



FedFin Daily Briefing

Friday, May 21, 2021

Administration Targets Financial Climate-Risk for Disclosures, Additional Safeguards

President Biden last night released his much-anticipated [Executive Order](#) on climate-related financial risk. Although it does not immediately mandate new climate-risk disclosures, the EO directs FSOC to consider requiring new disclosures in a fashion sure to spur the SEC to act as Chairman Gensler already promised ([see Client Report INVESTOR17](#)) and spark additional action by the banking agencies. FSOC is also told to report within 180 days on climate-related financial risk to the stability of the U.S. financial system and member-agency work in this arena, including recommendations for any new or revised regulatory standards. The EO specifically notes the “failure” of financial institutions to account for climate risk, arguing that it threatens both the competitiveness of U.S. markets and the livelihoods of workers. In response to the EO, Secretary Yellen [vowed](#) to prioritize climate risk, emphasizing her plans to work with both regulators and global partners. Reiterating strong GOP objections, Senate Banking Ranking Member Toomey (R-PA) [criticized](#) the EO as a “misuse” of financial regulation in pursuit of environmental policy objectives. We will shortly provide clients with an in-depth analysis of the Order and its likely impact.

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](#).

- [GSE-052021](#): Using its formidable trove of non-public data, the Federal Reserve Bank of New York has released a series of staff reports assessing the status of mortgage forbearance.
- [REFORM205](#): Although the banking agencies today tried to make as little news as possible in their appearance before the House Financial Services Committee, Members made it hard for them to leave the witness table without providing important insight into regulatory policy as a new agency line-up takes shape.
- [INTERCHAGE8](#): Leaving its interchange-fee restrictions intact – at least for now – the Federal Reserve is proposing to expand on its existing requirement that all debit-card transactions must be enabled for processing on at least two unaffiliated payment-card networks for card-not-present (e.g., online) transactions.
- [GSE-051821](#): As we noted [yesterday](#) in our initial assessment of FHFA's annual CRT report, its assessment of the critical 2020-21 period shows an unbending determination to quash all but the best-capitalized credit-risk transfers no matter the pressure from Congress and other quarters to relent on grounds that risk transfers reduce GSE risk and thus spur recapitalization and privatization.
- [DEPOITINSURANCE112](#): Although federal law expressly bars misrepresentation of FDIC-insurance

status, the FDIC has observed increasing instances that might at the least be described as confusing, many of which led to informal enforcement actions.

- **[GSE-051221](#)**: A new [Fed staff paper](#) sharply questions an axiom of mortgage securitization: the sanctity of the TBA market.
- **[SYSTEMIC91](#)**: In this report, we assess the details of the Fed's most recent financial-stability report, focusing on policy and regulatory ramifications with near-term strategic impact.
- **[GSE-051021](#)**: As detailed in a [new FedFin report](#), the Fed's proposal to open payment-system access is far from the technicality many nonbankers take it to be.
- **[PAYMENT22](#)**: When the Fed announced its new instant payment system in 2020, it made it clear that access would be limited to traditional insured depository institutions (IDIs) and ever since has shown no public inclination to open the system.
- **[INVESTOR7](#)**: Today's HFSC hearing on the lessons of GameStop featured SEC Chairman Gensler for his first Congressional appearance in this new role and, as detailed in this report, a lengthy list of initiatives now under way at the Commission not only on equity-market trading integrity and systemic risk, but also Archegos and digital currency.
- **[GSE-050521](#)**: Ahead of possible systemic designation for Fannie and Freddie, FHFA is barreling through the systemic rulebook, finalizing [capital rules](#), proposing [liquidity standards](#), and, now, [finalizing](#) living-will requirements to ensure orderly GSE resolution under even acute stress.
- **[GSE-050321](#)**: The month of May may not be merry in Washington, but it's always consequential. Legislation with any serious hope of success in this session of Congress should be showing signs of determined life by now under ordinary circumstances.
- **[GSE-043021](#)**: Earlier today, we provided clients with an [in-depth analysis](#) of sweeping progressive legislation revising both the Community Reinvestment Act and the duties of lenders, servicers, the GSEs, and FHA with regard to loan modification and asset dispositions.
- **[PREEMPT36](#)**: At today's Senate Banking hearing, Democrats strongly objected to the OCC's True Lender rule, arguing it supports rent-a-bank schemes based on preemption of state usury and consumer-protection law.
- **[GSE-042821](#)**: As we [anticipated](#), FHFA today [announced](#) a new refi product aimed at increasing the benefits of ultra-low rates for under-served borrowers and, we would guess, also distracting political attention from the continuing contretemps over [investor-property limitations](#).
- **[DIVERSITY2](#)**: The House Financial Services Committee has approved legislation intended to force federal examiners to hold banks accountable for their diversity and inclusion efforts.
- **[LIBOR5](#)**: Following Fed agreement earlier this year that federal legislation is needed, 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.