



Monday, November 15, 2021

❑ **YOU HAVE TO REALLY WANT THE JOB**

On Thursday, Senate Banking will convene for what will surely be a thoroughly contentious confirmation hearing for Saule Omarova as Comptroller of the Currency. Karen Petrou's forthcoming memo will focus on the long-term impact of the issues at stake in this debate. Here, we turn to the questions not only that will put Professor Omarova on any number of hot seats, but also provide key insights into emerging Senate Banking actions. Given the precarious odds for confirmation, we'll focus our analysis after the hearing for these longer-term issues, listening in particular for:

- whether Chairman Brown (D-OH) has any plans in this Congress to renew Democratic demands for the FedAccount form of CBDC, also strongly backed by Ms. Omarova ([see FSM Report CBDC](#)). We doubt it, instead expecting Sen. Brown to await the Fed's CBDC discussion paper and then pressure the U.S. central bank to see things his way if it wants to get the statutory changes the Fed prefers to ensure that CBDC is indeed U.S. legal tender;
- whether Sen. Warren (D-MA) intends to push her merger-reform legislation ([see FSM Report MERGER8](#)) and, if so, if anyone wants to join her. Our forecast again is not for legislation but for more political pressure, this time focused on the Department of Justice and banking agencies with regard to pending large-bank M&A;
- if the usury-ceiling bill Democrats introduced with such fanfare shows any signs of life when Democrats question Ms. Omarova about how she would finalize the true-lender rule ([see FSM Report PREEMPT35](#));
- what progressives will want to see when an inter-agency CRA rule emerges; and
- based on what Republicans have to say, whether the Senate Banking Committee will be any better able to advance legislation in 2022 than it's been in 2021.

Headlines From the Past Week's Daily Briefings

November 8

- **BIS Research Survey Finds Few Structural, Policy Impediments to Fast-Acting CBDC** - A new BIS paper assesses CBDC's impact across the full spectrum of

Federal Financial Analytics, Inc.
2101 L Street, N.W. – Suite 300, Washington, D.C. 20037
Phone (202) 589-0880
E-mail: info@fedfin.com www.fedfin.com

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economic activity given the centrality of data, moving the research discussion beyond the “reserves for all” approach (i.e., FedAccounts) on which much public debate focuses.

- **HFSC Dems Urge LGBTQ+ Financial Guidance** - Ahead of its hearing examining financial-inclusion barriers for the LGBTQ+ community, HFSC’s majority staff memo indicates the Diversity and Inclusion Subcommittee will tomorrow debate draft legislation that would require federal financial regulators to issue guidance on LGBTQ+ inclusion.
- **Inter-Agency Treasury-Market Rewrite Takes Shape** - Ahead of a conference next month, the Intra-Agency Working Group on Treasury Market Surveillance set principles to guide further action to stabilize the U.S. Treasury marketplace.
- **Hsu Demands Top-Down Climate-Risk Management** - Acting Comptroller Hsu followed up the announcement of near-term OCC climate-risk guidance for big banks with a set of questions he urges directors use to press senior management to action.
- **Bowman Reiterates Need for Servicer Readiness, Regulation** - Fed Gov. Bowman told Fed-supervised mortgage servicers to prepare for increased operational risks as COVID forbearance programs wind down, warning that Fed supervisory staff are working with large servicers to ensure they are ready.

November 9

- **Basel Backs Down on Crypto, Advances Climate Work** - The Basel Committee conceded to comments on its tough crypto-capital proposal (see FSM Report CRYPTO19) saying that it will release another set of prudential standards in 2022.
- **Treasury, SEC Advance Racial-Equity Agenda** - At a conference on equitable economic growth, Secretary Yellen cited disparities in PPP offerings as just one example of inequitable market practice the Treasury Department aims to end.

