



FedFin Weekly Alert

Monday, July 12, 2021

□ EQUAL TIME

When Chairman Powell comes before Congress this week for his semi-annual monetary-policy review, questioning may turn still more forcefully to economic inequality. Although this has been an increasing fixture of Fed hearings in recent years, this week's sessions start the day after a [PBS documentary](#) focuses on the Fed. Karen Petrou was interviewed extensively for this Frontline documentary based on her new [book](#); all indications so far are that the documentary will be highly critical of the Fed's inequality impact. Monday's *New York Times* is also expected to include a Petrou opinion piece highlighting the wealth-inequality impact of the Fed's ultra-low rates. All this will surely leave progressive Democrats still more dissatisfied with the Fed's position that, unfortunate as economic inequality surely is, fiscal -- not monetary -- policy must address it. As always, we'll provide clients with in-depth analyses of each of these hearings, focusing also on:

- if Democrats continue their campaign against recent Fed regulatory changes deemed by progressives to be undue relaxations of critical rules. The more focus on these rules, the less of a chance Mr. Powell is re-nominated as Fed chair for all Secretary Yellen's assured support;
- if Mr. Powell presages the Fed's [CBDC discussion paper](#) and reiterates the need for new law to initiate one in the U.S.;
- how the Fed chair defends himself against Republicans loaded for bear against any Fed action on climate risk beyond disclosures and maybe not even then;
- where the Fed stands on the President's executive order opposing major bank consolidations ([see Client Report MERGER6](#)) and giving consumers data-ownership rights ([see FSM Report DATA](#));
- if any more light is shed on an SLR rewrite; and
- what's next for LIBOR legislation ([see Client Report LIBOR5](#)).

Headlines From the Past Week's Daily Briefings

July 5

No news of note.

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July 6

- **Global Regulators Implore an End to LIBOR** - Repeating many prior pleas, the FSB implored financial institutions to prepare for LIBOR's end by the end of this year.
- **FRB-NY: Overdraft-Fee Caps have Unintended Consequences** - We continue our analyses of FRB-NY blog posts on inequality with an assessment of one focused on overdraft fees.
- **Basel: Reforms Helped Banks Absorb Pandemic Shock, New Issues Identified** - The Basel Committee released a report finding that increased quality and higher levels of capital and liquidity in the global banking system thanks to its reforms "significantly helped" banks absorb the pandemic shock.

July 7

- **FSB Takes on High-Priority Climate Disclosure, Risk-Reduction Agenda** - FSB Chairman Quarles sent the global standard setter's latest letter to the G20, now emphasizing not only unfinished regulatory business, but also climate risk.
- **Gensler Announces New ESG Fund, Diversity Initiatives** - SEC Chairman Gensler announced a new initiative on ESG funds and, more broadly, the fund industry.

July 8

- **BIS Report: Stress Tests Set Suboptimal Capital Criteria** - A new BIS paper finds that using stress tests to specify regulatory capital is an uncertain and even risky way to differentiate banks.
- **Warren Presses SEC for Crypto Action** - Continuing her push for greater crypto regulation, Sen. Warren (D-MA) wrote to SEC Chair Gensler inquiring if Congress needs to give the SEC authority to regulate crypto exchanges.

July 9

- **FHFA's Policy Statement Effective Today, New Comment Deadline** - The *Federal Register* includes FHFA's Policy Statement on Fair Lending.
- **Global Agencies Urge Coordination Given CBDC Cross-Border Complexity** - Ahead of the finance ministerial this weekend, the BIS, its Innovation Hub, the CPMI, IMF, and World Bank today issued an inconclusive report to the G20 on CBDC's cross-border implications, stressing the importance of the G20's roadmap for enhancing cross-border payments.

This Week

Tuesday, July 13

Senate Banking Committee Nomination Hearing [10:00am, 538 Dirksen SOB]
Nominees: Mr. **Arun Venkataraman**, of the District of Columbia, to be Assistant

Secretary of Commerce and Director General of the United States and Foreign Commercial Service; and Mr. **Damon Y. Smith**, of Maryland, to be General Counsel, Department of Housing and Urban Development.

Wednesday, July 14

HFSC hearing entitled: "Monetary Policy and the State of the Economy" [12:00pm, Remote] Witness: The Honorable **Jerome H. Powell**, Chairman, Board of Governors of the Federal Reserve System.

Thursday, July 15

Senate Banking Committee hearing entitled: "The Semiannual Monetary Policy Report to the Congress." [9:30am, 538 Dirksen SOB] Witness: The Honorable **Jerome H. Powell**, Chairman, Board of Governors of the Federal Reserve System.

HFSC Subcommittee on Oversight and Investigations hearing entitled: "CDBG Disaster Recovery: States, Cities, and Denials of Funding" [12:00pm, Remote] Witnesses not yet available.

Friday, July 16

HFSC Task Force on Artificial Intelligence hearing entitled: "I Am Who I Say I Am: Verifying Identity while Preserving Privacy in the Digital Age." [12:00pm, Remote] Witnesses not yet available.

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](#).

- **MERGER6**: In an [executive order \(EO\)](#) that truly deserves to be called "sweeping," President Biden today announced a "whole-of-government" initiative aimed at reducing market concentration, enhancing consumer choice, reducing prices, and enhancing economic equality.
- **GSE-070821**: Our recent in-depth analysis details the range of options proposed by the Financial Stability Board for MMF reform. Here, we assess what this means for Fannie, Freddie, and the FHLBs.
- **GSIB20**: The House Financial Services Committee has approved legislation introduced by a progressive Democrat, Rep. Ayanna Pressley (D-MA), requiring GSIBs to disclose many quantitative and qualitative matters.
- **MMF17**: As promised late last year when it addressed nonbank financial intermediation (NBF), the Financial Stability Board is seeking comment on ways to reduce the risk that money-market funds (MMFs) succumb to runs under stress or, as occurred in both 2008 and 2020, require taxpayer backstops.

- [**GSE-070121**](#): Continuing to act with awesome dispatch on its new director's racial-equity and economic-equality agenda, [FHFA today](#) issued a final policy statement setting new anti-discrimination standards for Fannie, Freddie, and the FHLBs.
- [**GSE-063021**](#): With numerous modifications designed to make its [proposal](#) less onerous, the CFPB on Monday issued a [final rule](#) providing temporary foreclosure protection without the *de facto* moratorium that, had the Bureau [heeded](#) some on the Hill, would have prolonged nonpayment, possibly precipitating a flood of borrower requests which servicers could not reasonably be expected to handle with justice for all.
- [**FCRA30**](#): Today's HFSC hearing on credit reporting laid the foundation for legislative action on measures that will prove highly controversial.
- [**GSE-062821**](#): After last week's colossal Supreme Court [decision](#), we provided our [first assessment](#) of its impact on near-term charter, mission, and regulatory decisions. Now, we turn in detail to what might come to pass for the conservatorship.
- [**CBDC6**](#): As previously noted, the BIS has released its most full-throated endorsement yet for CBDC. This not only puts further pressure on central banks – the Fed very much included – to accelerate work, but also on the shape of emerging CBDCs.
- [**GSE-062321**](#): There is much rejoicing in mortgage-industry land that the Supreme Court decision today means rapid repeal of Mark Calabria's regulatory legacy and still more rejoicing among affordable-housing advocates about GSEs yoked to a new public-welfare and racial-equity mission without any hope of an end to the conservatorship.
- [**CHINA16**](#): The Senate has passed by a wide margin legislation taking an array of actions to counter the threat now seen to be posed by the People's Republic of China.
- [**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.