



# *FedFin Daily Briefing*

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Thursday, April 22, 2021

## **HFSC Approves Diversity and Inclusion Bills on Thin Margins**

This week's HFSC markup approved measures offered by Chairwoman Waters (D-CA) and Reps. Beatty (D-OH) and Green (D-TX) addressing diversity and inclusion. All three passed on 30-23 votes, making it unsurprisingly clear that none is non-controversial and all will face GOP opposition that will slow floor action and endanger passage in the Senate.

Chairwoman Waters' amendment in the nature of a substitute to H.R. 2543 would continue to direct the Fed to address racial disparities in employment as part of its overall mission and impose additional demographic reporting requirements. Reflecting criticism, the amendment clarifies the bill's intent to eliminate disparities across both racial and ethnic groups, as opposed to only racial groups. She argued that the Fed has never fully realized its full employment objective as the Black unemployment rate has never been low enough to constitute full employment. Following HFSC's approval, ten Democrats led by Sens. Warren (D-MA) and Gillibrand (D-NY) introduced a Senate companion we expect soon to come before the Banking Committee.

Rep. Beatty's amendment in the nature of a substitute to H.R. 2123 imposes mandatory diversity and inclusion reporting requirements on financial institutions with at least 100 employees. Rep. Green's amendment in the nature of a substitute to H.R. 2516 added definitions, fixes a significant technical error and still requires banking regulators to evaluate diversity and inclusion in CAMELS ratings; we will shortly provide clients with an in-depth analysis of this measure.

## **Treasury Ramps-up Sanction-Impact Review**

In conjunction with an industry meeting yesterday, Deputy Treasury Secretary Adeyemo provided new insights into Treasury's review of U.S. economic and financial sanctions. Although the Biden Administration used tough sanctions most recently [against Russia](#) and threatened still more, Treasury is now assessing sanctions to ensure they remain strong, viable options. Mr. Adeyemo said that, while sanctions have become the tool of first resort across a range of national security, foreign policy, and economic challenges due in part to their notable successes, unanticipated challenges from their use and a changing international order necessitate their review. The review also aims to ensure sanctions implementation and enforcement are relevant, rigorous, fit to purpose, and advance U.S. goals.

## **FDIC Heightens Shadow-Insurance Enforcement Focus**

Following its [RFI on bank signage and advertising requirements](#), the FDIC [today](#) proposed promised procedures for investigating and enforcing statutory prohibitions on misrepresentations of FDIC deposit insurance or misuse of the FDIC's name or logo. The FDIC proposes largely to retain its current informal resolution process in which a letter requesting corrective action is sent to violators. However, formal enforcement procedures when these attempts are unsuccessful are now proposed for use after the FDIC has provided notice to a violating institution's primary regulator and that regulator fails to act as requested. The agency here is responding to growing complaints across the banking industry about depositor

confusion when nonbank products appear similar to FDIC-insured deposits, a competitive threat the FDIC fears also puts vulnerable consumers at risk. Comments are due sixty days after *Federal Register* publication.

## Biden Announces Forthcoming Plan for Financial-Sector Climate Resilience

Although President Biden was expected to issue an Executive Order that would mandate greater climate-risk disclosures as soon as today, today's rollout of the Administration's climate policy included a Presidential proclamation, multiple speeches, and the International Climate Finance Plan [demanded by an earlier E.O.](#), but no such order. Instead, President Biden announced that the administration would develop a plan for the financial sector, [emphasizing](#) the importance of building a resilient economy and noting the need for mandatory climate-risk disclosures so that Wall Street is transparent about the risk it takes with workers' money. However, the lack of executive action – should it last – does not preclude any of the agencies from pursuing risk-mitigation or disclosure requirements; the SEC for example continues to review its climate disclosure guidance ([see FSM Report GREEN6](#)) and the Fed recently formed a [Financial Stability Climate Committee](#) focused on disclosure and systemic-risk exposures.

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### Recent Files Available for Downloading

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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](http://www.fedfin.com) or clients may obtain the reports/analyses by e-mailing [info@fedfin.com](mailto:info@fedfin.com) giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- [LIBOR5](#): Following Fed agreement earlier this year that federal legislation is needed (see Client Report FEDERALRESERVE61), the HFSC Capital Markets Subcommittee today laid the groundwork for rapid introduction and action on Chairman Sherman's draft bill.
- [ILC16](#): As anticipated, HFSC Democrats today continued their attack on non-traditional bank charters, with Chairwoman Waters (D-CA) pushing for no new ILC approvals and revoking the OCC's special-purpose charters.
- [GSE-041421](#): A new study from the Federal Reserve Bank of New York contradicts many assertions that COVID's mortgage-market mania disadvantages first-time homeowners.
- [INFRASTRUCTURE7](#): Sen. Joe Manchin (D-WV) recently reiterated that he believes an "infrastructure bank" would be an appealing way to fund significant U.S. investment without the direct cost associated with President Biden's plan.
- [GSE-040621](#): Just to be sure servicers got the message sent last week that the CFPB has them in its [crosshairs](#), the agency yesterday [proposed](#) sweeping changes to provide far-reaching foreclosure protections on all forborne or delinquent mortgages, not just those subject to the statutory protection afforded federal loans.
- [AI](#): Advancing their efforts to ensure "responsible innovation," federal agencies have taken an initial, cautious step into assessing the prudential, compliance, risk-management, and fairness implications of artificial intelligence (AI) and machine learning (ML).

- **HEDGE59**: The stunning collapse of the leveraged family office, Archegos, and its impact on the financial system has renewed calls for an array of regulatory initiatives.
- **REFORM204**: Following yesterday's HFSC session ([see Client Report REFORM203](#)), Secretary Yellen and Chairman Powell today faced Senate Banking and, as before, a raft of questions with little to do with the hearing's ostensible focus on CARES Act programs.
- **REFORM203**: At today's HFSC hearing on pandemic-relief programs, Members asked also about key financial-policy questions.
- **GSE-032321**: Last week, [we analyzed](#) a Federal Reserve study showing that unemployment is still inexorably linked to mortgage-default risk.
- **GSE-032221**: As [we predicted](#), federal banking agencies didn't back down: the [SLR exemption](#) for central-bank reserves and Treasuries is no more as of April 1.
- **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.