it will take time for the swamped Biden Administration to craft U.S. housing policy, elements of it emerged last week during stimulus negotiations, the [President's statement](#), and [HUD-nominee Fudge's appearance](#) before Senate Banking.
- **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.