



# *FedFin Client Report*

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Thursday, September 30, 2021

## **HFSC Dems Mum on Powell Renomination**

Client Report: REFORM209

### **Executive Summary**

In very sharp contrast to the Senate Banking session on Tuesday with Chairman Powell and Secretary Yellen ([see Client Report REFORM208](#)), today's HFSC session was largely devoted to partisan wrangling over monetary policy, the debt ceiling, and the Biden Administration's overall fiscal policy. Likely complicating Democratic support for Mr. Powell, Ranking Member McHenry (R-NC) strongly endorsed renomination. Significantly, no Democrat spoke on this issue nor did any raise the trading scandal at the Reserve Banks or the Fed's regulation of very large banks in this or, indeed, any other context. This report goes into depth on the few regulatory policy issues on which the hearing touched, but neither Mr. Powell nor Ms. Yellen offered any new insights into ongoing activities.

### **Analysis**

#### ***Opening Statements***

Chairwoman Waters (D-CA) highlighted her bill to expedite rental assistance. She also argued that the Fed's emergency facilities set up in response to COVID were prematurely shuttered by the previous administration and wants to ensure that facilities set up in response to future crises better protect workers and support small businesses and state and local governments.

Ranking Member McHenry complained about the hearing schedule and sharply criticized the Biden Administration and Congressional Democrats for the debt-ceiling crisis. As noted, he also endorsed Mr. Powell for a second term.

## Testimony

Statements from Ms. Yellen and Mr. Powell were identical to those delivered before Senate Banking on Tuesday.

## Q&A

- **Climate Risk:** Rep. Lawson (D-FL) pressed Mr. Powell on the difference between scenario analysis and stress testing, leading the Fed chair to reiterate that the Fed is working on climate scenario analysis. Rep. Casten asked for an update on FSOC work on the Biden order ([see FSM Report GREEN8](#)); the Secretary indicated the report is likely in late October or early November, will look at what individual regulators can do, and describe challenges to action in this arena.
- **CBDC:** Asked by Rep. Budd (R-NC) if a CBDC would lead to outlawing stablecoin or cryptocurrency, the Fed chair said there is no intention to ban any of these instruments, just to regulate them.
- **Diversity:** Rep. Beatty (D-OH) pressed Mr. Powell to ensure that the search for new presidents of the Dallas and Boston Reserve Banks include Black and female candidates as well as to work for diversity across the System. Rep. Adams (D-NC) reiterated the need for diverse Fed governors.
- **Fintech:** Rep. Lynch (D-MA) raised the significant role he believes fintech played in PPP fraud. Ms. Yellen said Treasury is concluding its assessment of the PPP.
- **Emergency Liquidity Facilities:** Rep. Davidson (R-OH) asked about future programs; Mr. Powell supports the current framework which requires Treasury approval for Fed intervention. He does not support emergency-facility use for political goals or to achieve the dual mandate.
- **Bank Supervision:** Rep. Davidson plans a bill redefining bank supervision, asking Mr. Powell about consolidating bank supervisors; the Fed chairman said that this may be worth another look but that the agencies all work well together.