



FedFin Daily Briefing

Friday, June 18, 2021

ECB Extends Leverage Capital Relief as U.S. Contemplates SLR Changes

Citing continuing pandemic stress, the ECB [today](#) extended leverage ratio relief until March 31, 2022. However, a three percent leverage ratio requirement is still set to become binding on June 28; banks choosing to exclude central bank exposures under the relief measure must recalibrate this requirement so that only central bank exposures accumulated after the onset of the pandemic benefit from relief – i.e., relief is only available on central bank exposure increases since end-2019. Banks electing relief are reminded that capital must be sufficient when relief expires and to plan accordingly.

ECB action will of course be cited as the struggle continues over the [U.S. SLR](#). In the EU, this relief applies only to central-bank deposits, relief accorded by law in 2018 also to U.S. custody banks ([see FSM Report LEVERAGE14](#)). The Fed's COVID SLR relief ([see FSM Report LEVERAGE23](#)) went beyond these reserves also to cover USG obligations and one option for the Fed continues to be to renew relief for central-bank deposits but to retain coverage for Treasury obligations. This might, however, limit market capacity when the Fed begins to taper, exacerbating the Fed's challenges as it seeks to unite its board and other regulators on the SLR and at the same time handle unprecedented market conditions.

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-061721](#): We have reviewed FHFA's massive [report to Congress](#) on its 2020 activities, finding only lots of handy facts and no significant policy insights.
- [GSE-061621](#): As [detailed in our new in-depth report](#), the Basel Committee is proposing a new regulatory framework for bank exposures to cryptoassets that will influence not only what banks do in this critical arena, but also what the GSEs can do and thus what happens to the [digital mortgage](#).
- [CRYPTO19](#): Advancing some of the most controversial ideas in a 2019 discussion paper, the Basel Committee has now formally proposed capital, liquidity, risk-management, and supervisory standards it believes nations should apply to bank cryptoasset exposures.
- [CBDC5](#): Kicking off Congressional action on CBDC, the hearing today in Senate Banking's Economic Policy Subcommittee made it clear that, as we forecast, progressive Democrats such as Chairwoman Warren (D-MA) are strong supporters of a U.S. CBDC that not only facilitates payments, but also supplants retail banks and other private-sector consumer-finance entities.
- [GSE-060821](#): This Friday, FSOC will meet in closed session to craft its agenda for 2021 and beyond. Housing and the GSEs will figure prominently in this work plan, but not as you might think.

- **PAYMENT23:** Continuing work on a priority set by the Group of Twenty heads of state, the FSB in consultation with other global bodies is seeking views on how best to measure progress towards the G20's goal of a faster, safer, cheaper, transparent, and inclusive cross-border payment system.
- **CBDC4:** Members of Congress have launched an initiative to secure continued dominance of the dollar as the globe's reserve currency, focusing on the extent to which China could over time threaten this via its own CBDC along with strategic financial activities such as its Belt and Roads initiative.
- **GSIB19:** Although the GSIB CEOs got another earful at HFSC's marathon hearing yesterday, it – like the Senate Banking session that preceded it (see Client Report GSIB18) – generated more anger than clear action plans.
- **CRYPTO18:** Following an array of actions by the OCC, the FDIC has begun its consideration of the rules governing insured depository institutions (IDIs) engaged in digital-asset activities.
- **GSIB18:** As anticipated, Senate Banking progressives today excoriated big-bank CEOs for what Chairman Brown (D-OH) describes as their preference for profit over public welfare.
- **ACCESS:** The Federal Reserve's latest wellbeing survey provides important, new insights into how Americans view their financial-services firms at a time of heightened focus on access and equity.
- **REFORM206:** In the one-two punch we anticipated, Senate Banking Chairman Brown (D-OH) convened today's hearing with FRB Vice Chairman Quarles not only to lambast supervision and regulation under Mr. Quarles' watch, but also to reiterate the malign role he believes big banks play in the U.S. economy ahead of tomorrow's hearing with GSIB CEOs.
- **GSE-052521:** President Biden has issued an executive order (EO) setting in motion a series of administrative actions designed to reduce both climate risk in the financial sector and in any way financial companies make it worse.
- **GREEN8:** President Biden has issued an executive order (EO) setting in motion a series of administrative actions designed to reduce both climate risk in the financial sector and in any way financial companies make it worse.