



# FedFin Weekly Alert

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Monday, January 31, 2022

## ❑ TROUBLE AHEAD

Although we anticipated a significant confirmation fight for Sarah Bloom Raskin ([see Client Report FEDERALRESERVE66](#)), it's getting uglier not only for her but also one of the lower-profile Fed nominees, Lisa Cook. Indeed, all three face a new [challenge](#) from Ranking Member Toomey (R-PA): the legality of their appointments. We doubt this hearing will take on the particularly nasty tone of that for OCC-nominee Omarova ([see Client Report REFORM210](#)) and it's likely to be even more partisan. Still, as we'll assess following the hearing, each nominee will surely earn their job at this session if they win confirmation. Key issues include:

- geographic diversity. Sen. Toomey has resurrected a statutory consideration sidelined for Jay Powell requiring that the Federal Reserve System's Board of Governors include persons from specific geographic regions. This requirement has been side-stepped long before Mr. Powell's renomination, but it's a speed bump for Ms. Raskin and Ms. Cook as well as for Mr. Jefferson;
- expertise. Sen. Toomey also questioned the extent to which nominees and the board as a whole meet the law's criteria for designated expertise (e.g., agriculture). This requirement has been ignored even longer than the geographic one, but it's taken on new life not only because the board flunks the test, but also because conservative media have targeted Ms. Cook. We do not expect Democrats to pay any heed to this and most Republicans will also avoid targeting her, but it might still get nasty;
- paperwork. Building on his critique of the nominees' expertise, Sen. Toomey has also [argued](#) what he calls serious omissions in the professional histories Ms. Raskin and Professor Cook filed. These were, he said, corrected following his demands for full reporting, revealing an array of what he suggests are controversial statements the nominees sought to obscure to enhance their chances;
- climate risk. The Chamber of Commerce's opposition to [Ms. Raskin](#) is most unusual and thus creates an even bigger confirmation obstacle than we anticipated; and

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- Fed accountability. This will come up at the hearing when Republicans closely question all of the nominees about their adherence to a mandate sure to be described as tightly limited. We expect all of the nominees to forswear any interest in sanctioning lending to any forms of legal business, any type of mandatory racial-equity measure, or indeed any kind of policy premised on social or public welfare. This may satisfy senators for now, but the more this question comes up, the more likely Republicans are to seek greater control over the U.S. central bank should the midterm go their way.

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## Headlines From the Past Week's Daily Briefings

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### January 24

- **FFIEC Advances Exam-Reform Initiative** - Completing the final phase of its Examination-Modernization Project, the FFIEC issued [best practices](#) for requesting examination information from supervised entities.
- **CFPB Seeks Comment on BNPL** - The CFPB's [inquiry](#) into buy-now/pay-later (BNPL) providers along with questions for public comment were posted in the [Register](#).

### January 25

- **CFPB Takes Bank-Competition Lead** - The [read-out](#) posted of the President's competition-council meeting included a statement that the CFPB is going after "tens of billions" in "junk fees" in "banking, credit cards, and mortgages."
- **Toomey: Fed Nominees Violate Geographic, Professional Diversity Requirements** - Continuing to oppose several of President Biden's Fed nominees, Senate Banking Ranking Member Toomey (R-PA) argued the nominations fail collectively to meet geographic and professional diversity requirements in law.

### January 26

- **CFPB As Good as Its word on Campaign vs. "Junk" Fees** - The CFPB acted on its promise to the President to counter "junk fees," announcing a new request for public input on "inflated and back-end" fees which Director Chopra says allow banks and other financial institutions to exploit average Americans.
- **In Side Note, Powell Backs SEC MMF Reforms** - Although his press conference almost entirely focused on monetary policy, FRB Chair Powell was also asked about asset price stability.
- **Partisan Battle Over Crypto Emerges on China Competition Bill** - House Democrats' [America COMPETES Act](#) introduced includes several provisions of note addressing financial-stability risks seeming to emanate from China.

## January 27

- **ECB Takes Cautious Step to Climate-Risk Stress Tests** - Although the U.S. is still at least a year away from bank climate-risk stress tests ([see FSM Report GREEN12](#)), the ECB [announced](#) new, non-binding stress tests focusing largely on qualitative risk assessments.

## January 28

- **Toomey Raises New Objections to Fed Slate** - Adding to his objections to Fed nominees other than Mr. Powell, Senate Banking Ranking Member Toomey (R-PA) cited missing paperwork.
- **Board Advances Longstanding DIHC/Insurance Construct** - The Federal Reserve proposed new supervisory guidance for DIHCs principally engaged in insurance activities, also detailing a new supervisory rating system.

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## **This Week**

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### **Thursday, February 3**

Senate Banking Hearing [10:00am, Dirksen Senate Office Building 106] Witnesses: The Honorable Sarah Bloom Raskin, of Maryland, to be Vice Chairman for Supervision and a Member of the Board of Governors of the Federal Reserve System; Dr. Lisa DeNell Cook, of Michigan, to be a Member of the Board of Governors of the Federal Reserve System; and Dr. Philip Nathan Jefferson, of North Carolina, to be a Member of the Board of Governors of the Federal Reserve System.

### **Friday, February 4**

FDIC Open Meeting and Executive Session [TBD] **Open Meeting:** Preliminary agenda for the open session includes nonbank financial intermediation; **Executive Session:** Preliminary agenda for the executive session includes an update from the Council's Hedge Fund Working Group; an update from the Council's Open-end Fund Working Group; money market funds; and the Council's priorities for 2022.

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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](#).

- **CBDC10:** Months after initially promising to release a discussion draft on central bank digital currency (CBDC), the Federal Reserve is now seeking comment on whether

and how it might create one.

- [GSE-012422](#): A new Federal Reserve Bank of Atlanta [study](#) adds another element to those [prior research argues](#) are evidence of widespread racial discrimination in U.S. mortgage finance.
- [GSE-011422](#): As noted in our in-depth analysis of Acting FHFA Director Thompson's confirmation hearing, it's clear that Democrats and Republicans are thinking hard about resurrecting statutory changes to the GSEs' charters.
- [FEDERALRESERVE68](#): At today's confirmation hearing, Gov. Brainard took a lot of the heat on inflation Republicans only mildly mentioned during Mr. Powell's Tuesday confirmation hearing ([see Client Report FEDERALRESERVE67](#)).
- [REFORM211](#): As promised, FedFin begins our 2022 forecasts with this in-depth report on bank regulation.
- [FEDERALRESERVE67](#): As promised yesterday ([see Client Report FEDERALRESERVE66](#)), we listened closely today to gauge the extent to which Chairman Powell faces a serious challenge to reconfirmation.
- [FEDERALRESERVE66](#): 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](#).