November 10

- **Agencies End COVID-Related Servicer Flexibility** - The Federal banking agencies, CFPB, NCUA, and state financial regulators [rescinded](#) their April, 2020 joint statement providing supervisory and enforcement relief from certain timing requirements under the mortgage servicing rules.

November 11

No news of note.

November 12

- **FRB-NY Staff: Big-Bank Market Power Argues for Tougher Liquidity Rules, Antitrust Action** - In a timely post given ongoing discussions about U.S. competition (see Client Report MERGER6), a recent Federal Reserve Bank of New York staff note evaluates fire-sale risk in light of financial-sector concentration.

- **Senate Democrats Turn to CFPB for Credit-Reporting Reform** - Senior Senate Democrats have now upped their demands of credit-reporting agencies and the financial institutions that provide key data, calling on the CFPB to ramp up an array of requirements they believe would enhance financial inclusion.
- **Basel Implements Promised Market-Risk Disclosures, Backs Down on Sovereign Weightings** - As presaged, the Basel Committee released new market-risk and voluntary sovereign-debt disclosures.

This Week

Tuesday, November 16

HFSC Full Committee Mark-up [10:00am, 2128 Rayburn HOB] Legislation not yet available.

Senate Committee on Finance hearing to Consider the Nominations of The Honorable Maria Louise Lago, of New York, to be Under Secretary of Commerce for International Trade and Lisa W. Wang, of the District of Columbia, to be an Assistant Secretary of Commerce. [10:15am, 215 Dirksen Office Building]

Wednesday, November 17

Senate Banking hearing entitled “Demystifying Crypto: Digital Assets and the Role of Government”. [2:30pm, 210 Cannon House Office Building] Witnesses: Alexis Goldstein, Director of Financial Policy, Open Markets Institute, Tim Massad, Research Fellow, Harvard Kennedy School, Adjunct Professor of Law, Georgetown Law Center, Kevin Werbach, Professor of Legal Studies & Business Ethics, Director of the Blockchain and Digital Asset Project, The Wharton School, and Peter Van Valkenburgh, Director of Research, Coin Center.

Thursday, November 18

Senate Banking Nomination Hearing. Nominee: Saule Omarova, Nominee, Comptroller of the Currency. [09:30am, Dirksen Senate Office Building 538]

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](#).

- **[GSE-111221](#)**: As [Mark Calabria made clear earlier this year](#), reform of the Treasury market has direct, major impact on that for agency debt and MBS.
- **[TMARKET2](#)**: In this report, we build on [our initial analysis](#) of Monday's [report](#) from the Inter-

Federal Financial Analytics, Inc.
2101 L Street, N.W. – Suite 300, Washington, D.C. 20037
Phone (202) 589-0880
E-mail: info@fedfin.com www.fedfin.com

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Agency Working Group on Treasury Market Surveillance (IAWG).

- **[SYSTEMIC92](#)**: Late yesterday, the Federal Reserve [released](#) its most recent financial-stability report. As in its predecessor earlier this year ([see Client Report SYSTEMIC91](#)), this report takes a cautious view, counting on continuing bank resilience to counteract old worries, such as asset-price bubbles, along with containing at least some new fears.
- **[CRYPTO21](#)**: As [noted yesterday](#), the President's Working Group on Financial Markets (PWG) was joined by the OCC and FDIC yesterday issuing a report calling for prompt Congressional action to regulate stablecoins and, even in its absence, also for fast action by federal regulators and the FSOC.
- **[GSE-102821](#)**: FHFA is [proposing](#) a new disclosure regime designed to bring Fannie and Freddie into the public marketplace in a fashion analogous to large U.S. banks.
- **[CONSUMER37](#)**: As anticipated, HFSC's hearing today with CFPB Director Chopra skidded over a wide range of policy issues.
- **[GSE-102721](#)**: After years of enforcement inactivity, the OCC has [issued a tough set of restrictions](#) against one of the increasingly few large mortgage servicers still willing to be a banks.
- **[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.