



Monday, November 29, 2021

Global Regulators Tackle Key CCP-Resilience Challenge

Addressing ongoing concerns about CCP resilience when members default, the CPMI and IOSCO [today](#) consulted on CCP access and client-position portability, seeking views on new access models allowing clients direct access to CCP services and the effectiveness of porting practices. No new policy is proposed, with the discussion paper instead weighing benefits and risks to CCP access-and-portability options. The paper specifically considers preemptively identifying potential alternate client clearing service providers and account structures that facilitate fully margined client positions. Potential next steps are also described, with these including alternative client clearing service providers, developing porting game plans and CCP protocols to obtain client consent, augmenting communication and coordination protocols, and harmonizing. CCPs should also consider whether more rigorous porting testing is needed and increasing client transparency. Comment is due January 24.

FRB-NY: Disasters Don't Damage Bank Resilience

Although the [Wall Street Journal](#) today editorialized that a new FRB-NY paper absolves banks of climate risk, the actual [paper](#) does not do so. Instead, it concludes that one facet of climate risk – disaster-related physical damage to a bank or its customers – has not proved problematic since 1998. The paper looks at floods, fires, and similar events large enough to trigger a federal disaster declaration, concluding also that bank resilience appears to reflect both bank and market resilience, not resulting federal aid or intervention. In general, loan losses and charge-offs do not increase after these disasters and banking business is buoyed by demand for new loans to support rebuilding. This pattern holds true in even the most damaging climate events, with even the small banks feeling short-term adverse impact still not at risk of insolvency. Interestingly, these same small banks reallocate credit in flood-prone areas even where FEMA does not identify flood risk, suggesting that bank resilience at least for small, local banks is due to their local knowledge base. The study's authors also note that their findings are consistent with prior research showing for example that disasters do not adversely affect default risk in developed nations, citing also a 2005 FDIC study reaching similar conclusions.

Powell Prepares for Confirmation-Focused Questioning

We will provide clients with in-depth reports as Chairman Powell testifies before Congress tomorrow and then again on Wednesday, but the testimony filed this [afternoon](#) makes it clear that Mr. Powell expects tough going as he prepares for confirmation. Although the hearings are nominally convened to discuss CARES Act implementation, Mr. Powell's short statement focuses on challenges to the recovery due to COVID, his commitment to inclusive monetary policy, the need to view "maximum employment" with regard to under-employed communities, and the risks inflation poses to lower-income households. However, Mr. Powell still insists the recovery is reasonably robust and the Fed will meet its two-percent price-stability goal.

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-112421](#): Because FHFA tends to take its cue from both the Basel Committee on Banking Supervision and its U.S. cousins, we here drill down to look at the housing-finance implications of the

proposed global framework we assessed in a [recent in-depth report](#).

- **CLIMATE12**: Following the UN's COP26 climate-risk summit, the Basel Committee has proposed high-level principles guiding risk management and supervision related to both physical and transition climate risk.
- **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).
- **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.