



# *FedFin Daily Briefing*

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Friday, October 1, 2021

## **Warren Anti-Merger Bill Won't Pass, Still Packs Punch**

Following her assertions earlier this week ([see Client Report REFORM208](#)) that the Fed "rubber-stamps" bank mergers, Sen. Warren (D-MA) introduced S. 2882, legislation sharply tightening the conditions on which bank mergers may be approved. Joined by Rep. Chuy García (D-IL) with companion House legislation (H.R. 5419), the bill rejects assertions that the only reason the FRB did not reject a merger from 2006 to 2017 is not because applicants altered their transactions ahead of formal filing, but because pre-merger review is piecemeal and problematic. The measure would thus make pre-merger discussions both more difficult and transparent, a change that might well adversely affect the pricing and market implications of such transactions. Sen. Warren and Rep. García also assert that many promised community benefits fail to materialize. The bill would thus require CFPB approval for any bank mergers involving consumer finance and toughen pre-merger CRA criteria. The legislation is also meant to build on President Biden's competition order ([see Client Report MERGER6](#)), including provisions sharply tightening competitive analysis by, for example, requiring it on a per-product basis rather than for institutions as a whole.

We will shortly provide clients with an in-depth analysis of these measures which, while unlikely to be enacted, will influence Congressional rhetoric and Administration policy on pending transactions. While the President cannot order the FRB or other agencies to take specific steps regarding merger applications, White House policy strongly influences their actions. It also directly affects the way in which the Department of Justice finalizes its pending bank-merger standards ([see Client Report MERGERS5](#)) and reviews individual transactions.

## **IMF Calls for Fast Crypto Rules to Stem Rising Threats**

The IMF's latest [blog post](#) summarizes a [new IMF report](#) highlighting crypto's emerging consumer and systemic risks. Finding that the total market value of crypto assets grew ten-fold since last year to \$2 trillion as of this month, the blog post says consumer-protection risks are "substantial," highlighting challenges also addressed in Karen Petrou's [recent op-ed](#) on this topic. Of the approximately 16,000 token coins known to have existed, only about 9,000 are now on offer, suggesting significant losses along with massive operational risks.

The post also addresses stablecoins, noting they now have \$120 billion in value after a four-fold annual increase. The stablecoin discussion anticipates [forthcoming work by the President's Working Group and FSOC](#), but the paper goes on to highlight new concerns such as overall dollarization in the form of "cryptoization" that creates systemic risks in emerging markets with potential global impact. The IMF thus urges rapid action on global crypto standards, going beyond fast action on Basel's proposal ([see FSM Report CRYPTO19](#)) also to call for securities and clearing/settlement standards. Work on faster payments and global cross-border settlement should also be dramatically accelerated in concert with CBDC. As [noted](#) yesterday, the BIS is pressing ahead quickly with work on retail CBDC in part to address stablecoin's value; a detailed FedFin report on its recommendations will follow.

## **FIO: U.S. Insurance Industry Strong, But Challenged by Low Rates**

Treasury's Federal Insurance Office (FIO) late [yesterday](#) released its annual report on the insurance industry as required by Dodd-Frank. The report provides a financial-risk overview of the industry in 2020, but offers no policy recommendations. A key finding is that the U.S. insurance industry stood firm in 2020 even though the low interest rate environment continues to affect performance. The report also provides update on FIO's 2020 activities, noting in particular its work on climate and cyber risks as well as detailing trends in InsurTech

innovation. Reflecting Administration priorities, FIO will continue to address climate-related financial risks, insurance affordability and availability, and the role of insurance in improving cybersecurity.

## 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](#).

- [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.
- [PUSH-OUT14](#): As [we noted](#), SEC Chairman Gensler's written Senate Banking [testimony](#) included a short – but very significant – statement prioritizing Commission review of key fixed-income market sectors.
- [GSE-091621](#): As [we noted](#), FHFA wasted no time after the [PSPA revision](#) with its proposed changes to GSE capital [regulation](#).
- [GSE-091521](#): As noted [yesterday](#), Treasury and the FHFA pulled the Trump PSPA's plug, although importantly and widely overlooked is that this is true only when it comes to near-term asset-purchase

considerations.

- **[INVESTOR18](#)**: As is often the case, Senate Banking's hearing today with SEC Chairman Gensler did not touch on the fixed-income structure questions highlighted in his [written testimony](#) even though these could be among the most consequential for long-term capital-market regulation and the balance between the Fed and SEC in this key arena.
- **[GSE-091021](#)**: Soaring house prices have of course aroused lofty housing-bubble worries.
- **[GSE-090821](#)**: As Karen Petrou's [Monday memo](#) forecast, FHFA is doubling down on an already-ambitious work plan to make Fannie and Freddie the epitome of mortgage-finance equity.