



**Monday, November 22, 2021**

❑ **WE SHALL SEE**

When President Biden first nominated Saule Omarova as Comptroller of the Currency, Karen Petrou [called it](#) an effort at a classic Washington political package in which the Administration bowed to progressives on the OCC slot to get them to back off their opposition to Chairman Powell. It of course didn't work, with Sen. Warren (D-MA) immediately branding Mr. Powell a "dangerous man" to make very, very clear that she hadn't bought into a deal even if other key senators were willing to do so. What's next?

- Omarova: As our in-depth analysis of the professor's confirmation hearing detailed ([see Client Report REFORM210](#)), key Democrats also hadn't signed on to the Omarova nomination regardless of its impact on Mr. Powell. Although Ms. Omarova sought hard to distance herself from many controversial statements on the grounds that these were in academic papers, it is clear that she would take a very large axe to anything that looks not just like a very big bank, but even just a middling regional one. Republicans failed to strengthen their substantive case against the nominee as accusations of communism flew more wildly than seen in decades. However, they are clearly united in opposition and just one or two Democrats are thus enough to block confirmation. One reason the White House felt secure enough to try this package is its confidence in Acting Comptroller Hsu. He may be there a long, long time.
- Powell: This is of course down to the wire. FedFin speculation adds nothing to the frenzied state of media commentary, so we will add nothing beyond pointing to Karen Petrou's [new paper](#): if the Fed weren't the most important architect of the financial markets and thus of credit allocation and capital formation, this choice would be the relatively low-profile one on which only insiders took sides. Whomever Mr. Biden nominates and no matter how the rest of the new Board of Governors is constituted, this omnipotent, omnipresent Fed faces unprecedented challenges to its independence in coming years.

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**Headlines From the Past Week's Daily Briefings**

**[November 15](#)**

- **COP26: Light on Financial-Sector Demands, Commitments** - We have reviewed the direct and related agreements finally struck at COP26 for matters with immediate financial-sector impact.

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## November 16

- **Basel Proposes Global Climate-risk Management, Supervision Principles** - As anticipated, the Basel Committee proposed climate-risk management and supervision principles sure to guide both the Fed and OCC, even in just proposed form, as the U.S. agencies finalize near-term U.S. guidance in this high-priority arena.
- **FRB-NY Staff: U.S. Banks Now Even More Resilient** - A new post from the Federal Reserve Bank of New York's blog assesses bank resilience through the pandemic, concluding that large banks are even more resilient now than before thanks to post-2008 rules and post-2020 market backstops.
- **HFSC Republicans Condition CBDC on Stablecoin, Private Sector** - HFSC Republicans have now laid out their principles for any U.S. CBDC, demanding that any Fed-issued CBDC maintain the U.S. Dollar's reserve currency status and the U.S. payment system's preeminence.
- **Senate GOP Tackles USPS Banking Pilot Program** - Senate Banking Ranking Member Toomey (R-PA) described postal banking as about the worst possible idea. Joined by other Republicans, Mr. Toomey wrote to the Postmaster General, questioning USPS authority to offer its recent pilot and challenging its mission-relevance.
- **CFPB Plans HMDA-Data Do-Over** - Reflecting the President's executive order on racial equity, the CFPB has now accelerated its fair-lending efforts with a request for views on how best to retool HMDA to better prevent mortgage discrimination.
- **FRB Presidents: Fund-Access, Financial-Literacy Improvements Needed** - At a racism and the economy virtual event hosted by the Minneapolis Fed, FRB Atlanta President Bostic highlighted work by his Reserve Bank's Special Committee on Payments Inclusion to show the Fed's dedication in this arena.
- **Agencies Advance Regulatory-Perimeter Renovation** - Acting Comptroller Hsu followed recent comments with a still more cautionary discussion of regulatory-perimeter breaches.

## November 17

- **Williams Emphasizes Treasury-Market Failures** - FRB-NY President John Williams reinforced the principles laid out in the recent Inter-Agency Working Group on Treasury Market Surveillance report – i.e., the “imperative of resilience.”
- **OFR: U.S. Financial Stability at Mid-Range, Too Soon to Judge Climate Risk** - OFR released its 2021 annual report, concluding that overall risks to U.S. financial stability remain in the medium range.
- **Waller Breaks with PWG on Limiting Stablecoins to Banks** - Although FRB Chair Powell has not yet decided on the need for CBDC, Fed Gov. Waller opposed it on grounds that private innovation suffices to ensure U.S. payments innovation.
- **JEC Reviews Crypto Construct** - At a Joint Economic Committee hearing on cryptoassets, Chairman Beyer (D-VA) urged Congress to update the crypto regulatory framework to better protect consumers, prevent insider trading, and ensure economic stability in part by preventing runs on cryptoassets.

## November 18

- **FSB Targets Crypto, TBTF, Systemic Leverage** - At its final meeting of 2021 and the last one over which FRB Gov. Quarles presides as chair, the FSB highlighted crypto-assets' systemic risk and indicated that it will send the G20 an updated assessment of this sector next February.

## November 19

- **Congressional Democratic Leaders Advance Tough Small-Business Lending Standards** - Senior Democrats in both the House and Senate have introduced legislation (H.R. 6054 and S. 3235) to apply TILA to small business financing, granting the CFPB the same authority for small business loans as over consumer finance.

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## **This Week**

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No meetings of note.

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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](#).

- **REFORM210**: [As expected](#), today's hearing with Comptroller-nominee Saule Omarova included an unprecedented amount of fireworks for what is normally a low profile appointment.
- **FAIRLEND10**: The CFPB has followed a study earlier this year finding significant mortgage product and price discrepancies based on race or ethnicity with a request for input (RFI) on the HMDA data on which the study was based.
- **GSE-111721a**: FHFA's [new scoring system](#) for the GSEs and CSS is a startling, if unsurprising, mission rewrite.
- **GSE-111721**: As [noted](#) yesterday, the CFPB has opened its HMDA rules to a raft of changes
- **GSE-111521**: As we [noted on Wednesday](#), the CFPB highlighted Director Chopra's competition focus when it joined other agencies [renewing](#) their mortgage-servicing supervisory and enforcement standards.
- **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-Agency Working Group on Treasury Market Surveillance (IAWG).

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