



FedFin Weekly Alert

Monday, March 22, 2021

❑ WHO CARES?

Next week, both HFSC and Senate Banking will have FRB Chairman Powell and Treasury Secretary Yellen in their grip for mandatory, quarterly hearings. These will be the first at which Janet Yellen will appear since confirmation, meaning that Members will use the opportunity to quiz her on a broad range of Treasury issues dear to constituents – e.g., taxes – not necessarily within these committees' jurisdiction. Although CARES Act hearings are supposed to focus on the CARES Act of 2020 ([see Client Report RESCUE72](#)) these days, it's old news. We'll of course provide clients with an in-depth analysis, with an ear towards the questions sure to come on both CARES 2.0 – the new, \$1.9 trillion Biden rescue measure – and much more on Members' minds within the Fed's and Treasury's purview. However, despite all the big-picture questions sure to come, we'll be listening to key financial-policy questions, including:

- What's next for the SLR?
- What does Treasury plan for the GSEs and when does it plan to do it? How much of the Toomey plan ([see Client Report MORTGAGE119](#)) is possible or desirable?
- Now that Secretary Yellen has blessed CBDC, when will the U.S. have one? Does Treasury or the Fed support Chairman Brown's (D-OH) "FedAccount" legislation ([see FSM Report CBDC](#))? What happened this time to stimulus payments and what does that tell Treasury and the Fed about the need for CBDC, FedNow, a private-payment system, or something else?
- What about crypto-regulation, especially the controversial proposal on digital asset reporting [issued by FinCEN](#) at the end of the Trump Administration?
- How does Treasury intend to pursue the Administration's ambitious climate-change agenda and how will the Fed chime in? Republicans will also renew questions designed to demonstrate that neither the Fed nor SEC has authority to do much about climate risk beyond worrying ([see Client Report GREEN7](#)).
- Does the Fed believe any new emergency-liquidity facilities are needed? Where does Treasury stand on reopening those summarily [closed by Secretary Mnuchin](#)?

What is each agency doing to end discrimination within its ambit both for internal operations and financial regulation? What about diversity, including mandatory disclosures?

Headlines From the Past Week's Daily Briefings

March 15

- **Toomey Tries New GSE-Reform Tack** - Senate Banking's hearing on housing is a consequential kick-off to Congressional action on GSE reform.
- **SEC Kicks Off Climate-Disclosure Rewrite** - Together with remarks on climate risk, SEC Acting Commissioner Lee requested public input on disclosure rules and guidance to guide SEC staff.
- **Brown, Warren Draw Goldman into SLR Fight** - Continuing their campaign against any extension of SLR relief, Sens. Brown (D-OH) and Warren (D-MA) wrote a letter to Goldman Sachs protesting what they assert has been undue dividending by the parent company even though the IDI took advantage of the exemption.

March 16

- **Anti-Sex Discrimination Act by CFPB Kicks Off New Policy** - The *Federal Register* includes the CFPB's interpretative rule clarifying that discrimination based on sexual orientation and gender identity are prohibited under ECOA, effective March 16.

March 17

- **CFTC Launches New Unit Scrutinizing Products on Climate-Risk Criteria** - Reflecting both the political climate and a prior, high-profile advisory report, the CFTC launched a Climate Risk Unit (CRU) tasked with assessing the role of derivatives in understanding, pricing, and addressing climate risk.
- **HFSC Tees Up Broker-Dealer Reform Legislation** - Chairwoman Waters (D-CA) announced a third hearing on the GameStop frenzy featuring regulators, making clear that reform legislation will follow.
- **Powell: SLR, Capital-Distribution Decisions Coming Soon** - Refusing to answer several key questions today, FRB Chair Powell said only that decisions on SLR relief and capital-distribution prohibitions are forthcoming in the next few days for the SLR and weeks on distributions.

March 18

- **Agencies Start Flood-Insurance Clarification Process** - The federal banking agencies, NCUA, and FCA proposed adding 24 questions and answers to their interagency FAQs on complying with private flood insurance provisions in the 2012 Biggert-Waters Flood Insurance Reform Act.
- **Powell: CBDC Must Complement, Not Replace, Cash** - In remarks regarding global regulatory work on cross-border payments, FRB Chair Powell highlighted a key finding of a recent BIS report developed together with G7 central banks: CBDC must

coexist with cash and other types of money in a flexible and innovative payment system.

