



**Monday, October 11 2021**

**□ DON'T EVEN THINK ABOUT IT**

As our in-depth analysis ([see FSM Report MERGER8](#)) makes clear, the Warren- García legislation on bank M&A makes the Biden competitiveness policy ([see Client Report MERGER6](#)) – strongly opposed by the industry – seem positively congenial. Just for starters, the legislation goes beyond bank consolidation also to attack bank expansion via new or even revised BHC activities. One pillar of the proposal is the assertion that bank consolidation fosters banking "deserts." However, as we [also noted](#), recent Federal Reserve Bank of Cleveland research doesn't support this proposition. As we make clear in our in-depth report, the legislation won't pass. However, that's no reason anyone with a mind to merge or expand can ignore it. Key takeaways include:

- The Department of Justice will pick up at least some of what's proposed in the legislation that can be accomplished under current law when it concludes its own review of bank-merger policy ([see Client Report MERGER5](#)).
- Regulators are likely to be far warier of pre-merger or -expansion consultation at least for a while.
- The Fed may feel compelled to take a tougher stand on at least some aspects of big deals and/or precedent-setting BHC powers.
- Even what were once routine foreign direct investments may require a policy gloss. The CFPB is likely to be consulted more often on consumer compliance and fair lending when the OCC and perhaps also the Fed consider transactions if only to protect their political back.
- Heightened political pressure against any significant transactions will create new obstacles all their own as the bills' sponsors try to create the buzz they'll need to accelerate Congressional action.

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## Headlines From the Past Week's Daily Briefings

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### October 4

- **Fed Staff Study Ratifies GSIB Scoring; We're Not So Sure** - The Fed published a new staff note using a novel approach – high-frequency stock trading – to identify SIFIs.
- **USPS Experiments with New Banking Services** - Following an American Prospect story, a number of news sources have confirmed that the U.S. Postal Service has launched a pilot postal-banking proof of concept.
- **Warren Demands Still More Retribution for Fed Trading Practices** - Based in part on news that Vice Chairman Clarida also engaged in trading some believe has the appearance of impropriety, Sen. Warren (D-MA) has expanded her campaign demanding not just a Federal Reserve inquiry, but now also an SEC investigation.
- **Fed Plans Single-Day Implementation for ISO 20022 in 2023** - The FRB issued notice that Reserve Banks will adopt the ISO 20022 message format for the Fedwire Funds Service.
- **Gensler's Next Grilling** - Ahead of its hearing with SEC Chair Gensler, HFSC's majority staff memo indicates that the session will cover the full SEC agenda.

### October 5

- **BIS Advances Cross-Border CBDC Settlement** - The BIS updated its Innovation Hub's CBDC work, detailing Phase 2 findings and laying out the scope of Phase 3 to accelerate cross-border payments via CBDC.

### October 6

- **Toomey Continues GOP Attack on Comptroller Nomination** - Making clear Senate Banking Republicans intend to give Comptroller-nominee Omarova no quarter, Ranking Member Toomey (R-PA) requested a copy of her college thesis authored while Ms. Omarova was studying at Moscow State University.
- **Carstens Reiterates: Big Tech Demands Entity-Based Rules** - Although U.S. policymakers have yet to reckon with big tech in financial services, global regulators continue to advance plans for new rules to govern the sector, with BIS General Manager Agustín Carstens reiterating the need for entity-based rules.
- **BIS, IOSCO: FMI Principles Apply to Systemically-Important Stablecoins** - The BIS Committee on Payments and Market Infrastructures (CPMI) and IOSCO issued for consultation guidance on the application of their Principles for Financial Market Infrastructures (PFMI) to stablecoin arrangements.

### October 7

- **Brainard: Fed to Issue Climate Scenario Analysis Guidance** - Confirming Fed Chair Powell's comments, Gov. Brainard said that the Fed will issue large-bank

supervisory guidance on climate scenario analysis without providing timing, whether it will be proposed for comment, or details.

