



Wednesday, November 3, 2021

Fed Acknowledge Climate Threat, Avoids Near-Term Commitments

The Federal Reserve [today supported](#) the most recent [NGFS statement](#) on global central-bank climate initiatives, emphasizing that the global statement allows each central bank to tailor its climate-risk efforts to its mandate and that the Fed's mandate circumscribes efforts it recognizes to be of great importance. The FRB also emphasized the analytical and collaborative nature of its climate-risk work, citing not only the most recent FSOC report ([see Client Report GREEN11](#)), but also ongoing FSB and NGFS actions. The statement also attests to the Fed's dedication to understanding all the issues outside its mandate affected by its actions, otherwise providing no insight into ongoing [scenario-analysis or related climate risk](#). The NGFS statement reaffirms [reports](#) released ahead of the Glasgow summit.

Omarova Nomination Clears Formal Hurdle

Late yesterday, the White House [officially nominated Saule Omarova](#) as the next Comptroller of the Currency. As [previously noted](#), we view this appointment to be part of a larger political negotiation over Jay Powell's second term and the broader slate of Fed nominees. It did not appear to succeed -- immediately after praising Ms. Omarova, Sen. Warren (D-MA) declared Mr. Powell to be a "dangerous man" ([see Client Report REFORM208](#)). We expect Chairman Brown (D-OH) quickly to schedule Ms. Omarova's hearing, following which her confirmation vote will face stiff opposition not just from Republicans, but also at least a few of the moderate Democrats who determine Senate outcome.

Comment Date Set for FHFA Capital-Disclosure Proposal

The *Federal Register* [today](#) includes FHFA's proposed capital-disclosure regime for Fannie and Freddie, with comment now due January 3. [As previously noted](#), the proposed disclosures would better align the GSEs' releases with those mandated for large banks, requiring transparency regarding standardized approach, operational, market, and leverage capital requirements. This would go beyond the disclosures required by the [current GSE capital rule](#), however FHFA is also rethinking these as part of again [restructuring the capital rule](#) under Acting Director Thompson.

OCC Climate Guidance Imminent

In his statement [today](#) supporting the NGFS Glasgow Declaration (see our earlier alert), Acting Comptroller Hsu expands on his comments about FSOC's climate-risk report ([see Client Report GREEN11](#)). The OCC now will issue for comment guidance on large-bank management supervisory expectations regarding climate risk by year-end. The Fed has signaled [similar guidance](#) but set no timing for it.

Powell: Fed No Longer Contemplating SLR Rewrite

While FRB Chair Powell's press conference [today](#) largely focused on the economy and monetary policy, he was also asked if the Fed still plans to seek comment on ways the SLR could be adjusted to increase Treasury-market liquidity. Fed officials [early this year](#) committed to a summer SLR-rewrite proposal, Chair Powell today took this off the table unless or until SLR adjustment is included in Treasury-market reform recommendations from an ongoing inter-agency working group. Responding to a question regarding the Fed's support for the NGFS statement on global central-bank climate initiatives (see our earlier alert), Chair Powell pledged that the Fed will not set fossil-fuel lending standards, making clear that this is up to elected officials.

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](#).

- **[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.
- **[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.