



# FedFin Daily Briefing

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Monday, January 10, 2022

## FDIC Exempts Some Custody Funding from Brokered Deposits

As promised in its brokered-deposit rule ([see FSM Report DEPOSIT INSURANCE111](#)), the FDIC today [published](#) a notice expanding deposit-making exceptions to funds received from third-party custodians without discretion over the IDIs into which funds are placed. The agency reached this determination by finding that the primary purpose of custodial banks or other entities in this framework are not acting as deposit brokers because they have no choice as to where funds are placed and the terms involved. Any custodial entity that has discretion may not make use of this exception and its funds remain in the "brokered" category for purposes of call reports and other requirements. The change is effective immediately. While seemingly technical, this is an important exception for custody banks and the wholesale funding market.

## FSB Turns to Insurance Resolutions

The [FSB today expanded](#) on longstanding efforts to ensure successful insurance-company resolution, issuing papers on [resolution funding](#), and [resolution planning](#). Together, they cover issues such as privately-funded policy-holder backstops and other funding sources and internal inter-connectedness in terms of both financial exposures and operational relationships. None of these papers sets standards akin to those demanded of GSIBs, but the FSB is interested in comments so final versions inform domestic resolution regimes questions also address cross-border implications, with comments due by March 15.

## Warren Stands Firm Against Powell

As anticipated in our in-depth report earlier today ([see Client Report FEDERALRESERVE22](#)), Sen. Warren (D-MA) is not letting upon Chairman Powell. Today, she sent a [tough letter](#) reiterating demands for an array of information on Fed-officer trading, reiterating also that she wants an SEC investigation. It remains to be seen if she will place a hold on Mr. Powell's confirmation pending receipt of either the information she demands and/or the results of an SEC inquiry. However, the detailed list of requests the senator has made of the Fed she considers still unanswered suggests that she will not allow this question to pass without some form of satisfaction. As noted, we will monitor tomorrow's confirmation hearing and provide clients shortly thereafter with an in-depth report.

## 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](#).

- [FEDERALRESERVE22](#): Many of you have asked us to forecast key policy implications ahead of two high-powered hearings this week considering President Biden's top Fed nominees.
- [GREEN12](#): Issuing the first formal U.S. climate-risk proposal, the OCC is seeking comments on high-level risk-management principles to set the context for additional, more binding action governing larger U.S. banking organizations.
- [GSE-010322](#): New [economic commentary](#) from the Federal Reserve Bank of Cleveland assesses several recent studies on homeownership from an investment perspective.
- [MMF19](#): In the wake of noncommittal statements from global regulators on ways to address money-

market fund systemic risk, the Securities and Exchange Commission has proposed sweeping changes to the 2014 standards adopted after the 2008 crisis.

- [GSE-122721](#): Late last week, the NCUA put a small addition into the Christmas stockings already stuffed by the regulator over the past few months with numerous regulatory liberalizations.
- [MERGER10](#): Just days after the FDIC chair refused to advance a request for comment on bank-merger policy, the Department of Justice released one signaling agreement with many of the concerns Democrats aired in concert with the RFI.
- [GSE-122021](#): As [noted](#) on Friday, the Biden Administration's first FSOC systemic-risk hit list reiterates Trump Administration fears about [nonbank mortgage companies](#).
- [GSE-121721](#): As [noted](#) on Thursday, FHFA continues to tread carefully through the big-bank rulebook, adopting standards said to be like-kind that aren't quite so similar when it comes to critical details.
- [MERGER9](#): Released in a highly-controversial fashion (see below) by two Democrats on the FDIC's board, this RFI posits the need for a significant review of mergers involving insured depository institutions (IDIs) due to many changes in the financial industry and, so it says, the lack of substantive competitive analysis over past decades even of the largest transactions.
- [GSE-121521](#): Although there were signs [earlier this year](#) that the QRM risk-retention exemption might get a long-delayed overhaul, the agencies [yesterday](#) ducked any decisions.
- [GSE-120921](#): On Tuesday, [HUD](#) and the [CFPB](#) opened the door to [special-purpose mortgage finance](#). Now, we expect FHFA to use this safe harbor to mandate express GSE equitable-finance programs and for banks to take much of what's left in all their commitments after George Floyd's murder and turn it into mortgage and other community-finance products.
- [CRYPTO23](#): As [anticipated](#), today's HFSC hearing was a marathon session at which industry witnesses defended their business model, Republicans liked it fine, and Democrats worried about a wide array of policy challenges.
- [COVEREDFUNDS3](#): The OCC is "clarifying," but also in many respects rescinding one aspect of controversial 2020 rules expanding the "covered funds" under which banks may make equity investments as provided by the Volcker Rule.
- [GSE-120621](#): As we noted on [Friday](#), Senate Banking Ranking Member Toomey asked SEC Chairman Gary Gensler a trick question about GSE [obligations](#) at the very end of a lengthy letter focused principally on cryptography.
- [GSE-120221](#): Two recent studies add fuel to the fire we first spotted [late last year](#): demands for ARMs that only go down.
- [FEDERALRESERVE65](#): Continuing the partisan and often-acrimonious tone of the Senate Banking hearing ([see Client Report FEDERALRESERVE64](#)), HFSC today heard from Chairman Powell and Secretary Yellen.
- [CRYPTO22](#): Although the OCC joined other agencies issuing a non-committal "roadmap" for future cryptography actions, the agency at the same time and far more decisively stated that crypto activities are permissible only if they are also safe and sound.
- [FEDERALRESERVE64](#): Most of the news at today's Senate Banking hearing revolves around Chairman

Powell's concession that inflation may not be transitory and economic growth is now so robust that quantitative tightening might proceed more quickly than planned, pandemic permitting.

- **[GSE-113021](#)**: Unsurprisingly, [FHFA today raised](#) the GSEs' conforming loan limit to about \$647,000 and the high-cost limit to nearly \$1 million.
- **[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.