- **FSB: Varying National Stablecoin Standards Present Arbitrage, Fragmentation Risk** - The FSB updated progress on its high-level recommendations on global stablecoin (GSC) arrangement, laying out work to date even as much more needs to be done.
- **Cleveland Fed: Bank Consolidation Does Not Lead to Banking Deserts** - New research from Cleveland Fed Staff finds that, despite banking-industry consolidation, rural and urban consumers have not experienced decreased banking access measured by the nearest full-service branch.

## October 8

- **Comment Date Set for Controversial Small Business Lending Disclosures NPR** - The *Federal Register* includes the CFPB's small business lending data collection proposal, with comments now due January 6.
- **BIS Highlights Data Risk due to DeFi, AI, HFT** - The head of the BIS Innovation Hub, Benoît Cœuré, focused not only on the structural and systemic risks posed by DeFi and bigtech, but also emerging supervisory threat.
- **G20 Data Gaps Initiative Comes Up Short** - With recent blow-ups such as Archegos and Evergrande heightening regulatory concerns about aggregate exposures, the FSB and IMF issued their sixth progress report on the G20 Data Gaps Initiative.

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## This Week

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### October 13

HFSC Task Force on Artificial Intelligence hearing entitled: "Beyond I, Robot: Ethics, Artificial Intelligence, and the Digital Age." [12:00pm, WebEx] Witnesses: **Meredith Broussard**, Associate Professor, Arthur L. Carter Journalism Institute of New York University; **Meg King**, Director, Science and Technology Innovation Program, The Wilson Center; **Miriam Vogel**, President and CEO, EqualAI; **Jeffery Yong**, Principal Advisor, Financial Stability Institute, Bank for International Settlements; **Aaron Cooper**, Vice President for Global Policy, BSA – The Software Alliance.

### October 14

HFSC Subcommittee on Oversight and Investigations hearing entitled: "Cashed Out: How a Cashless Economy Impacts Disadvantaged Communities and Peoples." [12:00pm, WebEx] Witnesses not yet available.

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## 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](#).

- **MERGER8**: Progressive Democrats in the House and Senate have introduced legislation demanding an array of new decision factors governing bank M&A transactions and new or even revised BHC activities.
- **INVESTOR19**: As [anticipated](#), today's HFSC hearing with SEC Chair Gensler covered the full SEC agenda, although members steered clear of the SEC investigation demanded by Sen. Warren (D-MA) into recent Fed trading.
- **CBDC8**: As we [noted](#) last week, the BIS and seven major central banks have advanced global CBDC policy with three new reports evaluating key design features.
- **GSE-093021a**: Now that we have FHFA's comment deadline – November 26 – we expand our [initial analysis](#) of FHFA's capital rewrite into a more detailed assessment of its strategic impact.
- **REFORM209**: 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.
- **GSE-093021**: Late yesterday, Senate Banking Ranking Member Toomey sent letters [to Secretary Yellen](#) and FHFA [Acting Director Thompson](#) strongly protesting the [PSPA rewrite](#) and [pending capital proposal](#).
- **MERGER7**: In a wide-ranging hearing today, HFSC's Consumer Protection and Financial Institutions Subcommittee showed the extent to which Chairwoman Waters (D-CA) and progressive Democrats are wary of large-bank mergers.
- **REFORM208**: Although today's Senate Banking hearing with Chairman Powell and Secretary Yellen was largely taken up by the debt ceiling, Sen. Warren (D-MA) made it very clear that progressives will mount an aggressive campaign against Mr. Powell, calling him a "dangerous" man.
- **GSE-092421**: According to a group of Senate Democrats, the answer to this question for a new class of federally-backed mortgages is "out of debt."
- **GSE-092221**: Getting a bit ahead of FHFA's new [equitable-finance mandate and its express demand for appraisal equity](#), Freddie Mac has released a detailed [study](#) of one of the most significant barriers to housing-finance equity: discriminatory appraisal practices that reduce the chances for wealth accumulation.
- **DATA2**: Today's HFSC Fintech Task Force Hearing featured an appearance by Full Committee Chairwoman Waters (D-CA) arguing against consumer opt-out.