March 19

- **SLR Stays for Now, But Change to Come** - As we anticipated, the FRB decided to let the SLR exemption expire as planned on March 31.
- **Global Regulators Craft Bigtech Regulatory Construct** - The BIS's Financial Stability Institute (FSI) has released a set of regulatory-policy options advancing global work seeking to govern tech-platform financial-sector offerings.
- **Revived UDAP Back as of Today** - The *Federal Register* includes the CFPB's notice rescinding its previous statement regarding abusive acts or practices, effective today.
- **Waters, Beatty Demand Investment-Bank Diversity Data** - HFSC Chairwoman Waters (D-CA) and the chair of the Diversity and Inclusion Subcommittee, Rep. Beatty (D-OH), sent letters to the country's thirty-one largest investment firms such as BlackRock, Vanguard, and JPMorgan, demanding diversity and inclusion data.

This Week

Tuesday, March 23

HFSC virtual hearing entitled: "Oversight of the Treasury Department's and Federal Reserve's Pandemic Response" [12:00pm, Cisco WebEx] Witnesses not yet available.

Wednesday, March 24

HFSC Subcommittee on Housing, Community Development and Insurance virtual hearing entitled: "Preserving a Lifeline: Examining Public Housing in a Pandemic" [12:00pm, Cisco WebEx] Witnesses not yet available.

Senate Banking remote hearing entitled: "The Quarterly CARES Act Report to Congress" [10:00am, Remote] Witnesses: The Honorable **Janet L. Yellen**, Secretary, Department of the Treasury; and The Honorable **Jerome H. Powell**, Chairman, Board of Governors of the Federal Reserve System.

Thursday, March 25

HFSC Subcommittee on National Security, International Development and Monetary Policy virtual hearing entitled: "Ending Exploitation: How the Financial System Can Work to Dismantle the Business of Human Trafficking" [12:00pm, Cisco WebEx] Witness not yet available.

Senate Banking remote hearing entitled: "American Rescue Plan: Shots in Arms and Money in Pockets" [10:00am, remote] Witnesses: **Ms. Amy K. Matsui**, Director of Income Security and Senior Counsel, National Women's Law Center; and **Ms. Sharon Parrott**, President, Center for Budget and Policy Priorities.

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](#).

- **[GREEN7](#)**: Today's Senate Banking Committee hearing on climate risk made it clear that the partisan divide evident earlier this week on housing ([see Client Report MORTGAGE119](#)) and much else extends to what financial regulators should do about climate risk.
- **[GREEN6](#)**: Reflecting views of the Biden Administration and those of its nominee to chair the SEC, Acting Chair Allison Herren Lee is requesting public views ahead of more formal proposals revising the climate-risk disclosures to be required of publicly registered companies.
- **[GSE-031721](#)**: As our in-depth report makes clear, the Senate Banking (and Housing!) Committee's hearing yesterday showed the wide partisan chasm between what Democrats and Republicans want of the GSEs.
- **[MORTGAGE119](#)**: Reflecting Chairman Brown's (D-OH) prioritization of the "housing" jurisdiction under Senate Banking, the panel's hearing today addressed not only GSE reform, but a sweeping range of rental and affordable-housing considerations in concert with lending discrimination and housing finance.
- **[UDAP7](#)**: Continuing the quick reversal of numerous Trump-era policies, the CFPB has ended a controversial policy statement providing consumer-finance companies with considerable protection from assertions of abusive acts or practices.
- **[GSE-031621](#)**: A new [FEDS Note](#) unpacks the unprecedented patterns of mortgage default risk during the pandemic to find that unemployment will tell the default tale.
- **[REFORM202](#)**: At a wide-ranging hearing, HFSC today launched its inquiry into racial equity in the financial system. Democrats offered a sweeping array of solutions, with witnesses alleging discrimination in lending and the failure of the banking system for people of color.
- **[GSE-031021](#)**: As previously [noted](#), the CFPB has decided to restore the DTI-based QM along with the patch without withdrawing its price-based QM or the seasoning rule, essentially allowing mortgage lenders to do pretty much anything and sell as much of their volume as Fannie and Freddie will bear.
- **[INVESTRO16](#)**: While Senate Banking's GameStop hearing today continued many of the partisan battles fought when HFSC held its [first hearing](#) on the matter, at least one area of consensus emerged today: the need to decrease settlement times.
- **[REFORM201](#)**: Although today's Senate Banking hearing on Wall Street's role was poorly attended, it nonetheless captures the theme Chairman Brown (D-OH) intends to guide his work this Congressional session: "Wall Street" incentives adversely affect equity, equality, economic growth, and social welfare and thus require structural, sweeping reform.