



Tuesday, November 16, 2021

## Basel Proposes Global Climate-risk Management, Supervision Principles

As [anticipated](#), the Basel Committee today [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. We will shortly provide clients with an in-depth analysis of the global consultation, which proposes principles-based standards that provide wide scope for national action and even inaction. The most stringent aspects of the standards related to stress testing and scenario analysis are intended as baselines for global action governing only the largest internationally-active banks. However, the principles for both banks and supervisors are meant for smaller banks following the tailored-implementation policy also laid out in the consultation. As recently [announced](#) by Acting Comptroller Hsu, the global standards also heavily emphasize governance to ensure that climate-risk controls are meaningful without need for prescriptive supervisory or regulatory mandates. Basel plans to issue final standards as quickly as possible after receiving comments by the February 16 deadline.

## 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. Using four models that gauge the vulnerability of the fifty largest BHCs, the survey concludes that capital levels are among the strongest seen in recent years, fire-sale vulnerability has somewhat increased, and liquidity stress is down, but run-risk vulnerabilities are back where they stood before the pandemic. Given the many risks spotted in the Fed's most recent financial-stability report ([see Client Report SYSTEMIC92](#)), this resilience may again prove critical to that of the financial system unless bank run-risk were to increase.

## 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. CBDC issuance must also not impede development of stablecoins – which the principles state may be a “potential cornerstone” of a modern payment system if issued under proper regulation – and also promote private sector innovation and competition. A U.S. CBDC must also address privacy and security protections. The principles also reiterate previous GOP assertions ([see Client Report REFORM208](#)) that the Fed cannot issue a digital currency without Congressional authorization.

## Senate GOP Tackles USPS Banking Pilot Program

Senate Banking Ranking Member Toomey (R-PA) today [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. Sen. Toomey also links postal banking to the pending nomination of Saule Omarova as Comptroller of the Currency, calling it a step to nationalizing banking as she would also seek to do. Answers to a series of detailed questions in the letter are due by December 3.

## 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. The new effort will focus on which institutions file, which data are collected, the benefits of new data, and operational or compliance considerations. We will shortly provide clients with an in-depth assesses of this RFI; comments will be due sixty days after *Federal Register* publication.

## FRB Presidents: Fund-Access, Financial-Literacy Improvements Needed

At today's 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. He also argued that costs associated with consumer-fund access must be decreased, but did not provide details on how best to accomplish this. Kansas City Fed President George focused her remarks on financial-literacy efforts, pressing banks to improve them. Mr. Bostic agreed, but also said banks are not the only financial companies that need to enhance financial literacy.

## Agencies Advance Regulatory-Perimeter Renovation

Acting Comptroller Hsu [today followed](#) recent [comments](#) with a still more cautionary discussion of regulatory-perimeter breaches. Reiterating the "because you do, you are" framework proposed in a recent [Fed paper on the regulatory perimeter](#), Mr. Hsu called for both activity and bank-partnership regulation constraining what he calls "synthetic banking." This would go beyond the constraints in pending third-party vendor standards ([see FSM Report VENDOR9](#)) to circumscribe what banks may in fact do in such partnerships. Mr. Hsu also called for consolidated supervision of diversified crypto firms.

In addition, the Acting Comptroller confirmed that the banking agencies will shortly announce the conclusions of their crypto sprint, saying that this will be only a short statement of general principles rather than the regulatory roadmap many anticipated. This release will emphasize that all of the agencies will prioritize safety and soundness in their actions, a goal the OCC will also advance in a statement at that time about how it will now approach crypto charters. Mr. Hsu's comments appear to make it clear that the special-purpose approach of the last Acting Comptroller will be reversed.

## 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](#).

- [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).
- **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.
- **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.