



Federal Financial Analytics, Inc.

The Fallout for Finance from a Five-Point Fed Mandate

The chairman of the Senate Banking Committee has laid out a five-point mandate for the U.S. central bank that, even if not enacted, dictates new policies with direct strategic impact on financial-services companies and the payment infrastructure on which they depend.

The analytics below are based on in-depth reports provided to FedFin clients.
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On February 23, Sen. Sherrod Brown (D-OH), chair of the Senate Banking committee, followed his longstanding demands for Federal Reserve focus on economic equality with five very explicit [demands](#). A FedFin [client report](#) and Karen Petrou's [most recent memo](#) analyze each point of this new mandate and how Congress will attempt to enforce it. Here, we draw your attention to key strategic implications:

- Big banks are hostages in the stakeholder-capitalism siege. Near-term, we see a lot of reputational risk. Over time, continued pressure on retaining capital for lending may turn into tougher rules, new law, or a little of both.
- The Fed is on a very short leash when it comes to emergency financial backstops. Bipartisan legislation curtailing Fed power is more than possible if a vehicle for it comes Congress' way. Any newly-authorized Fed facilities will have far more strings statutorily attached.
- Climate-risk mitigation pressure will remain relentless, but the Fed will be given the time it needs to refine scenario analyses and the SEC will move unmolested to new disclosures as long as each agency continues to persuade Congress that it cares.
- The payment system is a key flash point, one made still more dangerous from the Fed's point of view following its embarrassing [outage last week](#). "FedAccounts" and postal banking aren't likely in the near term, but they will be pushed hard, leading to interim changes across the retail-service delivery system.
- Systemic racism and ways to reverse it are not only an urgent priority, but one Congress will tackle with explicit remedies. Most of these will focus on ramping up CRA across the financial system and toughening rules against discrimination, but look also for tough [new legislation](#) expanding civil-rights protection across the sector and concerted regulatory action targeting large financial companies, not just outlier firms.

To learn more about Karen Petrou's book, *Engine of Inequality: The Fed and the Future of Wealth in America*, click [here](#)

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](#)

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