



Friday, October 22, 2021

BIS Official Presses Climate Risk Go-Slow

In [remarks today](#), Fernando Restoy, head of the BIS's Financial Stability Institute, reinforced the complexities climate risk presents for financial regulation emphasized also in last night's FSOC report ([see Client Report GREEN11](#)). Unlike a prior BIS report ([see Client Report GREEN](#)), Mr. Restoy does not even contemplate Pillar 1 capital charges, saying that only Pillar 2 may be suitable even though it remains problematic. Mr. Restoy also opposes the "brown" penalty capital charges demanded by draft House legislation ([see FSM Report GREEN10](#)), noting the perverse result of denying brown firms the funds needed to go green. Perhaps mindful of current European energy shortages, Mr. Restoy also warns that green financial policy could have a still worse unintended consequence: a "green bubble" of over-investment in and over-valuation of green assets leading to energy shortages with adverse macroeconomic impact.

Agencies Announce Anti-Redlining Priorities, Target Nonbank Lenders

In concert with a landmark anti-redlining [enforcement action](#), the Department of Justice today announced a new anti-redlining initiative. This will not only prioritize cases such as the one settled with Trustmark National Bank, but also pursue redlining at nonbank mortgage lenders. While CRA does not apply to non-depository lenders, anti-discrimination laws generally do and, with this announcement, DOJ makes it clear that it will expand its purview in ways rarely seen to date. The CFPB [joined in this action](#), with Director Chopra [saying](#) as it did so that the Bureau plans not only to prioritize redlining, but also algorithmic underwriting due to its opacity and disparate-impact risk. The OCC also [joined in this case](#), which departs from those of past years by not only setting up a multi-million dollar restitution fund, but also imposing a somewhat larger penalty on the bank. In his [statement](#), Acting Comptroller Hsu reiterated the "all hands on deck" anti-redlining effort cited by the other agencies, describing the OCC's focus as on "modern redlining" involving more subtle barriers to financial services than lines on a map.

Senior Republicans Slam Postal-Banking Pilot, Postmaster General

HFSC Ranking Member McHenry (R-NC) and Oversight Ranking Member Comer (R-KY) [today](#) blasted USPS's [postal banking pilot](#), accusing the Postal Service of implementing the pilot "in secret" and without Congressional notification. Reiterating their objections to postal banking on conceptual and statutory grounds, they also question whether Postmaster General DeJoy intentionally misled Congress when he made no mention of it when testifying before House Oversight earlier this year. Reps. McHenry and Comer demand that Mr. DeJoy provide a member-level briefing to their committees no later than October 29 covering information on its planning, implementation, and justification.

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](#).

- **GREEN11:** As we [noted yesterday](#), the Financial Stability Oversight Council has now complied with President Biden's executive order ([see FSM Report GREEN8](#)), compiling an exhaustive [assessment](#) of the financial-stability implications of climate risk and what might best be done about it.
- **CBDC9:** Shortly after the BIS and a group of central banks endorsed a construct for retail-facing central-bank digital currency (CBDC), the Group of Seven (G7) finance ministerial issued these public-policy principles to establish a still broader framework for future action
- **SANCTION15:** Today's Senate Banking hearing with Treasury Deputy Secretary Wally Adeyemo showed bipartisan concern that the Administration is failing to implement sanctions required by law, especially when it comes to China, North Korea, and Russia.
- **MMF18:** Global regulators have now finalized a framework on which national regulators may base the reforms they deemed necessary after the pandemic sparked profound disruptions in this sector.
- **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 clearly 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.