



# *FedFin Daily Briefing*

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Thursday, July 22, 2021

## **FSB Links Financial Resilience to Government Intervention, Highlights Near-Term Reform**

The FSB's Secretary General, Dietrich Domanski, [today emphasized](#) that global resilience in the pandemic was due to the combination of unprecedented government intervention and post-2008 reform to the banking system and financial-market infrastructure. However, to prevent renewed government intervention under stress, the FSB is prioritizing not only completion of the 2008 reforms, but also on modifications to the framework. Changes under consideration address buffer drawdowns, the extent to which counter-cyclical "elements" functioned as hoped, and remaining sources of "excessive" procyclicality masked by the scale of 2020 government intervention. Mr. Domanski also emphasized NBF1 reform, starting with MMFs ([see FSM Report MMF17](#)) with an action set for delivery to the G20 in October. The FSB is also focusing on risk concentrations due to outsourced providers such as cloud services, cryptoassets, and the broader operational and cyber risks resulting from digitalization; no schedule for proposals has been announced nor did Mr. Domanski provide one today. Finally, the FSB is advancing its new [climate-risk roadmap](#). As before, Mr. Domanski indicated that this work is focused on obtaining global agreement on disclosures, identification of financial stability risks, and appropriate supervisory responses.

## **Agencies Again Defer QRM Review**

FHFA, HUD, the Banking Agencies, and SEC [today](#) again extended their risk retention review focusing on the QM definition and exemptions for the community-focused residential mortgages and qualifying three-to-four unit mortgages. The initial extension ended on June 20, when a report on [long-awaited changes to the QRM](#) was required. Indeed, the 2020 deadline was already extended – the Dodd-Frank Act mandates five-year reviews, thus necessitating a QRM report in 2019. Today's notice signals a report now should be expected by December 20. Should it come then, any changes proposed to the QRM would have seeping consequences for the future of the GSEs, private securitization, portfolio lending, and credit enhancement/risk transfer.

## **Bipartisan Senate Bill Starts Work on Consumer-Reporting Reform**

Sens. Scott (R-SC), Manchin (D-WV) and six bipartisan cosponsors yesterday reintroduced [legislation](#) (now S. 2417) to permit landlords, utilities, and telecom providers to report on-time payment data to credit reporting agencies. The move is part of the push to increase the use of alternative data through the consumer reporting agencies rather than through alternative data systems that may pose additional regulatory concerns ([see FSM Report DATA](#)). At this point, Chairman Brown (D-OH) has signaled no intention to advise consumer-reporting reform, but an array of measures is being considered in HFSC ([see Client Report FCRA30](#)), with a mark-up scheduled for July 28. It remains to be seen how the Senate will address this package, but S. 2417 may well prove an easily-passed measure laying the platform for conference on which more contentious credit-reporting reforms advance in this Congress.

The bill would amend FCRA to allow reporting by private entities and HUD on payment information on residential leases and utility/telecom contracts. Reporting of late payments by energy utilities would not be

permitted if the consumer is meeting a payment plan. A GAO report on the impact of this change would also be required within two years.

## BIS: Government Intervention, Not Bank Resilience, Prevented Systemic Risk

The BIS today released a [bulletin](#) providing extensive data on the resilience of banks throughout the Covid-19 and great financial crisis evidenced by risk-weighted capital adjusted to reflect market capitalization and stress scenarios. The report generally concludes that banks remained resilient due in large part to policy support judged by capital to stress-test results not premised on policy support. This focus on policy support was echoed earlier today by the FSB's secretary general (see client alert), reflecting a shift from a focus solely on the resilience wrought by post-GFC capital and liquidity standards. Based on its findings, the study concludes that the future of the weaker tail of the banking sector now depends on the impact of the withdrawal of policy support for zombie firms. In a short discussion of policy recommendations, the bulletin advises that efforts to address preexisting structural vulnerabilities need to be restarted and that governments should pursue "flexible, state-contingent" approaches policy (i.e., targeted initiatives requiring beneficiaries to opt-in while the terms of support become increasingly less generous).

### 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](#).

- [ACCESS2](#): At a very well-attended HFSC Consumer Protection Subcommittee hearing, Democrats strongly supported government-led solutions to increase financial inclusion.
- [VENDOR9](#): The banking agencies have proposed sweeping standards that would hold all of the banking organizations they govern responsible for the safety and soundness, consumer compliance, and perhaps even diversity of a wide range of third-party business arrangements ...
- [GSE-071621](#): Later today, we'll provide clients with a summary of key provisions in the [housing-infrastructure package](#) released earlier today by HFSC Chairwoman Waters.
- [FEDERALRESERVE63](#): Signaling a tough challenge for a second Powell term, Senate Banking Chairman Brown (D-OH) today said, "It's time to try something different," also joining Sen. Warren (D-MA) lambasting Mr. Powell's role in what they characterize as risky big-bank regulatory relief.
- [FEDERALRESERVE62](#): Although much of today's HFSC hearing with Chairman Powell was preoccupied by hot debate over the extent to which inflation is "transitory," key financial-policy questions also surfaced for substantive discussion.
- [GSE-071221](#): On Friday, former FHFA Director Calabria [suggested](#) that the Administration's [new competition policy](#) powers up his proposal for authorizing multiple GSE charters just as a bank charter is granted to all qualified comers.
- [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 (NBFi), 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.