



Friday, October 15, 2021

White House climate Roadmap Revisits Past Destinations

Pursuant to President Biden's Executive Order on climate financial risk ([see FSM Report GREEN8](#)), the White House today issued its roadmap to build a climate-resilient economy ahead of the Glasgow summit. It details actions already taken and some planned, now compiled in a single document. Previously-announced actions discussed include SEC plans for mandatory disclosures ([see Client Report INVESTOR19](#)) and HUD work to integrate climate financial risk into [underwriting standards, loan terms, asset management, and servicing](#). Interestingly, there is no mention of the GSEs despite ongoing [FHFA work in this arena](#). A good deal more on financial risk is likely to come on Monday, when the FSOC meets to consider its report on climate-related financial risk. This report is likely to provide additional detail on climate scenario analysis given recent statements from Fed Chair Powell ([see Client Report REFORM209](#)) and [Gov. Brainard](#). It may also lay out preliminary thinking on stress testing and even regulatory capital.

OCC Adds Climate-Risk, Fintech, Crypto to Supervisory Priorities

The OCC [today](#) released its bank supervision operating plan for FY22 incorporating several Biden Administration priorities with significant strategic impact for federally-chartered institutions. Climate change risk management is specifically highlighted, with examiners focusing on establishing a baseline understanding of physical and transition risks at the largest banks. The OCC does not make clear if it will also adopt the large-bank supervisory [guidance now pending at the Fed](#), but this document is not one in which such policy decisions are announced. Instead, it indicates that the OCC will develop climate risk-management and governance frameworks without indicating what form this might take. Fintech and cryptocurrency are also emphasized, with examiners told to identify banks that are implementing significant changes to their operations using new technologies and then to evaluate their implementation. Cloud computing, AI, and digitalization of risk management processes are cited, with examiners told to evaluate governance processes if a bank has undertaken significant changes in this arena. The OCC is also prioritizing supervision of payments activities, third-party relationships, LIBOR transition, and interest-rate risk. Longstanding priorities such as strategic and operation planning, credit-risk management, cybersecurity, BSA/AML compliance, fair lending, and CRA compliance continue to receive attention.

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](#).

- [CRYPTO20](#): Responding to requests from the G7, G20, and FSB, this report addresses market-infrastructure considerations related to systemically-important stablecoins that do not involve multi-currency baskets (e.g., Facebook's Diem).
- [GSE-101221](#): Although the majority of FHA ARMs are now LIBOR-linked, HUD has been waiting for Congress, the Fed, or forces on high to help it set a new benchmark.
- [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.
- **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.